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GRUNDFOS SUSTAINABILITY PROGRESS REPORT 2015

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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 18,000 employees, working in more than 80 countries. 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 efforts bear fruit

Sustainability is a very important part of Grundfos' DNA, and has been the basis for the way we conduct our business from the very beginning. We take responsibility for contributing to global sustainability by pioneering technologies that improve quality of life for people and care for the planet, perfectly in line with our purpose – to be a global leader in advanced pump solutions and a trendsetter in water technology.

In addition, sustainability is a strong innovation and business driver for us.

Benefitting from ambitions

This Grundfos Sustainability Progress Report 2015 reveals that we ourselves are benefitting from our ambitions, while contributing to sustainable development. During 2015, we have reduced our CO₂ emission by 7%, energy consumption by 3% and our water consumption by 2% compared to 2014. This is due to the track of our decisions about never emitting more CO₂ than in 2008, and reducing our water consumption by 50% before 2025.

As Grundfos wants to be recognized as a company conducting responsible business, we have performed pilot projects in five countries in the area of Human Rights in 2015. This will show us the specific areas we need to work on and assist us in defining how to manage our impact going forward.

At Grundfos, we strive to have an attractive and safe workplace where Grundfos employees thrive, and last year we were proud that injuries in the workplace had been reduced. However, 2015 sent us back, as the ratio of lost times injuries increased by 10%, compared to 2014. This development has already been turned, and in 2016 we will continue to demand better results within this area.

As it appears from these examples of our sustainability achievements from 2015, this report not only shows positive results, but also exposes room for improvement.

Verifiable improvements

As the basis for this report, we have identified ambition levels and objectives for the six focus areas, included in our sustainability work: Sustainable Product Solutions, People Competences, Environmental Footprint, Workplace, Community and Responsible Business Conduct. Where possible, we have clear key performance indicators in place as well.

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.

In this report, you can read about our progress in 2015 within all six focus areas.

Reporting commitments

Reporting on sustainability is part of our long-lasting cooperation with the United Nations, as Grundfos has supported the UN Global Compact and its ten principles since 2002. Furthermore, we support Caring for Climate and the CEO Water Mandate as part of our commitment to the UN Global Compact.

The Grundfos Sustainability Progress Report 2015 functions as our Communication on Progress (COP). I hope that you will enjoy reading it. Feel free to visit www.grundfos.com/sustainability for more information.



Karen Touborg,
Group Senior Director,
Environment, Health and Safety



WE SUPPORT



Sustainable product solutions

Every day, the world faces major challenges, such as climate change and resource scarcity. At Grundfos, we strive to help solve these challenges. We do so by delivering some of the most energy-efficient circulator pump solutions on the market, by producing solutions to help water-related problems and by improving the design and production phase of our solutions.



Sustainable solutions

For many years, Grundfos has been producing energy-efficient circulator pumps. Besides giving a competitive advantage, we at Grundfos believe that by constantly improving and innovating our solutions we can help our customers and partners reduce their energy consumption. By 2015, sales of high efficiency Grundfos circulator pumps in the EU from 2005 to 2015, means accumulated savings of 4.5 billion kWh per year. This corresponds to the annual electricity consumption of 1,000,000 European households.

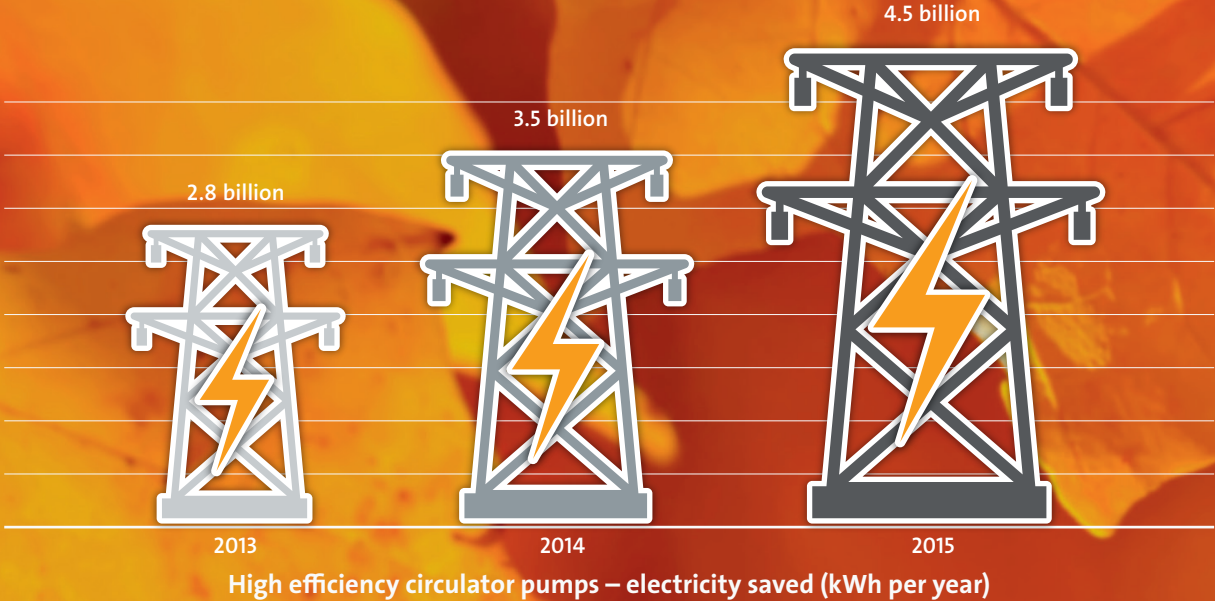
However, it is not only in relation to energy consumption Grundfos makes a difference. Our water solutions also

help customers reduce their negative impact on the environment and in some cases create opportunities for providing water to people where it was not possible before. Grundfos Demand Driven Distribution is an intelligent solution where water wasted during distribution is minimised. Another example is Grundfos BioBooster. The BioBooster system enables customers to have decentralised wastewater treatment with water re-use.

During COP21 in Paris, another Grundfos solution was in focus. The Grundfos LifeLink solution was honoured with the United Nations Climate Change Award, for its approach to sustainable water supply in Kenya and Uganda.

Design and product development

Sustainability is something Grundfos believes should be an integrated part of doing business; and this includes the design and product development phase. We aim to incorporate environmental and social consideration to an even greater extent during the various stages in product development in 2016. To facilitate this integration, we have developed a Sustainable Product Solution Toolbox, which aims at enabling life-cycle thinking based on eco-design best practices.



Take back systems

In order to reduce the environmental impact across our value chain, Grundfos has taken initial steps to establish takeback systems with our partners. Our pilot efforts in Denmark are ongoing but we are observing an increasing trend in the takeback of small circulators. In line with our social commitment to employee people with reduced working capabilities, the returned products are manually disassembled and the different fractions are remanufactured or recycled.

Securing our License to Operate

With increasing demands from regulatory bodies, international standards and customers, Grundfos used 2014 and 2015 to prepare the implementation of standards, including the new ISO14001 standard. We will continue this in 2016, by further strengthening our processes to ensure we live up to changing standards before they become mandatory. With a key Grundfos value being open and trustworthy, this is truly a license to operate for Grundfos.

Year	Returned pumps from partners (kg.)
2013	1906
2014	2093
2015	6057





People compete

Being a successful and sustainable business means that you have to adapt to the surrounding environment and ensure a continuous development. This is of course also the situation for Grundfos. The key element in this journey is our employees. We have a responsibility to develop our employees personally and professionally to ensure personal growth and to sustain an innovative and sustainable business.



Employee development

In Grundfos, we have our own training academy. Named after our founder, the Poul Due Jensen Academy provides the framework and the ideal setting for our employees to develop their competencies. From specific sales courses to more general leadership courses, the academy brings together hundreds of Grundfos employees each year.

It is the aim at Grundfos that each white- and blue-collar employee should complete an EDD (Employee Development Dialogue) each year. In 2015, 47% of our blue-collar workers and 70% of white-collar workers had an EDD registered in our People Portal (SAP), which is an

	2013	2014	2015
Employee Development Dialogue – blue-collar	N/A*	36 %	47 %
Employee Development Dialogue – white-collar	N/A*	66 %	70 %

* Data from 2013 is not comparable to 2014 and 2015, due to change in data source. See more at page 23.

nces



increase from 2014. It should be noted that a significant but unknown number of EDDs were held but just not registered in the system. For 2016, the EDD process has been merged with the annual process for setting and evaluating goals in the new Performance & Development Dialogue (PDD). Two elements of the PDD are worth highlighting in the context of employee development and motivation. Firstly, each goal is linked to a high-level Strategy 2020 goal so employees see how their goals fit into the bigger picture. Secondly, the objective of the dialogue is to set short-term and longer-term development and learning goals that will equip the employee for success in reaching performance goals and career aspirations. To better support this process, the People Portal is moving from the existing SAP platform to a new, best-in-class HR information system, Success Factors that is recognised for higher user adoption. This may affect data comparisons in 2016.

2015 was also the year Grundfos launched its Strategy 2020. Because of this, a lot of the training organised by the Poul Due Jensen Academy was concerned with deployment of the new Grundfos Group Strategy 2020. More than 700 leaders were involved in hands-on leadership development/training at eight Strategy Deployment Sessions in Shanghai, Frankfurt, Chicago, Singapore and Bjerringbro. Following these sessions, the

700 leaders attending have been facilitating strategy sessions with the rest of the leadership population in the company. This has provided a strong foundation for the continued deployment of the Strategy 2020.

Sustainable mind-set through Water2Life

Our employee programme Water2Life provides access to clean drinking water for poor people in developing countries. The purpose of Water2Life goes beyond providing clean drinking water; Water2Life also builds a sustainable mind-set among employees and generates an engagement for acting for a better world. Grundfos employees around the world arrange events and happenings in their local companies, encouraging colleagues to donate to Water2Life. Grundfos doubles the amount donated by the employees.

In 2015, this engagement resulted in the establishment of four solar driven Grundfos SQflex water systems with Dosing & Disinfection for automatic and precise chlorination of the water in the Mekong Delta in Vietnam. Four small local water enterprises have been trained as to how to run a good water enterprise and maintain the water systems, and 9,500 people in four poor communities now have access to clean drinking water in their own households.



Environmental

At Grundfos, we want to minimise our environmental footprint. This commitment includes specific focus on our energy and carbon footprint, water footprint, chemical management, as well as the responsible handling of waste.

One initiative towards this commitment is working with implementing environmental management systems in our companies.

Our target is that all production companies must have the environmental management standard ISO14001. In 2015, 92% of our production companies were certified, and we will strive towards reaching 100% by the end of 2016. Furthermore, 2 of our local companies are ISO50001 certified.

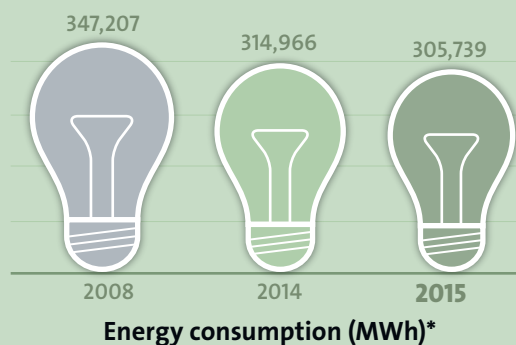
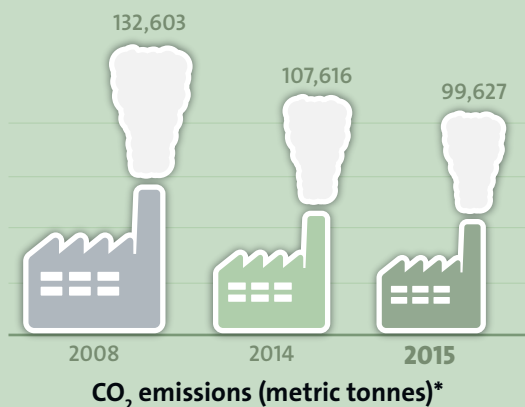
Future Now Award

Since 2009, each year Group Management at Grundfos is awarding environmental initiatives with the Future Now Award. The Future Now Award (FNA) is granted to projects, which have proven to reduce environmental footprint through an innovative approach and with great impact. Initiatives within reduction of energy and CO₂, water and chemicals, were in the competition for the 2015 Award. A project from our production site GMH

(Hungary) was the winner of the award. The initiative focuses on Rain/Grey Water System Extension, which generates significant water savings.

Energy and CO₂ footprint

It is our ambition never to emit more CO₂ than we did in 2008 in absolute numbers. In 2015, we reduced our CO₂ emissions with 7% compared to 2014; meaning a 25% reduction compared to 2008 levels. Grundfos reduces its CO₂ emissions mainly through the reduction of energy consumption. During 2015, several energy-reduction initiatives have been implemented across our facilities. Investments include lighting schemes at all our largest production facilities as well as an extension of our symbiotic partnership with Bjerringbro district heating at our headquarters and largest production facility. In 2015 we also continued our strategic initiative to replace inefficient motors and drives with high-efficient Grundfos motors. Throughout 2015 we reduced our



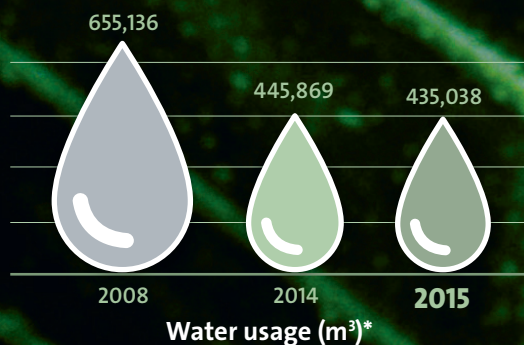
footprint



annual consumption with more than 320 MWh as a result of this initiative. From 2011-2015 our annual energy consumption have been reduced with 8000 MWh from installing energy-efficient Grundfos solutions across our global production facilities. These initiatives have contributed to a 3% reduction in our total energy consumption in 2015. This is 12% lower compared to 2008.

Water footprint

With the water crisis being one of the biggest threats facing the planet over the next decade, we as a company have a responsibility to reduce our own water consumption. However, this is not a new thing in Grundfos. Since 2012, our commitment has been to reduce our water consumption by 50% by 2025, compared to 2008. In 2015, water consumption was reduced by 2% compared to 2014, and compared to 2008 the consumption has been reduced by 34%. Local water initiatives have been central for obtaining this reduced water consumption; from water harvesting projects in Hungary and the UK to water optimisation in toilet, shower and kitchen facilities in China. Projects for realising the water reductions will



continue in 2016. Grundfos has been committed to the UN's CEO Water Mandate since 2012. As a part of our commitment, we have collected a series of cases showing how Grundfos Thinks Water Wise. You can find the cases here

<http://www.grundfos.com/about-us/sustainability-responsibility/water-activities.html>

Chemical footprint

Since 2013, we have been working actively with all our suppliers worldwide to ensure that, besides complying with local laws and regulations, they must comply with the Grundfos Focus List, which is based on European chemical legislation. The continued work with Product Chemical Compliance covers the whole supply chain – starting already with our development projects. This is also to ensure a fast response to growing customer requests regarding documentation of legal compliance.

Waste footprint

We have set yearly targets for our production companies (where the impact is most significant) regarding hazardous waste and non-hazardous waste. Different activities are in place across the companies to reach these targets and performance shows that hazardous waste has been reduced from approx. 60,000 kilos per million working hours in 2014 to approx. 54,000 kilos in 2015, corresponding to a 10% reduction. Non-hazardous waste has been reduced from approx. 108,000 kilos per million working hours to approx. 102,000 kilos in 2015, corresponding to a 6% reduction.



Workplace

At Grundfos, we want a safe and positive physical and psychological work environment, where innovation and personal development can flourish. This includes the safety, health, diversity and well-being of our employees

Health and Safety

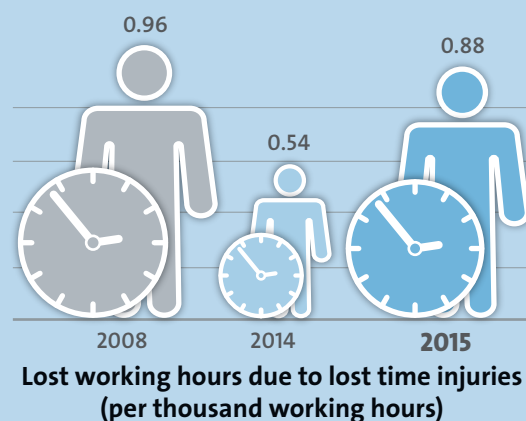
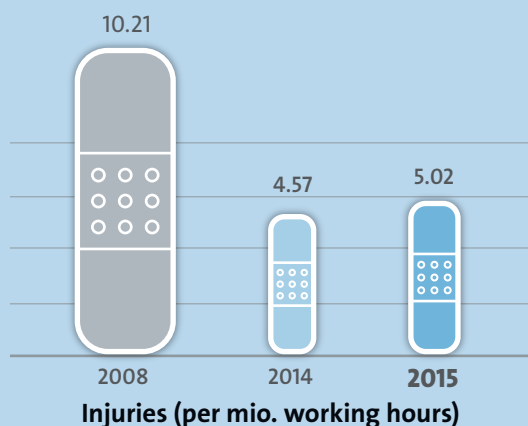
In 2015 Lost time injuries ratio increased by 10% compared to 2014. Absence due to those injuries increased as well, from 0.54 hours per 1000 workhours to 0.88. There should be no doubt that this is not acceptable. This is also the reason why we have introduced a new health and safety standard. The standard covers all of Grundfos, including production, sales and service employees working outside Grundfos premises. To ensure that Grundfos employees focus on safety, each company has assigned at least one employee responsible for health and safety. Through intensive training, the appointed officer has a thorough understanding of Grundfos health and safety standards. Furthermore, the responsible health and safety officers

drive local health and safety processes such as risk assessments, safety walks and near-miss assessments.

We will continue in 2016 to develop health and safety skills among our employees. With increased focus on near-miss reporting, safety walks and accident handling, we believe that Grundfos can take important steps to become a safer and healthier workplace.

Diversity

To achieve a truly innovative environment so Grundfos can maintain its position as a trendsetter within water technology, we need to have a diverse workforce. This includes gender equality among managers and non-



Danes in executive positions. Our aim is to have 25% female representative in management positions by 2017. In 2015, 20% of managers in Grundfos were female, and we have not progressed as we hoped. We have therefore planned to further integrate diversity into our recruiting process and leadership programmes, to facilitate having a more diverse workforce in Grundfos. Non-Danes in Executive positions made up 41% in 2015.

During 2016, we will launch the new People Dashboard, where employees in Grundfos can follow the development of a number of KPI's, including gender equality and non-Danes in executive positions. With this dashboard, we wish to communicate openly and transparently according to our values, as we believe that by having a transparent approach we can improve diversity in Grundfos.

Inclusion

Taking care of people with reduced working capabilities has always been part of the Grundfos way to do

business. Our founder Poul Due Jensen considered this followed naturally from being part of a community, and his son and successor Niels Due Jensen carried on this great involvement. It is still very important and present today, with workshops for people with reduced capabilities situated around the world. In 2015, 4% of our workforce were people employed on special terms. Grundfos wishes to focus more strongly on employees on special terms, which is why we, in 2015, initiated a process to reassess the scope and definition of this area, and this initiative will continue in 2016.



	2013	2014	2015
Female leaders	19 %	20 %	20 %
Non-Danes in key group positions*	N/A	N/A	41 %
Employees on special terms	4 %	4 %	4 %

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



Community

At Grundfos, we wish to improve our positive impact on the communities in which we operate. For this reason, many of our companies support their local communities.

At Grundfos South Africa for instance, we have our own charity organisation called SACRED (South African Children's Resources for Education and Development). SACRED provides basic education needs to unprivileged schools in rural areas. Every year, Grundfos South Africa pays school allowances to almost 100 children so that they can pay school fees, and buy uniforms and stationery. Other projects under SACRED are vegetable gardens for feeding programmes, mobile libraries for schools that do not have libraries, a mobile science lab that tours schools every week for extra science lessons, internet access and mobile kitchens.

Another example is Grundfos in China, who supports vulnerable children, a school for deaf and blind children, provides scholarships, and runs smaller activities such as giving Christmas presents to poor children.

As a global organisation, we also have a responsibility to help with current crises. This has led to the Grundfos Group donating EUR 70,000 in 2015, to help ease the current refugee situation in Syria and Afghanistan.

We involve our employees

Some local Grundfos companies encourage their employees to donate to local charity, either directly to NGO partners or through fundraising projects like golf days, auctions, or staff pledges.

Grundfos India held an event from 27 July to 5 August across all its offices in the country, aimed at inspiring employees to donate to local NGOs, with either cash or other material needed by the NGO. This resulted in employees from Grundfos India donating fans, stationery, clothes, bedsheets, toiletries, fruit and eatables for the benefit of each NGO.

In France, Grundfos collaborates with the NGO Hydraulique Sans Frontières on a project in Chad, Africa. The project involves setting up a training center for contractors, so they are able to maintain water systems correctly and systematically. Because of the risk of working in Chad due to civil conflicts, the training is presently being implemented at a distance, and for that





purpose a "Contractors Guide" has been developed. When Hydraulique Sans Frontières needs a pump for water works in Africa or elsewhere, our technicians help them determine the right pump, provide them with the necessary training and give them a beneficial price on the pump unit.

We involve our partners

We also try to involve our business partners in our social work. Grundfos France ties donations to the ECSS questionnaires (Yearly Customer Satisfaction Survey), where EUR 5 per returned questionnaire is donated for charity. We inform the customers that when they answer, Grundfos gives EUR 5 to our partner, Hydraulique Sans Frontières. In addition, for those participating in running competitions where Grundfos France is sponsor,

we give EUR 2 for each kilometer the runner completes. Finally, customers and suppliers support the yearly Grundfos golf event for charity in South Africa and are thus involved in our community support.





Responsible business

At Grundfos, we believe that being a responsible company is part of doing business. Being a responsible company is a shared responsibility we have across functions and something to which every single employee contributes.

To support our employees in complying with the Grundfos Code of Conduct, we have launched various initiatives to help integrate the Code of Conduct in our organisation. Furthermore, we are working on embedding our Human Rights policy and developing our Human Rights due diligence programme. Finally, we continue our implementation of our suppliers' Code of Conduct. That is what we call Responsible Business Conduct.

Code of conduct

The Grundfos Code of Conduct outlines how we expect our employees to conduct themselves while doing business on behalf of Grundfos. Today our Code of Conduct includes 10 topics.

To support our employees in complying with the Code of Conduct, we have our Code of Conduct handbook. The handbook is designed to minimise grey areas and present dilemmas our employees run into in everyday business. We also have training modules to enhance the support, and in 2015, we developed a specific training for China inspired by common challenges in that country. This was a joint initiative with our Chinese company, where we trained several employees who can replicate the training in the local language throughout our operations in China. We will replicate this initiative in other countries and regions in the coming years.

At Grundfos, we also have an independent ethics committee. The ethics committee is responsible for advising Grundfos Group Management on ethical issues and managing claims of potential breaches of the Grundfos Code of Conduct. In addition to that, we also have a whistle-blower function, where employees have the option to report potential breaches of the Grundfos Code of Conduct anonymously.

In 2015, the total number of claims received by the Ethics Committee was 13. Out of the 13 claims received, one, falling under the Conflict of Interest area, was determined to be a breach of the Code of Conduct. We also developed a training programme to strengthen the competencies of the employees conducting investigations into potential breaches of the Grundfos Code of Conduct.



Business conduct

	Claims	Breaches
Bribery	2	0
Gifts and Entertainment	0	0
Fair and Lawful Competition	0	0
Conflict of Interest	2	1
Confidentiality	0	0
Acceptable Accounting	1	0
Human Rights	1	0
Labour Rights	1	0
Environment	0	0
Political Contributions	0	0
Other ethical issues	3	0
Non-ethics related	3	0
Total	13	1

Human rights

In Grundfos, Human Rights are part of our Code of Conduct and our commitment to the UN Global Compact. In addition to this, we took another step in our Human Rights due diligence programme following the launch of the Grundfos Human Rights policy in 2014. We conducted a Human Rights mapping exercise in conjunction with BSR, which assisted us as a company in identifying our most salient risks and defining the way

forward. For this exercise, we considered the likelihood of occurrence, and the scale and severity of potential impact. Based on the outcome, we identified initiatives to be implemented in 2016.

Being a global company and with operations in more than 65 countries, we need to look at Human rights from a local as well as a global perspective. In 2015, we selected five countries (China, Denmark, India, Mexico and Russia) for a pilot project focusing on incorporating local views and regulations in our due diligence. As part of the project, we developed tailored webinars to facilitate key stakeholders with the knowledge and tools to assess potential gaps within our current practices and the United Nations Guiding Principles for Business and Human Rights. Based on this pilot, we will develop a plan to manage Grundfos Human Rights impact in the coming years.

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. Our ambition is to be among the best in class and to achieve this ambition we are in the process of analyzing our current approach, benchmark it against industry standards and address the gaps systematically.

Reporting policy





Reporting principles

It is important for us to set targets and monitor development. For the tenth 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 2015 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. Furthermore newly acquired companies must report data for the calendar year in which they have been part of Grundfos for six months or more. During 2015 no new companies were acquired, one company – Grundfos Hilge – was sold per October 1st.

However, we 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.

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 (SAP SuPM) 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 report their monthly EHS data. For the 2015 annual reporting including all Grundfos companies

the system was used for the first time for this yearly process. It took a lot of effort not least for the companies using this for the first time – however it also gave the result, that for the first time data for energy and water consumption, CO2 emissions and lost time injuries for all Grundfos companies was included in the financial annual report. Thereby we no longer have a different company scope in our Annual Report and this Sustainability Progress Report. In both reports all Grundfos companies are included.

Process for defining report content

Our Group Strategy and Sustainability Roadmap 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, however we have not adopted the G4 guidelines.

Training hours are not reported for 2015, as global (comparable) data is not available for this year. Implementation of new IT system is planned and data will be available again later.

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 2015 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

92% of all Group production companies are ISO 14001 certified, and 88% 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 through SAP and validated by Grundfos' Group Sustainability department. 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 consumption

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).

The GHG Protocol categorises direct and indirect emissions into three broad scopes:

- 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.

For electricity, we use local factors whenever available, if not available we use country specific factors from the IEA (International Energy Agency). For heat and steam, we 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 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.

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 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.

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Some of our (smaller) companies have no information available on water and energy consumption, as this is included in the rent and not measured. The same challenge goes for non-hazardous waste from some offices. The consequence is that this is either estimated or not included. It is estimated that the volume for this is not significant. However, we will make more specific reporting requirements on how to solve this in the future.

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.

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 2015. 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 per 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 (%)

The Key Group positions are defined as Mercer band level 1 to 4, corresponding approximately to “top 100” leaders in Grundfos. The result cannot be compared with earlier years, where only selected positions were included.

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.

Working hours lost 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.

Absence from LTIs that occurred in previous years is included.

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.

Data from 2012 and 2013 are not comparable with 2014 and 2015 as we in 2014 changed the data source. In 2016, the EDD process will be merged with the Employee Performance Dialogue (EPD); and going forward we will only have one Performance & Development Dialogue (PDD). A new system, Success Factor, has been implemented to support this process. This may affect the numbers and the comparison in 2016.

Compliance workshops

During 2015, 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 conducted 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.

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).

A process of data quality improvement and a new organisational setup for the European area has during 2015 led to a large increase in the number of counted group suppliers. It has not affected the processes linked to the suppliers.

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.

For further information about Grundfos and sustainability reporting, visit www.grundfos.com/sustainability.

Grundfos performance

Environmental footprint	2008	2014	2015
CO ₂ emissions (metric tonnes)	132,603	107,616	99,627
Energy consumption (MWh)	347,207	314,966	305,739
Water usage (m ³)	655,136	445,869	435,038
Environmental footprint	2013	2014	2015
ISO 14001-certified production companies (%)	84	88	92
OHSAS 18001-certified production companies (%)	68	80	83
Sustainable product solutions	2013	2014	2015
High efficiency circulator pumps – energy saved (billion kWh per year)	2.8	3.5	4.5
Investment in the development of new products (% of turnover)	5.6	5.5	4.5
Workplace	2013	2014	2015
Workforce size (full time employees)	18,776	18,878	17,945
Female leaders (%)	19	20	20
Non-Danes in key group positions (%)	N/A	N/A	41
Employees on special terms (%)	4	4	4
Health and safety	2008	2014	2015
Injuries (per mio. working hours)	10.21	4.57	5.02
Lost working hours due to lost time injuries (per thousand working hours)	0.96	0.54	0.88

overview

People competences	2013	2014	2015
Employee development dialogue - blue collar (%)	N/A	36	47
Employee development dialogue - white collar (%)	N/A	66	70
Responsible business conduct	2013	2014	2015
Compliance workshops	2	2	2
Group entities audited, Grundfos Code of Conduct	37	31	20
Actions taken in response to incidents of corruption	2	1	3
Purchase	2013	2014	2015
Global suppliers	318	385	2000
System and process audits	40	37	42
Social audits	7	6	3

