

= Sustainability

GRUNDFOS SUSTAINABILITY PROGRESS REPORT 2014



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GRUNDFOS 

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Introduction

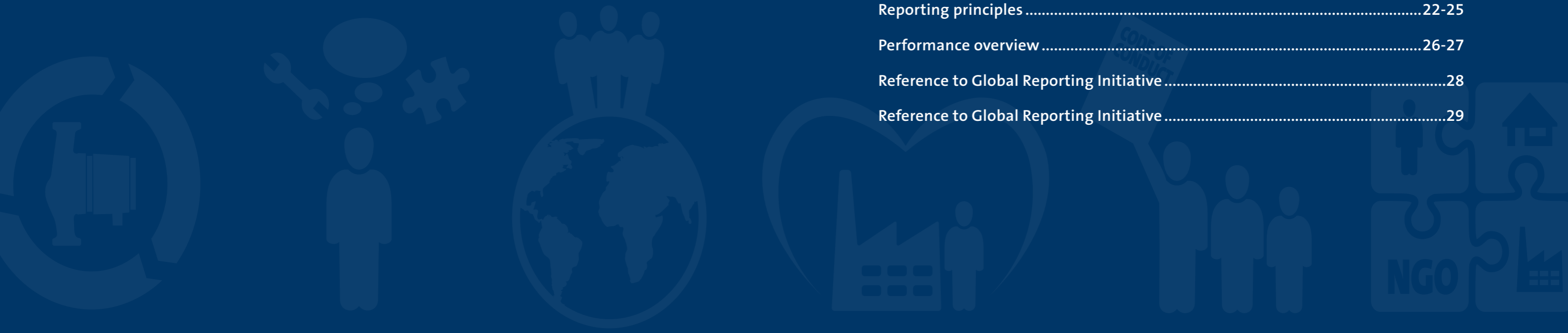
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This is Grundfos

Grundfos Holding A/S

Grundfos Holding A/S is a pump manufacturer which offers sustainable pump solutions to the market. Today, Grundfos is one of the world's leading pump manufacturers with an annual production of more than 16 million pump units. Furthermore, Grundfos is the largest manufacturer of circulator pumps covering approx. 50% of the world market.

Our goal is to be a global leader within advanced pump solutions and a trendsetter in water technologies. We want to contribute to a more sustainable world by developing pioneering technologies to improve quality of life for people and take care of the planet.

Products

Our range of efficient and reliable pump solutions is continuously extended. Comprehensive know-how and intensive research and product development allow us to develop new trendsetting products, which meet the increasing demand for better energy efficiency and reduced environmental impact.

Our main products include circulator pumps for heating and air-conditioning as well as other centrifugal pumps for industry use, water supply, sewage and dosing. In addition to pumps and pump systems, Grundfos develops, produces and sells energy-efficient motors and advanced electronics.

Built-in electronics make our pumps intelligent and mean that they can determine the need for water and adapt their performance accordingly. This leads to significant reductions in energy and water consumption.

Business areas

Grundfos operates in many different markets and offers pump solutions for a number of different purposes. One important business area for Grundfos is buildings, and we focus on delivering all the types of pump solutions that are required. These solutions are mainly pumps for heating, air-conditioning, fire protection, water supply and wastewater. They are used in large buildings such as hotels, hospitals, shopping malls and in smaller buildings such as one- and two-family houses.

Another business area for Grundfos is water. Grundfos provides pump solutions to e.g. water plants, wastewater plants and agriculture.

Also, we focus on pump solutions for industrial customers. We focus on a number of different industries; some are specific, such as the water industry, but we also focus on providing pump solutions for industries in general.

A global company

Grundfos is a global company with almost 19,000 employees, working in more than 80 companies. Headquarters are located in Bjerringbro, Denmark. We have production and sales companies in all regions of the world, and we are present in more than 50 countries.



Sustainability in Grundfos

The Grundfos purpose is to be a global leader in advanced pump solutions and a trendsetter in water technology. At Grundfos, we take responsibility to contribute to global sustainability by pioneering technologies that improve quality of life for people and care for the planet. First, we take this responsibility because sustainability is part of our DNA, and has been the basis for the way we conduct our business from the very beginning. Secondly, it is a way of managing potential risks and reducing costs throughout our value chain. Thirdly, sustainability is a strong innovation and business driver at Grundfos.

In 2012, we launched our Sustainability Strategy 2012-2017 – another step in giving high priority to sustainability, but also a way of creating the necessary strategic framework for prioritising our various sustainability efforts in the years to come. The Grundfos Sustainability Strategy 2012-2017 sets the direction for our sustainability effort within the following six focus areas: Sustainable Product Solutions, People Competences, Environmental Footprint, Workplace, Community and Responsible Business Conduct. In this report, you can read about our progress in 2014 within the six focus areas.

Progress 2014

Ambition levels and objectives have been identified for each of the six focus areas, and where possible we have clear key performance indicators in place. This has put us in a position where we can document an immediate, direct and measurable improvement on key sustainability indicators. However, it has also enabled us to identify areas where we need to improve.

From 2005 to 2014, total sales of our energy efficient circulator pumps in the EU have saved 3.5 billion kWh of electricity. This is just one example of how Grundfos solutions are contributing to sustainable development. When it comes to our own operations, we have reduced our energy consumption by 3% and our water footprint by 6% compared to 2013. Nevertheless, as mentioned before,

sustainability goes beyond our environmental impact. At Grundfos, we strive to have an attractive and safe workplace where Grundfos employees thrive. We are therefore proud that injuries in the workplace have been reduced by an impressive 21% compared to 2013. At Grundfos, we want to be recognised as a company conducting responsible business. In 2014, we took another step in this direction when we launched our Human Rights policy. The policy outlines what Human Rights mean in a Grundfos context, and what we expect from stakeholders and business partners.

Reporting commitments

Since 2002, Grundfos has supported the UN Global Compact and its ten principles. Furthermore, as part of our commitment to the UN Global Compact, we support Caring for Climate and the CEO Water Mandate. The Grundfos Sustainability Progress Report 2014 functions as our Communication on Progress (COP).

I hope that you will enjoy reading about sustainability at Grundfos. Feel free to visit www.grundfos.com/sustainability for more information.



Pernille Blach Hansen,
Group Vice President,
Quality and Sustainability



WE SUPPORT

Sustainability focus area status





Sustainable product solutions

At Grundfos, we strive to deliver product solutions which can benefit future generations. By this we mean products which have minimal impact on people and the planet, and we want to improve living conditions for people everywhere. We do so by working with five different focus areas: sourcing of materials, production, packaging and distribution, use and lifetime, and end-of-life. Besides striving to deliver sustainable solutions, we also want to be recognised as an important player in public policy accelerating sustainable development.

During 2014, we have worked intensively on preparing for the introduction of the new ISO14001 standard and on restructuring our process of handling environmental product documentation requested from our customers. Furthermore, we have identified the need for a more systematic monitoring of environmental legislation to ensure a proactive approach to the increasing number of legal requirements affecting our products. All initiatives will continue into 2015 and beyond.

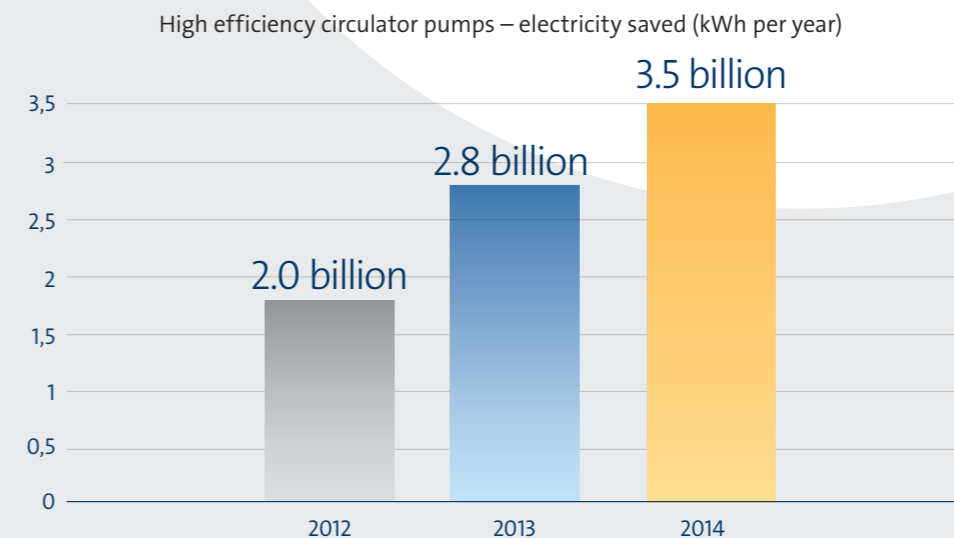
Sustainable Product Solutions Toolbox

In 2013 and 2014, Grundfos developed its own methodology (toolbox) to facilitate a systematic approach to developing more sustainable products. This toolbox combines life-cycle thinking, eco-design principles and guidelines with our product development and innovation processes. People, planet and business are integral elements in each of the focus areas.



Energy efficient product solutions

One of our most mature focus areas within sustainable product solutions is the use and lifetime of our products, focusing specifically on energy efficiency. Grundfos delivers some of the most energy efficient solutions in the market. The installed base of Grundfos high efficiency circulator pumps sold in the EU between 2005 and 2014 implies a total annual energy saving of 3.5 billion kWh, which corresponds to the annual electricity consumption of 800,000 European households.



In addition to energy efficient products, Grundfos has a portfolio of products contributing to solving problems related to water stress. With offerings such as Demand Driven Distribution (DDD), Grundfos LifeLink and Grundfos BioBooster, we offer solutions which can minimise water waste, provide water to remote rural areas and enable decentralised wastewater treatment and water re-use.

Influencing the public sustainability agenda

Grundfos has a strong history of influencing the political agenda to promote more energy efficient solutions – as in the case of the European ErP (Energy related Products) Directive. Grundfos is currently involved in several working groups which work on further advancing the environmental agenda, such as the Environmental Footprint Initiative of the European Commission or various working groups aiming to help expand the ErP Directive. The expansion of the ErP Directive involves changing the directive from concerning only energy efficiency to being instead a more holistic eco-design directive. This encompasses important areas such as resource efficiency, end-of-life treatment and common standards for documenting environmental information for products across the same product ranges.





People competences

In order to live up to our purpose and our sustainability vision, we need the right people to match these ambitions, and we need to continuously develop their competences. In relation to sustainability, our work with people competences at Grundfos focuses on two areas. The first is to create general awareness of sustainability at Grundfos. We want sustainability to be a natural part of the way we conduct business and understand society at large. Secondly, we wish to continuously develop our employee competences through education and training, so that Grundfos now and in the future can compete in a global business environment and remain the first choice workplace for the brightest talents.

Awareness of sustainability

At Grundfos, there is a saying: “sustainability is in our DNA”. Nevertheless, we continuously raise awareness of what sustainable practices are, and how Grundfos with almost 19,000 employees can work towards being an ever more sustainable business. In 2014, Group Sustainability developed a sustainability e-learning module which focuses on giving Grundfos employees an understanding and insight into how sustainability is defined at Grundfos, and how they can contribute. The module will be implemented as a pilot project in 2015, and learnings will be gathered and analysed for the training to be rolled out in 2016.

Building for the future

At Grundfos, we want to nurture our talents so that Grundfos, now and in the future, can compete in a global business environment. Our Talent Engine, which has been a strong contributor to identifying, developing, deploying and retaining talents at Grundfos, played a significant role in 2014. The number of talents taking on greater responsibility or moving to another area was stable compared to 2013, as were the annual employee turnover rates (less than 5 per cent). However, we have decided to redesign the talent programme in 2015 and enlarge the scope to include a broader population of talents at our local companies.

Furthermore, Grundfos has its own corporate academy, the Poul Due Jensen Academy. In 2014, the academy delivered more than 72,000 training hours on global training programmes, focusing on leadership programmes and sales and technical training. The ability to handle change by understanding the mechanisms of change and employee reactions is key in today’s global business climate and also at Grundfos. Over the last couple of years, more than 700 leaders have attended “Embracing Change” classes and workshops, and this has resulted in a consistent and global approach to change management.

Strengthening employee competences

It is Grundfos’ objective that all employees with at least 6 months of service attend an Employee Development Dialogue (EDD) every year.

The purpose of the EDD is to create a framework for discussing the employee’s tasks, qualifications and motivation for doing her/his job and for discussing the employee’s development ambitions.

In previous years, data on EDDs and training hours has been collected manually via surveys sent to all Grundfos companies. In 2014, data was extracted from the People Portal (SAP) which has been our global system for documenting EDDs and training hours for the past 2 years. However, as the processes and the People Portal are not fully implemented yet, performance has dropped significantly.

For the EDDs, this is particularly evident. For blue-collar workers, figures have decreased from 76%* of all employees attending an EDD to only 36%. It is estimated that actual performance is higher than this as not all EDDs are yet registered correctly.

The picture is the same for training. Training hours have dropped for both blue collar and white-collar employees, but we know for a fact that not all training activities are recorded in the People Portal and that the actual numbers are higher.

It is a high priority at HR to redesign and simplify processes and to establish a governance that will ensure global implementation of both processes and system. This will result in improved HR data.

	2012	2013	2014
Employee Development Dialogue – blue collar	79 %	76 %	36 %
Employee Development Dialogue – white collar	86 %	80 %	66 %
	2012	2013	2014
Training – blue collar (hours)	24 h	17 h	10 h
Training – white collar (hours)	35 h	27 h	19 h

For global training activities, our focus in 2015 will continue to be on supporting strategy deployment and execution power and balancing global consistency with local/regional proximity. The increasing amount of global teams and managers with remote employees raises a need for development programmes supporting the virtual working environment. We have therefore launched several new programmes like “Virtual Team Collaboration” and “The Virtual Leader” which can be taken as self-study e-learning courses or be facilitated online. In this area, we expect to grow in the coming years.

*please see Reporting principles on p. 22-25 for definition and scope





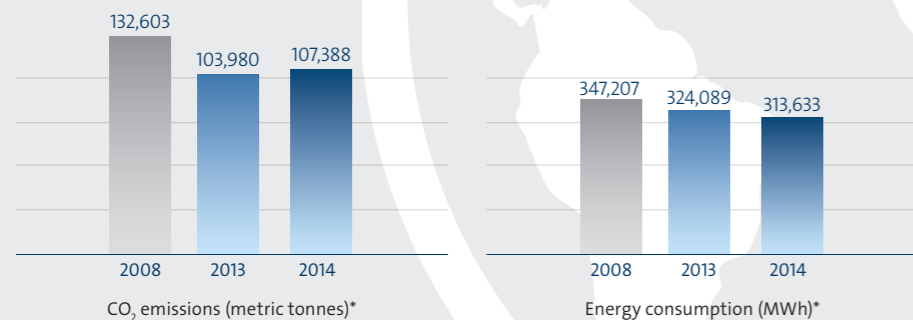
Environmental footprint

At Grundfos, we want to take our own medicine and minimise our environmental footprint. We focus on four specific footprint areas: energy and CO₂ footprint, water footprint, chemical footprint and waste footprint. It is Grundfos' ambition that all production companies have the ISO14001 Environmental Management certificate. In 2014, another Grundfos production company received the certification, increasing the percentage of Grundfos companies certified from 84% to 88%.

Since 2009, Group Management at Grundfos has focused on innovative and proactive ideas from Grundfos employees for reducing our environmental footprint through the Future Now Award. This was also the case in 2014 when three winners were selected. At Grundfos' production company in Hungary, a Green Lean project in production reduced the energy consumption of 22 washers. In one of our factories in China, a closed loop water system has been constructed which recycles water instead of disposing it as waste water. The third winner was Grundfos' production company in Denmark where employees developed a system capable of reducing cooling lubricant wastage by up to 80%. All three projects were honoured with the Future Now Award; they are just three examples of how we at Grundfos strive to minimise our own environmental footprint, and how we reward great initiatives.

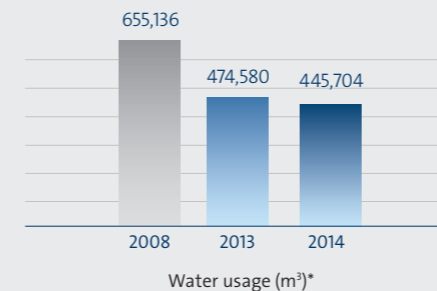
Energy and CO₂ footprint

Our ambition is to never emit more CO₂ than in 2008 in absolute numbers. The 2014 numbers have increased by 2%* compared to 2013. However, we are overall 19%* lower than in 2008, while reaching a 24% turnover increase during the same period. CO₂ emissions are based on energy consumption and CO₂ conversion factors. Every year, those factors vary according to local renewable energy output. This makes it interesting to look at the energy consumption as well. In 2014, we have reduced our energy consumption by 5%* compared to 2013. Besides the Future Now Awarded activity in Hungary, our Motor & Pump replacement programme, and our Green Lean approach which focuses on minimising the use of energy, water, chemicals, and materials, have contributed to lowering the energy consumption.



Water footprint

We are committed to reducing our total water consumption by 50% by 2025 compared with 2008 levels as well as improving water quality. In 2014, our water consumption was reduced by 6%* compared to 2013. One initiative helping to reducing our water consumption is the Water Efficiency Programme; a mapping process that has unveiled potential reductions.



Chemical footprint

Our chemical footprint includes chemicals used for manufacturing, raw materials and service chemicals for cleaning and maintenance of buildings. Since 2013, Grundfos has been working actively with global suppliers to ensure that they adhere to the Grundfos Focus List which is based on European chemical legislation. In 2014, this initiative has expanded to include local suppliers not just in Europe but all over the world.

Waste footprint

Yearly targets for production companies (where the impact is most significant) have been deployed regarding hazardous waste and non-hazardous waste*.

Our companies have different activities in place to reach these targets and performance shows that hazardous waste has been reduced from approx. 70,000 kilos per million working hours in 2013 to approx. 60,000 kilos in 2014, corresponding to a 17% reduction. Non-hazardous waste has been reduced from approx. 115,000 kilos per million working hours to approx. 110,000 kilos in 2014, corresponding to a 6% reduction.

Due to continuous changes in scope and perception over the years, we cannot compare our 2014 waste footprint performance with our 2008 baseline. We will continue the process of improving our data quality and reliability, as we aim towards reporting on a trustworthy and transparent manner.

*please see Reporting principles on p. 22-25 for definition and scope

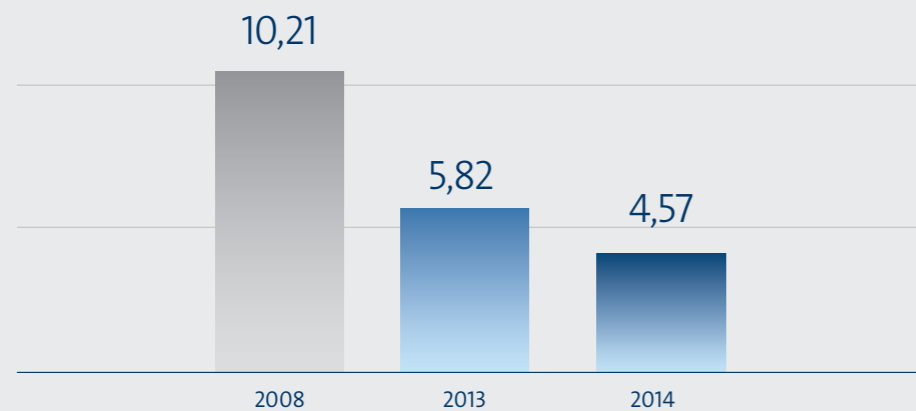


Workplace

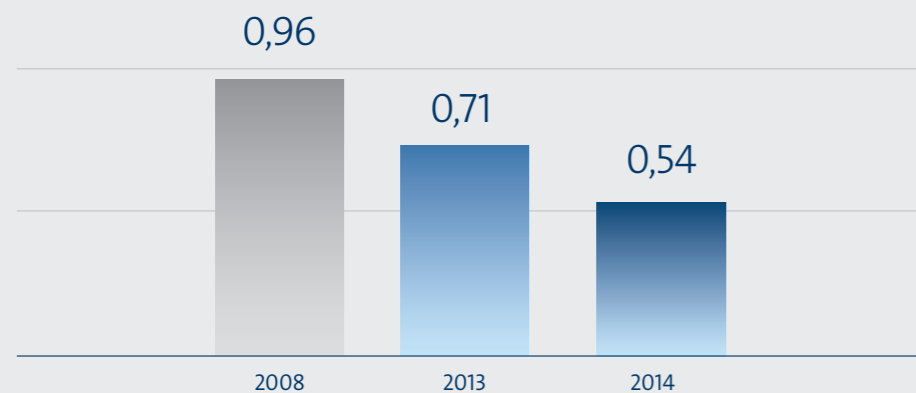
An attractive workplace attracts the best people. At Grundfos, this means creating a safe and positive physical and psychological environment where our employees can perform at their best. This includes the safety, health, diversity and well-being of our employees.

Work environment

Grundfos is committed to providing a safe and healthy work environment. Therefore, it is very positive that the rate of injuries has been reduced by 55%* in 2014 compared to 2008; this is a decrease of 21%* compared to 2013. In 2014, a health and safety task force was appointed to develop a new health and safety standard for Grundfos. This resulted in concrete initiatives such as near-miss reporting, risk assessments and safety walks. In 2015, these initiatives will be implemented throughout the entire Grundfos organisation. This will ensure that we keep a strong focus on health and safety in our daily operations.



Injuries (per million working hours)*



Lost working hours due to lost time injuries (per thousand working hours)*

Diversity and inclusion

We continue our focus on utilising our total talent pool and increasing the diversity of our workforce. We have set a goal of having 25% women in management positions by 2017 and have increased the proportion from 19% in 2013 to 20%* in 2014. However, we would like to strengthen the internal pipeline of women for senior management positions in general in order to ensure diversity. At Grundfos, we also want to increase the number of non-Danes in Group positions to make the company truly global. Grundfos has a target of 40% in 2017 and 60% in 2022. Group positions are defined as managers from Group management to Group directors and selected regional managers and Group managers in key positions. The number of non-Danes in Group positions increased in 2014 to 26%* compared to 22% in 2013, the main reason being an increased focus on globalisation. It should be noted, however, that the base for this measurement is a group of approx. 110 people, meaning that relatively few changes can affect the result.

Employees on special terms

An attractive workplace at Grundfos also means encouraging an inclusive workforce and taking care of those with special needs. Our ambition is to have at least 3% of our workforce employed on special terms. For the past five years, this figure has been 4%*.

	2012	2013	2014
Female leaders*	17 %	19 %	20 %
Non-Danes in key group positions*	21 %	22 %	26 %
Employees on special terms*	4 %	4 %	4 %

*please see Reporting principles on p. 22-25 for definition and scope





Community

At Grundfos, we have an ambition to improve our impact on the communities in which we operate. So when Grundfos employee Mikael Lundgren, back in 2008, suggested that Grundfos employees collect funds in order to give fellow human beings living in some of the poorest areas in the world access to clean drinking water, the Grundfos employee programme Water2Life was created.

In addition to its positive impact on the communities in which we operate, the Water2Life employee programme also includes an additional focus area: people competences. Through Water2Life, Grundfos strives to create a vibrant culture where employees are personally and actively engaged in taking responsibility for the world around them.

From 2010 to 2012, Grundfos employees raised enough funds through Water2Life to set up 11 Grundfos LifeLink water systems in Kenya in collaboration with the Red Cross and World Vision. In 2013, the programme expanded to the Mekong Delta in Vietnam where water is everywhere, but there is not a drop to drink. The locals get water from the Mekong River which is heavily polluted; to get safe and clean drinking water, it is necessary to drill to a depth of 300-400 metres.

Grundfos employees worldwide serve as ambassadors to promote Water2Life through campaigns and activities. The 2014 'Think Water Wise' campaign was a major global campaign. Water-saving aerators for taps were given to Grundfos employees in return for donations to Water2Life, letting the employees save water at home while at the same time bringing clean water to Vietnam. Grundfos also contributed as a company by replacing existing aerators with water-saving aerators. The contribution made by the Grundfos employees resulted in 16,000 m³ of clean water made available for poor people in Vietnam, and Grundfos saved 3% of its total water consumption by installing water-saving aerators.

In November 2014, four Water2Life ambassadors visited the Water2Life project in Vietnam to see the first water system being installed in the village of An Quoi in the Mekong Delta region. An additional four systems are scheduled to be set up during 2015, and four more employees will travel to Vietnam to follow the installation process and to experience everyday life of the locals in the Mekong Delta. While in Vietnam and afterwards, the employees will share their experiences with colleagues throughout the world.





Responsible business conduct

As an international company operating in more than 50 countries worldwide through more than 80 local companies, Grundfos has a commitment to live up to and adhere to applicable laws, rules, regulations and voluntary commitments. This is what we at Grundfos call Responsible Business Conduct. We believe that working proactively in this area minimises risk, enhances our reputation and is likely to open doors to new business opportunities.

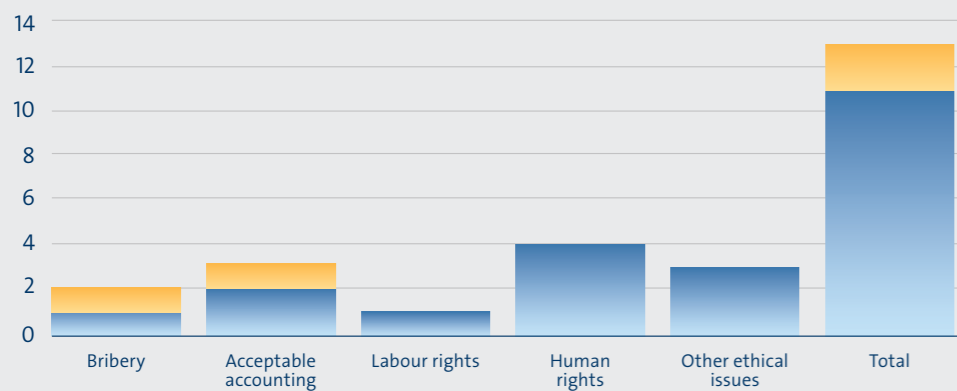
We remain signatories of the Global Compact, and we have identified three areas in which we will focus our efforts: our Code of Conduct, human and labour rights and sustainable supplier management.

Code of Conduct

The aim of our Code of Conduct is to provide a guideline for all Grundfos employees as to what responsible business conduct is. This relates to both our internal conduct and our behaviour towards external stakeholders such as customers, suppliers and society.

In order to provide further guidance for our employees, we also have a Code of Conduct handbook which explains the Code of Conduct from a practical perspective. In addition, we have an Ethics Committee, which is an independent body responsible for handling reports of potential breaches of the Code of Conduct. The number of claims submitted to the Ethics Committee decreased from 15 in 2013 to 11 in 2014. The Ethics Committee determined two of these claims to be breaches of the Code of Conduct. One of was related to bribery and one was related to a breach of acceptable accounting.

Claims to the Ethics Committee 2014



We also partner with other divisions of the Grundfos Group to monitor specific areas of our Code of Conduct; one example of this is Corporate Internal Controls which performs audits on topics such as acceptable accounting.

	2012	2013	2014
Group entities audited, Grundfos Code of Conduct	37	37	31
Actions taken in response to incident of corruption	3	2	1

Human rights are part of the Grundfos values and our Code of Conduct. In 2014, we focused on strengthening our efforts on human rights as part of the development and our continuous work within this area. During 2014, we developed the Grundfos Human Rights Policy, which outlines what human rights mean in the Grundfos context, and what we expect from stakeholders and business partners. The policy was launched on 10 December 2014; International Human Rights Day.

Also in 2014, we became members of Business for Social Responsibility (BSR). Together with BSR, we went through a process of mapping human rights at Grundfos as part of the preliminary steps of our human rights due diligence programme.

Labour rights

Grundfos supports and respects the ILO declaration on Fundamental Principles and Rights at Work as well as applicable labour laws. In addition, labour rights are part of our internal Code of Conduct as well as our Supplier Code of Conduct. Some of our suppliers will also go through a social audit, which will be followed by a corrective action plan in case non-compliances are identified. We will continue to look for opportunities to enhance our work in this area and provide more visibility to relevant stakeholders on our efforts.

Sustainable supplier management

Grundfos wishes to be recognised as a responsible business partner by all external stakeholders including suppliers. A tool in this process is the Supplier Code of Conduct, which is included in the Group Framework Agreement. All suppliers who deliver materials directly to Grundfos must comply with the expectations and requirements of this document. By working with our suppliers, we can develop a strong relationship which is the foundation for constantly improving our business approach.



Reporting policy



Reporting principles

It is important for us to set targets and monitor development. For the ninth consecutive year, we therefore provide a report on our sustainability achievements. It is the ambition of the company to engage in open and transparent dialogue with our stakeholders by providing a fair and balanced picture of Grundfos' contribution to sustainable development. Furthermore, the Grundfos Sustainability Progress Report 2014 serves as a communication on progress report for the UN Global Compact framework.

The sustainability report covers all subsidiaries that are owned and controlled 100% by Grundfos. Companies acquired during the reporting year are integrated into Grundfos group data at the time of acquisition concerning finance and HR data. As regards Environmental, Health and Safety (EHS) data, however, companies that are owned more than 50% by Grundfos must report according to the requirements defined in this Group Standard, meaning that they must report data for the calendar year in which they have been part of Grundfos for six months or more.

The Grundfos organisation experienced management changes during 2014, with a new CEO, Mads Nipper, starting on 1 August followed by the set-up of a new Group Management team. During the autumn, a number of re-organisations were introduced, including staff reductions to prioritise and reduce costs. However, important business processes were not outsourced, and no new companies were acquired. We therefore estimate that the basis for the report is the same and comparable to last year's report. Comparison data (historical) for EHS data has been changed in some cases; however, in all cases, a specific explanation is provided.

It is of great importance to Grundfos that all data is complete and as accurate as possible. In 2014, Grundfos started the implementation of a new sustainability data handling system in order to further improve data quality. The actual use of the system started on 1

January 2015 when Grundfos production companies began using it to perform their monthly EHS reporting.

Process for defining report content

Our Group Strategy and Sustainability Strategy are used to prioritise what we report on. Grundfos follows generally accepted accounting and reporting policies. We also use the Global Reporting Initiative (GRI) as a yardstick for our non-financial reporting and annually publish a GRI index that is correlated with reporting on the ten principles of the Global Compact. To define and select the content of our report we have used the G3 guidelines of the GRI which focus on financial, social and environmental impacts.

Since last year, we have excluded product responsibility from our report due to non-materiality. We have started a process of securing more material reporting, linking the Sustainability Strategy to strategy maps, and making a clearer connection from strategy visions to activities and projects – followed up by performance and impact measurements.

Our sustainability reporting meets reporting level C of the GRI index. Key performance indicators on environment, health and safety have been examined without a statement by an external partner.

Strategy and stakeholders

The topics reported in the Sustainability Progress Report 2014 reflect our business goals and strategies and are relevant subjects for our stakeholders. The basis for the identification and selection of the stakeholders with whom we engage is established through our strategy process, where stakeholders are defined and prioritised in a general stakeholder map. Customers, current and potential employees, opinion leaders, NGOs, governments and the media are identified as primary stakeholders as regards sustainability issues.

Grundfos has responded to key topics and concerns through the company's corporate communication, including the sustainability report. We have developed and manage a number of stakeholder dialogue tools. Examples of this are our employee satisfaction surveys and customer satisfaction surveys, which provide criticism, improvement suggestions and satisfaction indicators, and general dialogue.

Processing Data

88% of all Group production companies are ISO 14001 certified, and 80% of all production companies are OHSAS

18001 certified. The data collection processes for meeting these standards serve as a basis for the measurement of EHS data. EHS data has been collected, compiled and validated by Grundfos' Group Sustainability department. The data is collected annually through a survey. Human resource data has been collected, compiled and validated by Grundfos' HR department using SAP reports. Financial data is obtained through the Group's accounting system.

Definition of key performance indicators

Environmental footprint

Carbon emissions and energy use

The reporting of our energy consumption and carbon emissions data is based on the emission calculation factors provided by the IEA (International Energy Agency) and is in accordance with the Greenhouse Gas Protocol (GHG Protocol), which is an internationally acknowledged standard for measuring greenhouse gas emissions developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

- Scope 1: all direct GHG emissions
- Scope 2: indirect GHG emissions from consumption of purchased electricity, heat and steam
- Scope 3: other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g. T&D losses) not covered by scope 2, outsourced activities, waste disposal, etc.

As in previous years, Grundfos provides reporting on scope 1 and 2; however, the fuel consumption from our own vehicles is not included in scope 1 emission figures. Data has been collected, but the data processes are to be further improved before including this in the Group report, not least when looking at comparison years.

The sustainability data provides no reporting on scope 3 emissions. Our data measurement techniques rely on the

total energy consumption related to corporate operations. The carbon footprint gives a general overview of the company's CO₂ emissions and is based on reported data from the reporting entities. CO₂ emissions are measured in metric tonnes. Emissions are calculated for all activities in Grundfos companies which are included in the reporting scope.

The baseline year for carbon emissions and energy consumption is 2008.

Changed calculation method for CO₂ emissions

For the 2014 data, we have updated our method for calculating CO₂ emissions for purchased electricity. The reason for this change is a change of reporting method from the IEA. Previously, the IEA reported country-specific conversion factors including electricity, heat and steam. Now (as of the 2013 edition "CO₂ emissions from fuel combustion – highlights") this report includes conversion factors for purchased electricity only.

For electricity, we continue to use local factors whenever available, if not available then we use country specific factors from the IEA; for heat and steam, we continue to use local factors whenever available, if not available then we use the factor from the largest Danish production company ("GBJ"). This CO₂ factor for heat and steam is close to the global average. Please note that only 10 small companies are affected by this change.

The performance impact on CO₂ emissions from this change is that the 2008 baseline and subsequent years will increase. The impact gets smaller the closer we get to recent data. The table below shows examples of how the data from comparison years is affected:

Effects from change of calculation method for CO₂ emissions

Effects	2008	2013
CO ₂ emissions from electricity, heat and steam	+5.43%	+0.72%
Total CO ₂ emissions	+4.71%	+0.60%

The table shows that using the updated method increases CO₂ emissions at group level by nearly 5% in the baseline year 2008. Please note, however, that this does not affect the conclusion: that we are living up to our ambition of never emitting more CO₂ than in 2008.

Please note that this data cannot be compared directly with the CO₂ data from the Management's report on sustainability in Grundfos Annual Report 2014. The scope is different; the Annual Report includes only 26 production companies which corresponds to 90% of the emissions / 91% of the energy consumption. Data in this report includes all Grundfos companies.

Please note that comparison figures for year 2008 had minor adjustments since first reported. This is due to enhanced data measurement, reporting measurement and reporting process. The adjustments are not material. For this report the data on energy – and thereby CO₂ – has changed. This is mainly due to enhanced data scope from one reporting unit. For 2013, this change increases energy consumption with 7,700 MWh/ CO₂ emission by 2,255 metric tonnes. The improvement impacts 2012 to 2014 data. All data for comparison years has been corrected, so comparing progress over time is possible.

Waste and water

Baseline year for water and waste was established in 2008. Water is reported in total use of water m³. The water usage is defined as delivered municipal water, ground water from own well and surface water from e.g. lakes, measured in m³. Rainwater is not included.

Please note that this data cannot be compared directly with the data from the Management's report on sustainability in Grundfos Annual Report 2014. The scope is different; the Annual Report includes only 26 production companies which corresponds to 80% of the water consumption. Data in this report includes all Grundfos companies.

Please note that comparison figures for water consumption for year 2008 have had minor adjustments since first reported. This is due to enhanced data measurement and reporting process. The adjustments are not material.

Waste is measured in kg per 1 million working hours. The components in this indicator are hazardous and nonhazardous waste disposed at landfill, incinerated with energy recovery and incinerated without energy recovery. Recycled waste is not included.

ISO certification

The number shows the percentage of Grundfos production companies certified according to ISO 14001 and OHSAS 18001. It is Grundfos policy that within three years of acquisition or production start all Grundfos production companies have implemented management systems according to ISO 14001. Until 2012 only companies with more than 100 employees were targeted with this policy – this limitation has been removed in 2012.

Sustainable product solutions

High efficiency circulator pumps – electricity saved

Electricity savings are calculated as the electricity saved by all Grundfos high efficiency circulator pumps sold in EU between 2005 and 2014. The estimate is based on the actual sales figures for the year and assumptions about which previous models the sold pumps replace. The savings per year are accumulated as each pump leads to electricity savings for several years. The figure is calculated as electricity savings in kWh a year.

Investment in the development of new products

The investment in development of new products is defined as expenses/activities related to research, development and launch of new products. This is indexed in relation to the annual turnover.

Workplace

Workforce size

This covers the total number of employees at the end of the year - converted into full time employees. A full time employee has the standard number of working hours according to local rules/agreements. Personnel rented from a temporary employment agency are not included.

Female leaders (%)

Leaders are defined as having staff responsibility meaning having people reporting to them

Non-Danes in group positions (%)

Group positions are defined as managers from Group management to Group directors and selected regional managers and Group managers in key positions. The baseline from 2011 shows 23% non-Danes in Group positions.

Employees on special terms (%)

The indicator is calculated as the number of employees who are given special consideration by Grundfos, and for whom Grundfos installs facilities aimed at the employees' physical, psychological or social problems. Special consideration is given to employees by amending or adjusting the workplace with regard to time, flexibility or mobility, and by adjusting the content of the job and nature of the work, to enable this to be carried out in spite of reduced working capacity. The number of employees working for an external business partner who carries out assignments for Grundfos is also included.

Number of injuries per million working hours *

Injuries are measured as lost time injuries, which has caused lost working hours for at least one day after the injury. The indicator is indexed as injuries per one million working hours for blue and white collar employees.

Lost working hours due to lost time injuries *

Lost time due to lost time injuries is measured in number of hours. The indicator is indexed as working hours lost due to injuries per one thousand working hours.

People competences

Employee Development Dialogue (EDD)

At Grundfos, EDDs are used to discuss the employee's tasks, qualifications and motivation for doing her/his job and the employee's development ambitions and competences. It is Grundfos' objective that all employees with more than 6 months contract attend an EDD every year.

Training hours

Training is registered in hours and includes hours registered spent on development, training and supplementary training. It is to be considered a minimum, as some of the training activities are not registered – e.g. informal training.

Compliance workshops

During 2013, 2 compliance workshops were arranged. The concept was launched in 2009, and Grundfos Corporate Internal Control (CIC) executed many workshops in order to educate the whole organisation. Workshops are now mainly con-

ducted for new finance managers. This means that CIC expects to conduct 1 or 2 workshops each year.

Group entities audited, Grundfos Code of Conduct

Grundfos Corporate Internal Control (CIC) visits a selected amount of Grundfos companies every year. The purpose is to review and rate the internal control environment and to submit observations, risk descriptions and recommendations for improving business processes and controls, including in relation to the Grundfos Code of Conduct.

Actions taken in response to incidents of corruption

This includes breaches reported to the Ethics Committees or discovered by e.g. Grundfos Corporate Internal Control.

Legal actions for anti-competitive behaviour

This indicator includes the total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices.

Group Suppliers

A Group supplier is a supplier who supplies materials directly to more than one Grundfos production company. Group suppliers can be global (serving several Grundfos companies across several regions) and regional (serving several Grundfos companies within a region).

System and process audits

System audits are quality audits of potential and existing suppliers. System audits include social and environmental aspects related to the Grundfos Supplier Code of Conduct. During 2013, process audits were introduced to sharpen the scope and increase the pool of resources able to conduct audits, enabling Grundfos to carry out the audits where and how they provide the greatest value. Process audits, however, do not include social and environmental aspects.

Social audits

Social audits focus solely on supplier performance within the areas of labour standards, employment practices, anti-corruption and community impact and sub-supplier responsibility.

We invite all of our stakeholders and readers of the Grundfos Sustainability Progress Report 2014 to contact us with suggestions, questions and general comments. For further information about Grundfos and sustainability reporting, visit www.grundfos.com/sustainability. If you have any questions concerning our sustainability reporting, contact Grundfos Group Sustainability at sustainability@grundfos.com.

Grundfos performance overview

Environmental footprint	2008	2013	2014
CO ₂ emissions (metric tonnes)	132,603	103,980	107,388
Energy consumption (mWh)	347,207	324,089	313,633
Water usage (m ³)	655,136	474,580	445,704
	2012	2013	2014
ISO 14001-certified production companies (%)	76	84	88
OHSAS 18001-certified production companies (%)	56	68	80
Sustainable product solutions	2012	2013	2014
High efficiency circulator pumps – energy saved (billion kWh per year)	2.0	2.8	3.5
Investment in the development of new products (% of turnover)	6.1	5.6	5.5
Workplace	2012	2013	2014
Workforce size (full time employees)	17,984	18,776	18,878
Female leaders (%)	17	19	20
Non-Danes in key group positions (%)	21	22	25
Employees on special terms (%)	4	4	4
Health and safety	2008	2013	2014
Injuries (per mio. working hours)	10.21	5.82	4.57
Lost working hours due to lost time injuries (per thousand working hours)	0.96	0.71	0.54

People competences	2012	2013	2014
Employee development dialogue - blue collar (%)	79	76	36
Employee development dialogue - white collar (%)	80	86	66
Training - blue collar (hours)	24	17	10
Training - white collar (hours)	35	27	19
Responsible business conduct	2012	2013	2014
Compliance workshops	3	2	2
Group entities audited, Grundfos Code of Conduct	37	37	31
Actions taken in response to incidents of corruption	3	2	1
Purchase	2012	2013	2014
Global suppliers	290	318	385
System and process audits	40	40	37
Social audits	9	7	6

Reference to Global Reporting Initiative

The Global Reporting Initiative G3 sustainability reporting guidelines are a source of inspiration to Grundfos in the preparation of reporting on sustainability. This performance summary comprises all the GRI performance indicators that Grundfos comply with. This GRI assessment is based on the following Grundfos documents, all relating to reporting:

- *Grundfos Sustainability Data 2014*

- *Grundfos Thinks Water Wise 2014*

- *Grundfos Annual Report 2014*

GRI	Standard disclosures	References
1.1	CEO statement	Grundfos Annual Report 2014 p. 4-17
2.1	Name of the organisation	Sustainability Progress Report 2014 p. 4
2.2	Primary brands and products	Sustainability Progress Report 2014 p. 4
2.3	Operational structure of the organisation	Grundfos Annual Report 2014 p. 20-21
2.4	Location of headquarters	Sustainability Progress Report 2014 p. 4
2.5	Countries where we operate	Grundfos Annual Report 2014 p. 48-49
2.6	Ownership and legal form	Grundfos Annual Report 2014 p. 20-21 + 49
2.7	Markets	Sustainability Progress Report 2014 p. 4
2.8	Scale of reporting	Grundfos Annual Report 2014 p. 22-26
2.9	Significant organisational changes	Grundfos Annual Report 2014 p. 20-21
2.10	Awards	Grundfos Thinks Water Wise
3.1	Reporting period	Grundfos Annual Report 2014 p. 22-26
3.2	Most recent previous report	Sustainability Data 2013
3.3	Reporting cycle	Grundfos Annual Report 2014 p. 22-26
3.4	Contact point	Sustainability Progress Report 2014 p. 5
3.5	Defining report content	Sustainability Progress Report 2014 p. 6-25
3.6	Boundary of the report	Grundfos Annual Report 2014 p. 22-26
3.7	Scope and boundary limitations	Sustainability Progress Report 2014 p. 6-25
3.8	Reporting on joint ventures, subsidiaries etc.	Grundfos Annual Report 2014 p. 22-26
3.10	Re-statements	Sustainability Progress Report 2014 p. 6-25
3.11	Changes in scope, boundary or measurement methods	Sustainability Progress Report 2014 p. 6-25
3.12	GRI table	Sustainability Progress Report 2014 p. 26-27
4.1	Governance structure	Grundfos Annual Report 2014 p. 20-21
4.2	Chair of the highest governance	Grundfos Annual Report 2014 p. 20-21
4.3	Unitary board	Grundfos Annual Report 2014 p. 20-21
4.4	Shareholders and employees' recommendations	Grundfos Annual Report 2014 p. 20-21
4.14	List of stakeholders	Sustainability Progress Report 2014 p. 22-25
4.15	Identification and selection of stakeholders	Sustainability Progress Report 2014 p. 22-25

Reference to UN Global Compact

Indicators		Sustainability Progress Report 2014	Global Compact
GRI	ECONOMIC		
EC1	core	Direct economic value generated and distributed	Sustainability Progress Report 2014 p. 26
ENVIRONMENTAL			
EN3	core	Direct energy consumption by primary energy source	Sustainability Progress Report 2014 p. 12 Environment 7-9
EN7	additional	Initiatives to reduce indirect energy consumption	Sustainability Progress Report 2014 p. 12
EN8	core	Total water withdrawal by source	Sustainability Progress Report 2014 p. 13
EN16	core	Total direct and indirect greenhouse gas emissions by weight	Sustainability Progress Report 2014 p. 12
EN22	core	Total weight of waste by type and disposal method	Sustainability Progress Report 2014 p. 13
N/A	N/A	ISO 14001-certified production companies (%)	Sustainability Progress Report 2014 p. 26
N/A	N/A	OHSAS 18001-certified production companies (%)	Sustainability Progress Report 2014 p. 26
HUMAN RIGHTS			
HR5	core	Operations identified in which the rights to exercise freedom of association and collective bargaining may be at significant risk	Sustainability Progress Report 2014 p. 18-19
HR 6	core	Operations identified as having significant risk for incidents of child labour	Sustainability Progress Report 2014 p. 18-19 Labour rights 4
HR 7	core	Operations identified as having significant risk for incidents of forced labour	Sustainability Progress Report 2014 p. 18-19 Labour rights 5
		Group Suppliers	Sustainability Progress Report 2014 p. 27
HR2	core	Significant suppliers and contractors that have undergone screening in human rights	Sustainability Progress Report 2014 p. 27 Human rights 2
LABOUR PRACTICES AND DECENT WORK			
LA1	core	Total workforce	Sustainability Progress Report 2014 p. 26 Labour rights 6
LA4	core	Employees covered by collective bargaining agreements	Sustainability Progress Report 2014 p. 19 Labour rights 3
LA7	core	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region.	Sustainability Progress Report 2014 p. 18-19 Human rights 1-2
LA10	core	Training per year per employee	Sustainability Progress Report 2014 p. 11 Human rights 1-2
LA12	additional	Employees receiving regular performance and career development reviews	Sustainability Progress Report 2014 p. 11
SOCIETY			
SO2	core	Business units analysed for risk related corruption	Sustainability Progress Report 2014 p. 19 Anti-corruption 10
SO3	core	Employees trained in anti-corruption policies and procedures	Sustainability Progress Report 2014 p. 27
SO4	core	Actions taken in response to incidents of corruption	Sustainability Progress Report 2014 p. 19
SO7	additional	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	Sustainability Progress Report 2014 p. 27
SO8	core	Significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Sustainability Progress Report 2014 p. 27

