





**WE BELIEVE THAT IN THE FUTURE, DEMAND WILL INCREASINGLY SHIFT TOWARDS SOLUTIONS WITH LOW CLIMATE IMPACT. ACTING ON CLIMATE CHANGE IS THEREFORE NOT ONLY THE RIGHT THING TO DO – IT IS ALSO WHERE THE FUTURE BUSINESS OPPORTUNITIES LIE FOR GRUNDFOS**

**CARSTEN BJERG,  
GROUP PRESIDENT AND CEO**



**WE ENGAGE IN PARTNERSHIPS,  
TEAMING UP WITH OTHER  
COMPANIES AND ORGANISATIONS TO  
FIND WAYS TO A MORE SUSTAINABLE WORLD.  
“SUSTAINABILITY THROUGH PARTNERSHIPS”  
IS THEREFORE THE THEME OF THE GRUNDFOS  
SUSTAINABILITY REPORT 2010**

**CARSTEN BJERG,  
GROUP PRESIDENT AND CEO**

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# MANAGEMENT STATEMENT

**S**ustainability is the keyword when looking back at our activities and results for 2010. It is true that, over the past few years, world attention has shifted from climate issues to the financial crisis, for example. Yet to Grundfos, sustainability in all its aspects still has our undivided attention. And running a healthy and strong company during a massive financial crisis and experiencing a decline in turnover as a consequence have not shaken our principle of making sustainability the all-important objective in everything we do. We, too, suffered financial blows and we had to adapt and reorganise our company. This required a joint effort in all Group companies and by all employees. And it meant that, by partnering with our customers, we were able to develop solutions to relieve the most serious consequences. Our customers acknowledged our efforts with increased satisfaction and loyalty. We managed to turn decline into progress, and we have reason to be optimistic about the future.

# 15%

**INCREASE IN NET TURNOVER COMPARED WITH 2009**

# 5.2%

**OF TURNOVER INVESTED IN RESEARCH, DEVELOPMENT AND LAUNCHING NEW PRODUCTS IN 2010**

## FURTHER PROGRESS

In 2010, Group net turnover amounted to 2,634 million euro compared to 2,291 million euro in 2009, which is a 15 per cent increase. Thus, our company is in reality debt free, and our equity ratio is better than ever. The new progress and our sound financial position will be used to secure the basis for the future development of our company. This led to a significant strengthening in research and technology developments, and we made an investment of 5.2 per cent of our 2010 turnover within these areas.

## GRUNDFOS' EFFORT FOR HIGHER SUSTAINABILITY

Our view on climate change is based on science. When leading scientists and experts from the UN's IPCC state that climate change is man-induced, we believe it. The fight against climate

change is just one part of a great Grundfos effort to obtain a higher degree of sustainability. The world needs to adopt an alternative mindset, develop new technologies and new habits. And we believe that sustainable development and financial growth can go hand in hand. The journey towards a sustainable development will lead to a greater competitiveness, where money can be made by thinking and manufacturing responsibly.

We have set ourselves the target of not emitting more CO<sub>2</sub> than we did in 2008. This is an ambitious target that means that Grundfos – like the rest of the world – needs to reduce our energy consumption and identify energy sources other than fossil fuels. In 2010, we made a two per cent reduction in our CO<sub>2</sub> emissions compared with 2008, and we thus met our target. This is satisfactory considering our considerable growth figures in 2010. In order to be able to keep our CO<sub>2</sub> consumption below the 2008 level, we need to make a shift to greener manufacturing.

Our ambitions for the CO<sub>2</sub> area reach further than our own footprint. With our energy-efficient products we are able to help our customers reduce their CO<sub>2</sub> emissions, and we must make our products even more efficient by offering lower energy consumption. Therefore, we will intensify our efforts to raise the level of awareness in the world around us, locally, regionally, nationally and globally. We will try to make our surroundings become part of our effort to think and act more responsibly today than we did yesterday.

## SUSTAINABILITY THROUGH PARTNERSHIPS

This raising of the awareness level will not only take place in relation to climate change, but also through a wide understanding of the importance of sustainability and responsibility. Our commitment is not open for discussion. Our employees, customers and business partners know that. But it is not possible for Grundfos to fight climate change on our own, for example, or to provide clean drinking water for all the world's poor people. We and our products are clearly part of the solution, but in order to achieve the best and most sustainable effect, we find it is necessary to enter into a number of partnerships. This is why the theme for Grundfos' 2010 Sustainability report is "Sustainability through partnerships". Read more about these partnerships in the articles within the report, for example Grundfos Brings Water2Life which incorporates a partnership with the Danish Red Cross and our employees, and which provides clean drinking water to poor people in Kenya.

## GRUNDFOS BRINGS WATER2LIFE

In order to give our employees an opportunity to make a difference and provide clean drinking water to the poor people of the world, we launched the employee involvement programme Grundfos Brings Water2Life in 2010.

This programme creates a link between our employees, our focus on sustainability, responsibility and our competences, and it helps create a stronger focus on sustainability among our employees. With this programme, Grundfos also contributes towards meeting the UN Millennium Development Goals.

**Global Compact**

Grundfos supports and has supported Global Compact since 2002.

**SUPPORT FOR GLOBAL COMPACT**

Grundfos has been supporting the UN Global Compact since 2002. Together with our core values, these 10 principles form the basis for our holistic approach to responsibility and sustainability. In addition, Grundfos supports the "Caring for Climate" initiative and accordingly, we have committed ourselves to specific set targets for the reduction of our CO<sub>2</sub> emissions.

We are constantly setting new targets for our sustainability and responsibility efforts. This is why we review our activities and present them every year in our sustainability report, which you are holding in your hands. We encourage you to read on and judge for yourself whether our intentions live up to the results. We hope you will enjoy reading it!

Niels Due Jensen  
Group Chairman

Carsten Bjerg  
Group President & CEO



# CREATING SHARED VALUE

In an environment characterised by rapid change, growth and globalisation, our Grundfos mission, vision and values provide guidance for our behaviour and function as key decision-making tools, especially in terms of sustainability and responsibility.

Grundfos' history of sustainability and responsibility dates back to the establishment of the company in 1945 and our organisation and employees continue to live these values. Furthermore, along with our commitment to the UN Global Compact, our mission, vision and values provide the foundation for our approach to conducting business in a sustainable and responsible manner.

## OUR APPROACH

Fundamentally, we believe that Grundfos and the societies in which we operate are interdependent. Successful companies need healthy societies, and healthy societies need successful companies. Therefore, our business decisions follow the principle of shared value – value that benefits both sides.

The Grundfos shared value model illustrates the way in which Grundfos creates shared value while moving along the value chain. The model comprises four main areas of value creation: PURCHASE, PROCESS, PEOPLE and PRODUCT. This model helps us to identify initiatives that increase the impact for Grundfos and

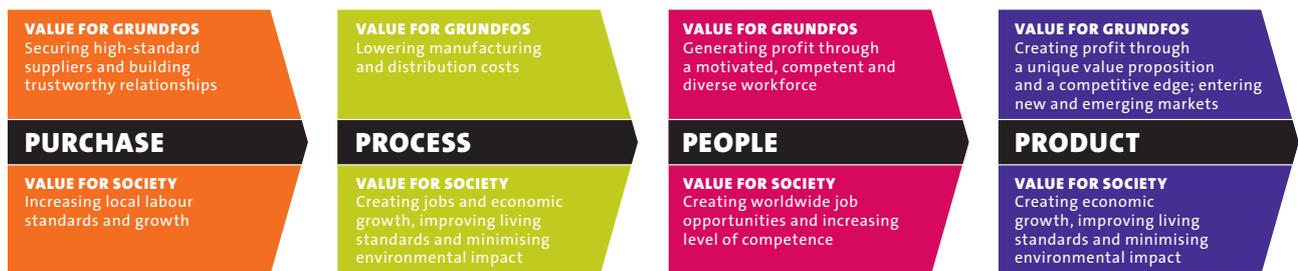
for the surrounding society, including our employees, suppliers, customers, and the communities in which we operate.

To create shared value means thinking ahead while at the same time delivering strong short-term results. This means that we will choose sustainability and responsibility initiatives carefully. Furthermore, we will focus our resources on areas in which we can contribute the most while at the same time having a competitive advantage. In this way, we believe we can serve both purposes.

As a global company we acknowledge that our companies face different challenges and issues related to sustainability and responsibility. Therefore, the model reflects our think global – act local approach, which makes it possible for our companies worldwide to adapt to local conditions.

## THE STRUCTURE OF THE REPORT

The structure of the Sustainability Report 2010 is based on the 4 Ps PURCHASE, PROCESS, PEOPLE and PRODUCT in the Grundfos shared value model. In order to emphasise Grundfos' core competences as a solution-provider of sustainable products, this report will begin with the last part of the shared value model, PRODUCT.



## PURCHASE



Responsible supplier management is a key area at Grundfos.

In our understanding, PURCHASE includes:

- All Grundfos procurement
- Supplier management

## PROCESS



Grundfos is present with companies all over the world.

In our understanding, PROCESS includes:

- Operations
- Inbound and outbound logistics
- Properties and utilities
- Community involvement

## PEOPLE



To ensure our present and future existence, we need an innovative, enthusiastic and skilled workforce to safeguard our business success in the long run.

In our understanding, PEOPLE includes:

- Leadership and collaboration
- Competence development
- Occupational Health and Safety
- Code of Conduct

## PRODUCT



Through our innovative approach to sustainable product solutions, we provide the world with customised, high-quality and sustainable solutions, which minimise our customer's impact on the environment and at the same time create a competitive edge for Grundfos.

In our understanding, PRODUCT includes:

- All Grundfos products
- Research & Development
- Customers
- Sales & Marketing
- Service

## An integral part of our business strategy

In order to create shared value, it is vital that Grundfos ensures compliance with local, national and international laws, rules and regulations wherever we operate. In this context, it is necessary to adhere to international guidelines to which we have voluntarily committed ourselves, for example the UN Global Compact. Some rules are legally binding, while others reflect good practice, ethical standpoints and common values. The Grundfos Code of Conduct reflects a combination of these and what we understand as good business practice.

Furthermore, we are convinced that, as a company, we must exceed laws and regulations and act responsibly in relation to the environment, employees, and local communities. This responsibility is integrated into our business strategy.

### SUSTAINABILITY FIRST

Sustainability is a key concept in Grundfos and this term is understood in its broadest sense embracing the threefold bottom line of economic, social and environmental concerns. The focus on sustainability in Grundfos was strengthened with our Innovation Intent, which is our guiding star for the next 15-20 years. Innovation Intent thus serves as our vision and the primary driver of the transformation that takes place at Grundfos and it defines the areas in which we want to make a difference as a company. The aim of the Innovation Intent is to capitalise on opportunities that are founded on major global challenges such as climate change, population growth, urbanisation and new technologies, thus creating shared value.

Emanating from Innovation Intent and our foundation is “The Grundfos Climate White Paper – our response to the climate challenge”, the purpose of which is to provide a direction for existing and future climate-related initiatives. The Climate White Paper presents our position on climate change, offers our own vision for sustainability, and illustrates how our values, corporate behaviour, products and new ideas can be expected to contribute to a better environment and social prosperity. We also wish to motivate and inspire all our employees to address the climate challenge.

### THINK GLOBAL – ACT LOCAL

In order to be able to successfully implement sustainability and responsibility, these concepts need to be embedded in the entire organisation. This means that our objectives are implemented and applied across companies and units both globally and locally.

A number of management service functions are in place to support our companies and units globally. The focus of the Group

Environment and Group CSR departments is exclusively on sustainability and responsibility. They provide tools, facilitate new initiatives, manage strategic projects, share best practice and monitor progress. In 2010, our focus on sustainability was further strengthened with the employment of a Director of Sustainability & CSR with direct reference to CEO & Group President Carsten Bjerg.

Furthermore, approx. 58 per cent of all Grundfos companies have appointed a person who is in charge of sustainability and responsibility. This includes almost all production companies, which constitute the majority of the Group based on number of employees. The appointed people are mainly General Managers or employees within the Human Resources or Quality functions.

## Achievements 2010 and future focus

In 2010, focus was on two major sustainability efforts. First of all, efforts have been made to contribute to our footprint strategy of never emitting more CO<sub>2</sub> than in 2008. A variety of strategic reduction initiatives has been launched resulting in a two per cent CO<sub>2</sub> reduction compared with 2008. This is a satisfying result when considering the rapid growth Grundfos experienced in 2010.

Secondly, we have launched the new sustainability programme, Grundfos Brings Water2Life, which combines Grundfos' products with employee involvement to create access to water in a sustainable way for some of the world's poorest people. Thus, the programme contributes to a green and social mindset across the entire organisation gathered around a common cause.

Our objective for the future is to perform on our Group Strategy and release the full potential of sharing a common direction towards a sustainable Grundfos. In order to succeed with our sustainability agenda, our ambition is to become a role model regarding the way in which economic, social and environmental considerations can be a premise not only for a sound operational set-up but also a vehicle for developing innovative, sustainable and profitable solutions.

### IN 2011 WE WILL FOCUS ON:

- Initiatives directly associated with the Climate White Paper
- Our Footprint strategy targeting CO<sub>2</sub> and water reductions
- Engaging in dialogue with key influencers on the international agenda on climate and water
- Launch the process of developing a sustainability strategy document that clarifies our focus areas and future efforts





# PRODUCT

With Grundfos' expertise and customer orientation, we provide the world with sustainable product solutions, while at the same time creating a competitive edge for our company. This is what we mean by shared value. Our products create value for our customers by ensuring high quality and customised solutions. Furthermore, we consider our innovative products to be part of the solution to the urgent challenges the world is facing today.



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**T**he climate is changing dramatically. The effects of pollution and excessive energy consumption are seen and felt all over the world. According to the Intergovernmental Panel on Climate Change (IPCC), people and businesses are the main causes of present and anticipated climate change.

This challenge that the world is facing has caused companies, NGOs and individuals to put climate change on the global agenda. As a result, many good initiatives have been presented to ensure a more sustainable world – but it is not enough. There is still an urgent need for ways to reduce CO<sub>2</sub> emissions easily, cost-effectively, and immediately.

#### HIDDEN OPPORTUNITIES

“Saving energy at the point of usage is a very good way to get quick cuts on emissions”, says Professor Will Steffen, Climate Institute Australia. Pumps offer a great opportunity for reducing the world’s energy consumption. A typical life cycle assessment of a pump shows that 95-97 per cent of the environmental impact is caused by the energy consumption related to the use of the pump.

Grundfos’ research shows that pumps have a substantial impact on the environment, as they use up to 10 per cent of the world’s total electrical energy.

Furthermore, the EuP Lot 11 Motors Final Report illustrates that most of the pumps that are currently installed are larger than necessary for the job they are to perform, and the majority of the motors that have been chosen to drive the pumps are inefficient. In fact, 2/3 of all pumps use up to 60 per cent more energy than is necessary.

#### SAVING ENERGY AT THE POINT OF USAGE IS A VERY GOOD WAY TO GET QUICK CUTS ON EMISSIONS

PROFESSOR WILL STEFFEN,  
CLIMATE INSTITUTE AUSTRALIA

Consequently, energy-efficient pumps offer great potential for reducing the world’s energy consumption. But because pumps are hidden in basements or production facilities and are normally not visible to the public eye, few people realise the environ-

mental and economic potential of replacing pumps. Therefore, Grundfos has made it a top priority to get sustainable pumps on the global energy agenda – now.

#### PARTNERSHIPS DRIVE THE CHANGE

It is not possible for Grundfos alone to put pumps on the global energy agenda and influence the legislators. We need to work together with different stakeholders and build relevant partnerships in order to raise awareness about the potential of high efficiency pump technology.

We must stand together to emphasise that this is not just a national or company-specific issue. It is a global call to action. It is essential to enter into partnerships with politicians in order to appeal to legislative bodies and initiate influential change on both national and international level.

Political support and involvement will allow us to further strengthen our message and influence. For example, Grundfos played a major role in the legislative process for pump motor efficiency and the consequent layout of the EuP Directive for electric motors. This directive makes stringent restrictions on the energy consumption of electric motors in order to reduce



*Pumps have a substantial impact on the environment, as they use up to 10 per cent of the world's total electrical energy. Consequently, energy-efficient pumps offer great potential for reducing the world's energy consumption.*

# REDUCING ENERGY – MOVING THE WORLD

electricity consumption and dependency on energy imports in the EU. Once the directive has been fully implemented, it will help reduce the EU's entire annual electrical energy consumption by five per cent by 2020.

Other important stakeholder groups include installers, consultants and contractors. It is crucial that they realise how pumps can bring potential savings to their customers, and thus drive their business. In addition, appealing to end customers will encourage them to demand efficient solutions every time. Businesses and industries that take it upon themselves to rise up to the energy challenge and switch to more energy-efficient pumps have great opportunities for achieving CO<sub>2</sub> reductions and savings.

It is estimated that if every business were to switch to a high-efficiency pump system we could reduce global electricity consumption by four per cent, which is comparable to the combined residential electricity consumption of one billion people.

#### **“MEET THE ENERGY CHALLENGE NOW”**

Putting sustainability first, Grundfos has

initiated the “Meet the Energy Challenge NOW” movement. The purpose is to explain the potential efficiency benefits offered by pumps, both internally and externally, and to introduce our energy-efficient solutions. For example, our Grundfos Blueflux® motors and variable frequency drives for pumps minimise energy usage while ensuring top-of-the-line performance and reliability.

Our technology and holistic way of thinking always give us an edge in the market and keep us ahead of legislative requirements.

#### **GRUNDFOS PRODUCTS CREATE SHARED VALUE**

Grundfos is a leading pump manufacturer and with our products we have the ability to help our customers reduce their CO<sub>2</sub> emissions. Grundfos takes this responsibility very seriously, and we do our best to act accordingly, developing quality pumps and minimising the environmental impact caused by using our products.

If we take advantage of pumps and the hidden opportunities they present we will create value for the environment, for society and for Grundfos, all at the same time.

Energy-efficient pumps will have a positive effect on the environment as global CO<sub>2</sub> emissions will be reduced. However, it will also generate financial savings for our customers. To Grundfos, higher demand for energy-efficient pumps and motors will give us a competitive advantage as our products are efficient and intelligent, and we are in a position to offer the world what it is asking for. ■

[www.grundfos.com/energy](http://www.grundfos.com/energy)

#### **Global Compact**

Grundfos supports the UN Global Compact principles 8 and 9 by taking the initiative to promote greater environmental responsibility and develop environmentally friendly products.



# PRODUCT

**W**e understand PRODUCT as the full spectrum of Grundfos products and ideas, innovation measures, customer relations and sales/marketing activities, as well as the after-sales and partner support services.

In 2010, our main focus was on a continued effort to develop sustainable and innovative products and promote the use of sustainable products. Furthermore, we focused on connecting with our customers and understanding their needs while at the same time influencing the global agenda on sustainability.

## Sustainability means business opportunities

Sustainability is at the very core of Grundfos' product development, our innovation strategy, the needs we address and the markets we serve.

We help companies and people meet global sustainability challenges by providing the technologies and technical capabilities and by engineering solutions that enable them to do so. We have the products when the customers are ready for them or when national and international requirements demand them.

Grundfos' sustainability and responsibility objectives are not only a sign of the responsibility we assume in relation to society. These objectives are also the basis for our future strategic and commercial success, as explained in the Grundfos Climate White Paper published in 2009 and Innovation Intent from 2008.

### GRUNDFOS' 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 apartment buildings and in smaller buildings such as one- and two-family houses.

Another business area is water. Grundfos provides pump solutions to water plants, wastewater plants and agriculture, for example. The focus is mainly on water recovery and distribution and wastewater treatment.

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.

## Sustainable future via managed innovation

Innovation is not new in Grundfos. For many years we have maintained and increased our intensive strategic focus on innovation. This was followed up by the even more radical Innovation Intent in 2008.

Innovation Intent is our guiding star towards 2025, and the goal is to put sustainability first, be there for a growing world and pioneer new technologies. As regards the latter, one of the strategic objectives is to ensure that one third of Grundfos' 2025 turnover comes from products and services other than pumps – our core business to date.

Based on this overall objective, three innovation platforms were established:

- Be there for Future Homes and Living in China
- Exploit Zero-impact Commercial Buildings in USA
- Rethink Decentralised Water Treatment

### TRANSFORMING GRUNDFOS

Our Innovation Intent is a primary driver for the future transformation of Grundfos and for the technologies on which our mainstream operations are based. It is critical that we develop and nurture an organisational environment that encompasses all the primary innovation paths – radical, evolutionary and incremental.

The Grundfos organisation must be in a position to identify and select ideas, technologies and solutions that have significant potential to generate exceptional return on investment. This is why we will focus to an increasing extent on our business development capability, rather than nurture technical capability alone.

Grundfos' determined focus on high energy efficiency in our pump products has greatly reduced their energy consumption. This has been achieved by optimising hydraulic flows, motor efficiency and control capabilities, and these efforts are ongoing. As the cost effectiveness of such efforts will inevitably begin to tail off, we need to extend our market advantage to other fields and other key parameters to continue to provide customers and end users with visibly significant value. From our traditional base of focusing mainly on the actual pumps, we now anticipate a future in which the ability to manage, monitor and process the pumped media will also be an essential part of the Grundfos innovation landscape.

### TARGETING INNOVATION EFFORTS

Grundfos has gathered much experience by planning and implementing ambitious innovation strategies focused on a wide range of advanced technologies. This experience has given us a clear picture of both the advantages and pitfalls

that are involved in different approaches. The very high level of uncertainty that stems from addressing new technologies and new fields of business means that radical innovation provides very little greenfield growth in the early years. This is why we have to make sure that our most radical development and innovation work will also rub off on our core business and generate revenue flows that are viable in the long term.

At the moment, we are engaging in an ongoing refinement, fine-tuning and targeting of our innovation efforts. Our objective is to make sure that these efforts make significant contributions to our core business activities, while at the same time opening new doors and developing and implementing important new technologies that will help ensure Grundfos' long-term future.

In order to strengthen our focus on innovation, the Group Senior Vice President for Business and Technology Development has been appointed as the fifth member of Grundfos Group Management as of 1 January 2011.

In the future, we will be taking a more holistic and integrated approach to innovation. Grundfos' innovation strategy work will therefore be more closely integrated into our business segments in order to strengthen revenue flows and accelerate the payback from our innovation efforts.

## Sustainable products

Innovation and sustainability are key issues for our approach to product development. This approach takes a number of considerations into account such as providing our customers with greater value, helping them to meet their customers' needs even better, enabling our customers to achieve greater energy and resource efficiency and finally helping our customers plan and carry out their operations in a more responsible and sustainable manner.

In 2010, Grundfos engaged in many different projects in order to expand our portfolio of sustainable products, and our focus continued to be on resource and energy consumption. We invested 5.2 per cent of our turnover in activities related to researching, developing and launching new products.

The following is a presentation of some of the products and solutions Grundfos offers.

### CIRCULATORS

The market for circulators is very important for Grundfos, as we are the largest manufacturer of circulator pumps, covering approx. 50 per cent of the world market. Circulator pumps are usually used for circulating water in heating and cooling systems, and Grundfos offers many different products within this product family.

Our most energy-efficient circulator is the ALPHA2 pump. One of the reasons for the efficiency of this pump is the AUTOADAPT function, which is an integral part of the pump and gives perfect comfort at the lowest possible level of energy consumption. AUTOADAPT analyses the pump system and regulates the pump output according to specific needs. In 2010, we reached a total number of 2.7 millions ALPHA units sold. The AUTOADAPT function has also been integrated into other circulator pumps, and in 2010 the Comfort AUTO-ADAPT DHW Circulator was launched. It is an intelligent hot water circulator pump, which can adapt to and memorise the users' tapping patterns, and it is used in one- and two-family houses.

Circulator pumps are also sold to Original Equipment Manufacturers (OEM). \* In 2010, the UPM2/UPM GEO product was launched. It is a high-efficiency circulator pump, which is typically installed in gas boilers and which meets the future EU efficiency demands.

# 2.7

MILLIONS ALPHA UNITS SOLD

### MONITORS AND CONTROLLERS

Another way of minimising energy consumption in a pump is by monitoring and controlling the pump. Grundfos offers various solutions in terms of monitors and controllers.

In 2010, a new CR monitor was launched. It is a system which monitors a pump's efficiency and performance and enables an early warning on efficiency loss.

Also, the Dedicated Control (DC) was launched in 2010. This is an innovative pump controller with a unique built-in energy saving feature that continuously adapts the speed of the pump to the current conditions. This ensures that wastewater is transported using the lowest possible amount of electrical energy.

\* OEM is used to refer to a company that acquires a product or component and reuses or incorporates it into a new product with its own brand name.

**DOSING PUMP**

Smart Digital is Grundfos Alldos' new dosing pump, which revolutionised the market by also being able to measure flow. Furthermore, the pump is flexible and can be used in a number of applications. It is simple to use and maintain and it can be remote-controlled. Therefore, the Smart Digital helps the end user to limit and manage resource consumption and thereby limit the environmental impact.

**BIOBOOSTER**

Grundfos BioBooster is a containerised wastewater treatment system based on a Membrane Biological Reactor (MBR) that combines biological treatment with UF membrane filtration. The result is a compact, modular and odour-free system that is used to treat wastewater to a level where the treated water can be reused for a number of technical functions or discharged directly to the recipient.

Significant technical development took place during 2010 and will continue in 2011, aiming at increased commercial activities from mid-2011. Several commercial trials and contacts in both municipal, industrial and commercial building segments demonstrate significant market interest in the overall BioBooster solution.

**LIFELINK**

Grundfos LIFELINK was set up to develop, sell and supply services for automatic water systems, primarily aimed at rural users in third-world countries. A business model has been developed which enables micropayments via mobile banking. This ensures financial sustainability and a long lifetime of the system alongside a fully transparent and corruption-free payment system.

During 2010, the project was further accelerated and, at present, 12 sites are in operation in Kenya. Further growth is expected in 2011, when Grundfos LIFELINK will also set up activities in more countries in East Africa and Thailand.

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**LIFELINK SITES OPERATING  
IN KENYA IN 2010**

**INFARM**

Infarm produces and sells environmental systems that enable large pig and dairy farmers to considerably reduce ammonia and nitrogen emissions based on worldwide patents for acidification, odour prevention and slurry separation.

During 2010, Infarm's development work included a prototype of the SmellFighter concept and further analysis of test results. Full-scale prototype testing will continue in 2011. Sales during 2010 were hard hit by the downturn in agricultural investments as a consequence of the financial crisis, but Infarm retains an attractive order portfolio well into 2011.

**GRUNDFOS SENSOR**

Less expensive and more versatile, and possibly multivariable, digital sensors are essential for increasing the "intelligence" of a wide range of systems, components and installations. Such sensors enable companies to meet sustainability objectives by addressing the energy efficiency and water efficiency of complete systems, instead of simply focusing on individual components.

The sensors were put on the market in 2006 and they have shown steady sales growth. During 2010, sales grew further, and there are now more than one million Grundfos sensors in operation. The sensors will to an increasing extent be integrated into Grundfos' product portfolio, adding value to both products and customer solutions.

## Sustainable product development strategy

Grundfos' product development strategy for the future focuses mainly on minimising energy footprints and water footprints.

In terms of energy footprint, Grundfos makes it possible for our customers to manage their energy consumption and reduce their CO<sub>2</sub> emissions by providing energy-efficient products. As a member of the Europump organisation, Grundfos has been a proponent of voluntary labelling the energy requirements of all circulator pumps, based on the new EuP Directive. The EuP Directive provides EU-wide rules for improving the environmental performance of energy-using products (EuP) through eco-design. Several Grundfos pump types\* will benefit from this and Grundfos is also developing a comprehensive range of pumps based on the ALPHA2 design, specifically to meet EuP Directive requirements.

In terms of water footprint, Grundfos has gradually moved well beyond the traditional focus on hardware and equipment. Instead, we are now focusing on identifying the basic problems and solutions in relation to the challenges with water, thus meeting customers' real needs.

Collection and recycling of water plays a key role in reducing consumption of groundwater, which is becoming a scarce resource. This is why Grundfos is increasingly focusing

\* UPM2, UPM, Geo, Solar PM2, MAGNA GEO, etc.

on rainwater harvesting, optimised distribution in waterworks and on the reuse of water in buildings and industries.

#### **A LEADING WATER TREATMENT PROVIDER**

Industrial water treatment represents a global market amounting to approx. EUR 12 billion in 2010. However, this market is highly fragmented and is undergoing a process of rapid consolidation. With our current technology base and limited resources, we will only be able to address a minor part of this global market for industrial water treatment equipment. However, Grundfos has the ambition to become a leading water treatment provider in the future. Therefore, we are in the process of identifying potential opportunities and building up the necessary skills and competences. Also we have several “discovery and incubation” projects in the pipeline.

#### **DOCUMENTING THE PAYBACKS**

In order to document that our products are sustainable, Grundfos began to develop a new categorisation system in 2010. The objective is to ensure that future Grundfos products are designed with appropriate, documented sustainability profiles within four distinct categories:

- Energy efficiency
- Material recycling
- Manufacturing footprint
- Social impact.

As from 2011, we will begin to use this system to measure and compare existing Grundfos products against concrete baselines, setting out transparent benchmarks for future product ranges.

#### **Building on built-in intelligence**

Grundfos believes that intelligent solutions represent the next stage of development in pump systems. Sensors will therefore play a greater role in Grundfos products and systems.

Sensors will be installed to monitor the flow of any medium. This will provide data that the pump can use to tailor its operating profile to the conditions in the system. This will lead to new and even more efficient ways to configure whole systems.

We are continuously launching AUTOADAPT versions of existing Grundfos pumps fitted with “intelligence” that registers consumption patterns so that each pump can meet user needs more effectively.

## **Connecting with our customers**

Grundfos pump technologies make it possible to contribute to sustainable development through genuine partnerships based on our customers’ needs and requirements. Our goal

is to fully understand these needs and to offer the right products, solutions and competences to meet them.

#### **GREATER REACH FOR SUSTAINABLE TECHNOLOGIES**

Grundfos is in a position where we can make an important contribution to the global take-up of sustainable technologies. Grundfos can do this by supplying products and solutions to markets where they have previously been unavailable, or where their use would not normally be considered. Also, our offering can form an integral part of new applications and technologies.

Examples include pumps used in wind turbines and for rainwater harvesting, solar heating in Germany, new sensor platforms in China, geothermal heating in the US, solar-powered water supply systems and pumps for use in refrigeration systems.

Legislation and governmental subsidies together with pricing on energy and water are the main reasons for a customer to base his choice on energy efficiency. As in previous years, Germany and Denmark are significant markets for climate-friendly solutions.

#### **GRUNDFOS IN EMERGING MARKETS**

Throughout 2010, we continued our strategy of bringing high-efficiency pump solutions to emerging markets. The Grundfos STAR region, which includes the Middle East, India, Turkey, South Africa, Brazil, Argentina, Egypt and Chile, is home to about 40 per cent of the world’s population. These populations are characterised by having a relatively low average age, and they have high expectations to both their living standards and quality of life. These countries represent a rapidly growing market that accounts for approx. EUR 0.25 billion of annual sales, and they will play a major role in long-term sustainability agendas.

Growth rates in these markets are notably better than in more well-established markets, and our 2010 turnover was only about seven per cent down on 2009, in spite of the continuing effects of the world economic crisis. In the course of 2010, we opened local offices in Colombia, Ghana and Peru, as well as a new regional office in the Kingdom of Saudi Arabia.

Our 2011 plans and budgets feature growth figures of 25-30 per cent in the STAR region, based on substantial interest in energy-efficient solutions. We expect to be able to meet this demand as a result of our strategy of manufacturing in regional hub facilities, combined with an efficient supply chain that helps to keep both costs and environmental impacts down.

#### **CHINA – OUR SECOND HOME MARKET**

China is on track to become the world’s largest energy market. At the same time, it has the world’s most serious





environmental problems. Energy efficiency, water scarcity, urbanisation and a fast-growing middle class all require efficient pump solutions to meet these challenges, and China is on the brink of becoming the single largest global pump market – and Grundfos' second home market. In 2010, Grundfos considerably strengthened our position as a provider of clean-tech solutions in China and increased our total sales to CNY 1,543 million. To anchor ourselves firmly in China, Grundfos is present with three manufacturing plants, one sales company and one investment holding company. In 2010, Grundfos strengthened its position in China as a provider of clean-tech solutions.

# 1,543

**MILLION CNY IN TOTAL SALES IN CHINA IN 2010**

In addition to a number of sustainability activities, Grundfos is strongly involved in the so-called Green China initiative. This overall concept focuses on influencing Chinese legislation and regulation, promoting clean-tech solutions sourced from Danish companies, and building and maintaining access to decisionmakers in the Chinese provinces. 2010 saw a milestone being reached with the signing of a partnership agreement between the Danish consortium represented by the Danish Embassy in China and the City of Zhangjiagang in the Jiangsu Province on a joint eco-city development initiative.

#### **CULTIVATING A GREEN MINDSET**

Sales growth is not enough for Grundfos to achieve our sustainability objectives. We are also working to change basic mindsets and organisational cultures among our partners and customers to make it easier to introduce and roll out sustainable solutions. We also intend to build and strengthen our contacts with end-users and to provide:

- better awareness of the practical needs of end-users and customers
- the best technology for the task
- local support
- after-sales follow-up activities.

Grundfos pump audits are specifically designed to help potential customers avoid using more energy than necessary to meet their needs by showing them how much energy and emission equivalents they could save by installing energy-efficient Grundfos equipment. We currently provide pump audits as a consultancy service, providing documented recommendations that help the customer decide between concrete options, based on full transparency. The focus is on replacing, refurbishing or rethinking a company's systems.

In 2010, we developed the Grundfos pump audit concept still further and widened its scope to cover more countries. 2010 also saw the initial roll-out of the Energy Saving Tool (EST) in Austria and Germany. This new quick-check tool evaluates pump performance by measuring electricity consumption and anticipated flow in order to give realistic estimates of the energy savings that could be made by changing to energy-efficient Grundfos alternatives.

In 2011, we intend to intensify the central registration of the many pump audits carried out by Grundfos companies throughout the world. We also plan to roll out the Energy Saving Tool for use throughout our sales organisation worldwide.

#### **TRAINING BUSINESS PARTNERS**

In addition to pump audits, Grundfos promotes sustainable behaviour by training our business partners. Approx. 68 per cent of all Grundfos companies have engaged in business partner training in 2010. The overall purpose of such training is to raise the level of sustainability awareness among business partners and to illustrate the options that are available with Grundfos' products. Training takes many forms – seminars, workshops, pump and energy audits, covering topics on sustainable behaviour ranging from water consumption, energy efficiency, solar solutions and sustainability and responsibility. For example, Grundfos Argentina completed training in the reduction of energy consumption for 2,400 people throughout 2010.

#### **MARKETING PLATFORMS SPREAD THE WORD**

Grundfos is raising awareness about sustainability via our marketing activities too. In 2010, the Grundfos "Meet the Energy Challenge NOW" initiative was launched in five European countries. This marketing platform positions pumps and electric motors on the global climate agenda and encourages a broad spectrum of stakeholders to make the shift to energy-efficient solutions immediately.

In 2011, this initiative will be extended even further. Focus will be on establishing partnerships and communicating the need to take action now, rather than considering future solutions. The goal is to establish concrete cases to "spread the word", showing decision makers in both private and public sectors the tangible opportunities for reducing CO<sub>2</sub> emissions, saving money and establishing a more credible and greener image.

The focus on Grundfos A-labelled circulator pumps continues in the "Powered by the Impossible" campaign. A-labelled Grundfos ALPHA2 and MAGNA circulator pumps are sold to homeowners through wholesalers and installers. This marketing campaign aims to increase general awareness about the advantages and benefits offered by these pumps and to partner with installers to sell efficient, reliable and sustainable alternatives to homeowners. In 2010, we released a new online information system that will enable our professional partners to provide even better support to homeowners.

# 1.1

## **BILLION KWH ENERGY SAVED PER YEAR SINCE 2005**

Our A-pumps have been sold since 2005, and the total sale of these pumps up to 31 December 2010 has led to energy savings of 1.1 billion kWh a year, corresponding to 533,000 tons of CO<sub>2</sub>. These savings equal the annual electricity consumption of 673,000 EU citizens.

### **GUIDING CUSTOMERS TOWARDS SUSTAINABLE PURCHASING CHOICES**

It is crucial that our customers and business partners experience a sufficient degree of transparency that will help them determine the level of sustainability offered by a product.

Grundfos has been actively involved in setting up the European energy labelling scheme for residential heating circulator pumps which was introduced in 2005. These energy labels rate efficiency on a scale from A to G – with A being the most efficient. This makes it easier for homeowners throughout Europe to save money while at the

same time reducing their environmental impact. From 2013 onwards, standard circulator pumps will be prohibited for sale, and from 2015 onwards A-labelled pumps will be the only choice available.

In 2009, the European Commission passed a new directive that lays down rules for improving the environmental performance of energy-using products (EuP). These regulations aim at reducing the electricity consumption in the many different electric motors that are used throughout industry. Such motors account for 30-40 per cent of the world's electricity consumption, and the European Commission estimates that the new directive will result in a five per cent reduction in European electricity consumption by 2020.

To help decisionmakers make an energy-efficient choice in regard to high-efficiency electrical motor technology designed specifically for pump installations, Grundfos has developed the Blueflux label. This label guarantees full documentation of a pump motor's performance parameters. It also guarantees that the equipment in question meets global legislative standards on motor efficiency and complies with the forthcoming EuP electrical motor directive as well as the directive's 2017 efficiency requirements.

### **CUSTOMER SATISFACTION SURVEY 2010**

Grundfos needs clear, well-structured data that is statistically viable in order to determine the success of the measures we implement and to identify how and where we can make improvements. Therefore, we conduct biannual Grundfos Customer Satisfaction Surveys, as these can be used as a key indicator for patterns of customer loyalty. Participation in these surveys is mandatory for all Grundfos sales companies.

The results document that customer loyalty has improved from 78 to 82 during the 2008–2010 period. Loyalty is the most important measure in terms of customers, and the increase in loyalty is an ongoing trend since 2000, which we are very pleased with.

Customer loyalty						
	2000	2002	2004	2006	2008	2010
<b>Loyalty</b>	75	76	76	77	78	82





#### OTHER WAYS OF COMMUNICATING WITH CUSTOMERS

In addition to the Customer Satisfaction Survey, several Grundfos companies report that they actively communicate with their customers in order to understand their needs. Such communication mainly takes place at customer events, trade fairs and customer meetings.

Also, customer screening gives an indication of focus areas in relation to sustainability and responsibility. Close to one third of all Grundfos companies were screened on sustainability and responsibility issues in 2010. The primary focus was on environmental issues closely followed by issues of labour rights, human rights and anti-corruption.

#### WARRANTY RATE

Customer satisfaction with Grundfos is also emphasised by the low rate of products that were reported faulty within the two-year warranty period.

# 0.48%

#### PRODUCTS REPORTED FAULTY IN 2010

The warranty budget for 2010 was 0.50 per cent products to be reported faulty, yet with an actual number of 0.48 per cent. Thus, our goal was achieved. The 2011 budget is 0.48 per cent.

#### NO FINES FOR COMPLIANCE

Grundfos is committed to behaving responsibly and we would like our customers, suppliers and competitors to perceive us as being a fair, credible and trustworthy business partner.

As regards compliance with laws and regulations, Grundfos did not receive any significant fines in 2010 for non-

compliance etc. Likewise, 2010 saw no legal actions relating to marketing communication and no legal actions relating to business.

## Influencing global agendas on sustainability

Grundfos assumes responsibility as an active participant in the global debate on sustainable development. As a leading technology company, Grundfos plays an important role as a solution provider of a wide range of environmentally responsible technologies. We therefore aim to use our expertise to motivate politicians and impact the global agenda through media and participation in influential networks and decision-making fora. Paving the way for solutions that are cleaner, more energy-efficient and water-efficient will benefit both society in general and our particular business.

#### FOCUSING WHERE WE CAN CONTRIBUTE THE MOST

We consider fighting climate change through pump efficiency to be the area where we can make one of the greatest contributions to sustainability as pumps account for 10 per cent of the world's energy consumption. Consequently, Grundfos is in a unique position to make a positive difference by making ourselves heard among decisionmakers. As part of these efforts, we played a major role in the European Commission's EuP directive on electric motors, which will introduce efficiency standards from 2011.

One challenge that is facing us now is to raise general awareness about the problem and especially about influencing decisionmakers to take responsibility and act promptly on energy efficiency. Many Grundfos companies throughout the world are heavily involved in national and local initiatives in these fields by engaging in close relationships with local authorities and organisations. The World Business Council for Sustainable Development (WBCSD) is a leading forum for energy and climate issues.

In 2010, Grundfos stepped up our involvement in the WBCSD and we are now working in focus areas dealing with energy efficiency in buildings, energy and climate, water and social development. These are fields in which Grundfos can make a difference by boosting awareness about the impact of energy-efficient pump solutions.

For example, Grundfos joined the WBCSD initiative and signed the “Manifesto on Energy Efficiency in Buildings”. As a result, we are now involved in developing guidelines in which energy efficiency related to sustainable pump solutions will be an integral part of new global guidelines. For more information about sustainable buildings in Grundfos, please see p. 40.

#### **WATER CONSTRAINTS, CLIMATE CHANGE AND SOCIAL DEVELOPMENT ARE INTER-LINKED**

Water is increasingly recognised as a critical issue in sustainable development, alongside energy. In 2010, we continued to work on helping people understand the full scope of the water–energy–climate nexus.

Grundfos is involved in numerous water-related networks, research institutions and projects throughout the world. One example is our involvement in the Stockholm International Water Institute (SIWI), a policy institute that seeks sustainable solutions to the world’s escalating water crisis.

In 2010, Grundfos also joined the WBCSD working group on Water, which is in line with our “Rethinking Decentralised Water Treatment” innovation platform.

Climate change and related water stress also have severe consequences for food security in developing countries. Research shows that one-third of the Millennium Development Goals (MDGs) depend on issues related to water in order to be successful. In 2010, we continued our active involvement in the Social Development Focus Area in WBCSD. Grundfos also attended the United Nations’ Global Compact Business Leaders Summit in June 2010. As a signatory of the Global Compact, Grundfos supports and contributes to sustainable development and increasing business

responsibility by sharing our know-how and experience with other member companies.

#### **INFLUENCING NATIONAL AND LOCAL AGENDAS**

In addition to influencing the global agenda on sustainability, Grundfos also seeks to promote sustainable behaviour nationally and locally through various activities. Approx. 30 per cent of all Grundfos companies engage in public policy by attending seminars, conferences and fora of political dialogue. For example, senior employees at Grundfos Pumps India are members of various trade bodies like the Confederation of Indian Industries and Indian Green Building Council, where they attend seminars regularly and give talks on energy-efficient pumping, pump audits and sustainability.

## **Future focus areas**

In the future, we will continue to focus on our customers’ needs and develop sustainable products and solutions. Furthermore, we will increase our focus on innovation in Grundfos by closely integrating innovation into our business segments and by living up to the goals that have been set in our Innovation Intent:

- Investigate and reduce carbon emissions over the entire life cycle of our products and services
- Encourage a green mindset
- Influence the global agenda on sustainability.



INNOVATE

MADE IN GERMANY

Markus Probst  
GRUNDFOS Hvidovre A/S

Peter Skott  
GRUNDFOS

Libbet Thyge Franck  
GRUNDFOS Hvidovre A/S

Tom-Peter Helmius  
GRUNDFOS Environment Finland A/S

Romy Depoortere  
N.V. GRUNDFOS Belgium S.A.

Lee G...  
GRUNDFOS

Caron Barry  
GRUNDFOS (Ireland) Ltd.

Zoltan Janos Szabo  
Bontas GRUNDFOS de Mexico de CV

Alun Davies  
GRUNDFOS Nederland BV

Peter Reynolds  
GRUNDFOS Pumps Ltd.

Andrew Warrington  
Pressureless Pumps Company Inc.

Carlotta Probst  
GRUNDFOS Hvidovre A/S

Richard Tschorn  
GRUNDFOS Pumps Inc.

Alamy  
GRUNDFOS Distribution S.A.



# PEOPLE

An innovative and enthusiastic workforce is essential for our present and future existence. We therefore need to recruit and retain the best and the brightest. We believe that this can be done by creating a great place to work, providing all Grundfos employees with opportunities for professional and personal development. As a global company, we create job opportunities all over the world and we contribute to increasing the level of competences in the communities where we are present. This is shared value.



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# GRUNDFOS EMPLOYEES BRING WATER **2** LIFE

Life has changed in the rural village of Kambi ya Juu in Kenya since Grundfos employees donated a water system through the global employee programme – Grundfos Brings Water2Life.

Ann Akopi, 31 years old and mother of three, used to fetch water in the nearby brook. But the water was not clean, and especially the children often fell sick. Now, everyday life has changed for Ann and her 2,500 neighbours. Their village, Kambi ya Juu, received its very own water project in October 2010.

“Now we have safe drinking water. It’s a great thing. Since the water system was installed, the children have not been affected by disease”, she says on her way to the Grundfos LIFELINK water system where she will tap the first 20 litres of water that she and her family will use that day.

## CHANGE DRIVEN BY GRUNDFOS EMPLOYEES

It is Grundfos employees around the world who have made the water project in Kambi ya Juu a reality through the Grundfos Brings Water2Life programme.

Grundfos Brings Water2Life is a global and employee-driven sustainability programme based on voluntary action by employees in more than 50 countries.

Over the years, employees have often voiced an appeal when people around the world have been struck by disaster. With this programme, the employees’ desire to aid has been met. The programme is a framework, which combines Grundfos’

products with employee involvement to create access to water in a sustainable way for some of the world’s poorest people. Thus, the programme meets several of our commitments in the Grundfos Climate White Paper – encouraging a green and social mindset among our employees and promoting innovative and sustainable products.

Grundfos employees can join the programme and make a difference in various ways – by giving monetary donations, by communicating the programme at their workplace, or by initiating activities in order to raise money for Water2Life projects.

Employees all over the world have taken many inspiring initiatives: for example, a tombola in Germany, a flea market in China, a candy stand in Mexico, manufacture and sale of personalised bottle openers in Denmark and breakfast events in Dubai.

All profits from these and many other events are donated to Water2Life.

**NOW WE HAVE  
SAFE DRINKING WATER.  
IT'S A GREAT THING.  
SINCE THE WATER  
SYSTEM WAS INSTALLED,  
THE CHILDREN HAVE  
NOT BEEN AFFECTED  
BY DISEASE**

**ANN AKOPI,  
CITIZEN IN THE VILLAGE OF  
KAMBI YA JUU IN KENYA**



*Henriette Nygaard visits Ann Akopi at her home in Kambi ya Juu, as part of the inauguration of the first Water2Life project in October 2010.*

The programme was launched on 1 June 2010 and by the end of the year, employees had donated more than 54,000 euro. The Grundfos Group contributes with a similar amount and with this, enough money has been donated to finance four LIFELINK water systems for water projects in Kenya.

## EMPLOYEE REPRESENTATIVE OPENS FIRST WATER PROJECT

The water system for the project in Kambi ya Juu is the very first donated by employees through Water2Life. It was inaugurated on 26 October 2010, less than six months after the programme was launched.

Employee representative Henriette Ingemann Nygaard, Bookkeeping Assistant at Grundfos A/S, travelled to Kambi ya Juu to officially open the water project. Following a draw, she had won the honour to represent all of her Grundfos colleagues who have contributed to the water project that have provided the 2,500 inhabitants of Kambi ya Juu with access to safe water.



Ann Akopi fetching water at the newly installed Water2Life project in Kambi ya Juu.

"It is really exciting being here and seeing with my own eyes how the inhabitants of the village benefit from the Water2Life project. It is great to see that we have made a real difference", Henriette Nygaard says.

The first goal of Water2Life is to donate and implement 10 water projects in small villages in Kenya.

#### **SUSTAINABILITY THROUGH PARTNERSHIP AND CORE COMPETENCES**

Grundfos Brings Water2Life is based on a unique partnership between Grundfos and the Danish Red Cross, which each provide core competences and technology to the water projects.

**IT IS REALLY EXCITING BEING HERE AND SEEING WITH MY OWN EYES HOW THE INHABITANTS OF THE VILLAGE BENEFIT FROM THE WATER2LIFE PROJECT. IT IS GREAT TO SEE THAT WE HAVE MADE A REAL DIFFERENCE**

HENRIETTE NYGAARD,  
BOOKKEEPING ASSISTANT AT GRUNDFOS

Grundfos is responsible for installing the solar-powered LIFELINK water systems, providing technical training of the villagers, and maintaining the water systems on an ongoing basis. The Danish Red Cross and their local partner, the Kenya Red Cross Society, apply their vast experience in community development by overseeing the project implementation and training the villages in health, hygiene and the importance of safe water.

Thus, the partnership with the Red Cross ensures that the water projects are sustainable in the long-term as regards technical, environmental, economical and social factors.

#### **UN Millennium Development Goals**

[www.un.org/millenniumgoals/](http://www.un.org/millenniumgoals/)  
With LIFELINK, Grundfos contributes to fulfilling the UN Millennium Development goals:

- Eradicate extreme poverty and hunger
- Achieve universal, primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria and other diseases
- Ensure environmental sustainability
- Develop global development partnership

#### **WATER2LIFE CONTRIBUTES TO GLOBAL UN GOALS**

Grundfos is committed to fulfil the United Nations' Millennium Development Goals (MDG) in which water plays a significant role. It is the targets of MDG to halve the amount of people without sustainable access to safe water before 2015.

Today, one billion people around the world have no access to safe water. As a consequence, 200,000 people are dying every month – half of them are children under the age of five. Access to safe water is one of the most important factors in creating sustainable development.

Grundfos Brings Water2Life is one way in which Grundfos strives to make a difference and meet the MDG targets.

#### **TOGETHER WE CAN MAKE A DIFFERENCE**

Grundfos Brings Water2Life was launched on 1 June 2010 and, from the very first day, the project created shared value for Grundfos and society at large. To many Grundfos employees, the programme fosters motivation and pride by giving them an opportunity to aid people in need. And thanks to these committed Grundfos employees more Kenyan people, just as Ann Akopi, will soon be spared the long walk to dirty brooks and instead enjoy access to safe water every day for many years to come. ■

#### **LIFELINK and Global Compact**

With LIFELINK, Grundfos supports the UN Global Compact principle 1 by supporting and respecting the protection of internationally proclaimed human rights. LIFELINK creates access to safe drinking water, and water is a human right.

Furthermore, as user payments are automatically collected, a LIFELINK system is corruption-free. In this way, Grundfos also supports UN Global Compact principle 10 by working against corruption in Africa.



# PEOPLE

**W**e understand PEOPLE as all activities related to the strategic and general approach of managing and developing Grundfos employees worldwide. This includes leadership, employee development, ensuring that people have the right skills, efficient collaboration among colleagues in a global company, a healthy and safe working environment and compliance with our Grundfos Code of Conduct.

In 2010, Grundfos employed 16,609 people and our main focus was on strengthening talent management and developing training opportunities, thus offering an all-encompassing learning platform. Furthermore, we focused on improving the satisfaction and welfare among employees, fostering a more diverse workplace and advancing the activities initiated to achieve internal compliance with the Code of Conduct.

## Great people develop Grundfos

“Great people” is one of the overall strategic themes of the Grundfos Group Strategy. The ambition is to provide Grundfos with the leadership, talent, competences and passion that are needed to drive strategic change and to fulfil our ambitions for the future.

### GREAT PEOPLE WANT GREAT LEADERS

Great leaders are the most important asset when developing great people, and we are in the process of strengthening our leadership capabilities at all levels throughout the organisation. We aim to develop a new kind of leadership characterised by leaders with great ability to connect with other people and to bring out the best in them. Leaders that possess the skills to lead processes and projects in global organisations based on networks and relations. And leaders, who can energise people to meet the future challenges in the global marketplace.

In order to be able to develop this new kind of leadership we have developed new leadership principles in 2010 that express our expectations to great leaders at Grundfos. These principles will be deployed during 2011.

### TALENT MANAGEMENT

We want to develop an organisational culture that attracts and grows talents. Also, a culture that constantly nurtures a critical mass of top talented and passionate people, who are all engaged in driving strategic changes and developing the business. The ultimate goal of talent management at Grundfos is to bring forward and develop the best and brightest people in order to realise the strategic ambitions of the company.

To do this we need to keep a sustained focus on talent development and deployment. Significant milestones have been met since we launched the talent management programme, the Talent Engine, in 2009. We do, however, need to ensure that our talent management approach is sustainable and strongly anchored throughout the organisation. To do this we will constantly strengthen the existing talent management approach, for example by adding new features to the Talent Engine. Activities performed during 2010 include the following:

1. Review of the nomination process. A total of 80 people who are involved in the nomination process attended web sessions to be ready to support the managers locally in e.g. executing strategic projects.
2. Revision of the Matchmaking process, matching talents and strategic assignments throughout our company. 35 strategic assignments have been posted, eight assignments have been completed, eight are currently in progress and 19 are still open.
3. Initiation of local and regional programmes to support the development of local talents.
4. A number of master classes for global talents on general topics of leadership.

# 106

## TALENTS APPOINTED IN GRUNDFOS

### Talent management in numbers in 2010

- 31 Talent Centre assessors trained
- 9 Talent Centres completed
- 78 talents and 28 global talents appointed
- 18 global talents have changed positions within the organisation as a result of promotions

### Talent Innovation Award 2010

In 2010, the Grundfos Talent Engine was awarded the best talent management programme in Europe by the “HR Leadership Alliance” organisation. The Talent Engine received the Talent Innovation Award at the Award ceremony in November 2010.

[www.hrleadershipalliance.com](http://www.hrleadershipalliance.com)

## GROWING PEOPLE AND ORGANISATIONS

There is a call for change throughout Grundfos. To ensure that our business has the right set of competences that are needed to realise the strategic ambitions, training of people at Grundfos is more important than ever. Grundfos' training academy, The Poul Due Jensen Academy (PDJA), is responsible for offering training and learning to the entire organisation.

2010 was the first year when Grundfos employees were offered an all-encompassing learning platform, i.e. a mix of face-to-face courses, online sessions, tutorials etc.

The Poul Due Jensen Academy offers training within four learning tracks:

- Serving customers, focusing on sales and customer service.
- Leading people, focusing on leadership capabilities.
- Growing talents, focusing on supporting the increased focus on talent management.
- Effective delivery, which will be launched in 2011 with programmes to support the complete value chain.

To support the strategic objective of being truly global, the Academy works in a formalised network with PDJA satellites, which are local/regional training centres certified by the Academy to run certain courses adapted to local conditions. As per December 2010 we have four certified PDJA satellites in Russia, China, India and North America, all sharing the same learning philosophies and methods.

In May 2010, the Academy started running face-to-face courses again after the temporary break due to the financial crisis. 312 Grundfos employees participated in face-to-face training in 2010. The participation in face-to-face training is reflected in the number of participants attending online courses at the Academy, as the number of online participants decreased from 1,350 in 2009 to 795 in 2010.

## DECREASE IN TRAINING HOURS DURING 2010

In general, 2010 saw a decrease in the number of training hours at Grundfos. The number of training hours for blue-collar workers fell by 23 per cent compared to 2009, yet still resulting in more than 12.4 hours of training per worker during 2010. The number of training hours for white-collar workers fell by four per cent compared to 2009, meaning that white-collar workers received almost 17 hours of training per worker during 2010. The decrease in training is related to the aftermath of the financial crisis and to the momentary stop in face-to-face training, which, however, gained momentum during the latter part of 2010.

## Employee Development Dialogue (EDD)

The Employee Development Dialogue (EDD) is the cornerstone of employee development at Grundfos. The purpose of the EDD is to create a coherent and relevant framework for an open dialogue about the objectives of Grundfos as well as the employee's tasks, qualifications and motivation for doing his/her job, and for the employee's development ambitions.

In 2010, we launched MyEDD, which is a database with tools to help and support both managers and employees in the dialogue. The database was developed to facilitate the entire process, ensuring a constructive and forward-looking dialogue.

During 2010, 77 per cent of white-collar workers and 71 per cent of blue-collar workers attended an EDD compared to 80 per cent white-collar workers and 76 per cent blue-collar workers in 2009. It is Grundfos' objective that all employees attend an EDD every year, and the 2010 result is not satisfactory. A focus area in the coming year will therefore be to increase the EDD rate.

## Employee engagement

With our ambitions formulated in the Innovation Intent, the Grundfos Climate White Paper and Group Strategy, we wish to motivate and inspire all our employees to help Grundfos take on the climate challenge. Furthermore, we want to foster a green mindset and promote a culture where employees take responsibility for the world. This is done through employee engagement and commitment on both local and global scale.

# 4

## LIFELINK SYSTEMS DONATED BY GRUNDFOS EMPLOYEES IN 2010

## GRUNDFOS BRINGS WATER2LIFE

In 2010 a new global initiative, the Grundfos Brings Water2Life programme, was launched. Grundfos Brings Water2Life is a global, employee-driven sustainability programme based on voluntary action of employees in more than 50 countries.



> The programme was launched on 1 June 2010 and before the end of the year, employees had donated 54,000 euro. The Grundfos Group contributes with a similar amount and with this, enough money has been donated to finance four solar-powered LIFELINK water systems for small villages in Kenya.

The programme contributes to our strategic ambition of being truly global and encouraging a green mindset, while contributing to our commitments in the Grundfos Climate White Paper. Approx. 45 per cent of all Grundfos companies have organised various activities in order to raise money for the Grundfos Brings Water2Life programme, e.g. raffles, tombolas, candy stands and a number of different events.

**EMPLOYEES CONTRIBUTE IN TIMES OF CRISIS**

It is not only via Grundfos Brings Water2Life that Grundfos employees help to make a difference in the world. When the earthquake hit Haiti in January 2010, an idea fostered by an employee to make a donation led to a company-wide collection involving all Grundfos employees.

More than 50,000 euro was collected by all Grundfos employees and the Grundfos Group doubled the amount, resulting in a donation of more than 100,000 euro.

100,000

**EURO DONATED TO HAITI BY GRUNDFOS AND THE EMPLOYEES IN 2010**

**Satisfaction and motivation among Grundfos employees**

Grundfos gives top priority to the health and safety of our employees. It is our ambition that all employees should enjoy a high level of job satisfaction achieved through having interesting jobs that match their individual skills and ambitions, opportunities for professional and personal development, and a good and inspiring working environment.

**EMPLOYEE MOTIVATION AND SATISFACTION**

Every other year the satisfaction, motivation and loyalty of the employees are measured on a global level. Postponed from 2009, the Employee Motivation Survey was launched in 2010 and resulted in 7,891 electronic and 3,999 postal answers. The response rate was 85 per cent of all Grundfos employees covering 56 countries and 31 languages.

The survey shows that the financial crisis and the subsequent actions within Grundfos have resulted in a generally reduced level of satisfaction, motivation and loyalty

throughout the organisation compared to 2007. According to the consultant company which conducted the survey and are specialists in employee engagement surveys, there has been a universal decline in satisfaction and motivation across companies worldwide in the wake of the financial crisis. Particularly, satisfaction with “top management”, “pay and conditions” and “development” dropped.

The decline at Grundfos, from 73 to 68 in satisfaction and motivation and from 83 to 80 in loyalty, is in line with the general global labour market. Furthermore, the relative level is stable, meaning that Grundfos is still a company enjoying a high level of employee satisfaction and motivation according to international benchmarks.

Employee motivation and satisfaction survey			
	2007	2010	*EEI 2010
Satisfaction and motivation	73	68	63
Loyalty	83	80	69
*European Employee Index includes 23 countries worldwide			

November 2010, 3,500 reports based on the results from the survey were released to the managers who then communicated the results to the units and departments. Future action plans have been prepared locally in close dialogue between managers and employees. Furthermore, Group Management has defined several improvement projects at corporate level.

Special reports have been prepared to measure the satisfaction and motivation among talents enrolled in the Talent Engine programme. The results among talents show a higher level of satisfaction and motivation compared to the employees in general. This underlines the fact that the talents recognise the special attention they are given especially as regards opportunities for development.

**INJURIES AND ABSENCE**

Grundfos gives top priority to the health and safety of employees. In 2010, 10 out of 16 Grundfos branded production companies were certified according to OHSAS 18001, which focuses on health and safety management.

In 2010, there was continuous focus on reducing the number of work-related injuries and absence due to accidents. The target for 2010 was a 10 per cent reduction in accidents and a 10 per cent reduction in absence hours compared with 2008 for all Grundfos manufacturing companies.

Overall, the number of accidents per million working hours was 9.13 in 2010, which is 23 per cent lower than 2008. The number of lost working hours due to injuries per 1,000 working hours was 1.07 in 2010, which is five per cent lower than 2008. Generally, this is an acceptable development and result for injuries and absence in 2010.

## Diversity drives creativity and innovation

Grundfos wants to build on diversity in an effort to create the best conditions for business differentiation and innovation. By focusing on diversity and mobility, Grundfos will develop people with a global mindset that supports cross-organisational networking as a daily working practice. We will enable mobility of global talents and people in general to support the growth of the business and our people. During 2010, Group Management approved a diversity policy, which will now be implemented throughout the organisation. The key elements of the diversity policy are to increase the number of women in management and to increase the number of non-Danes in group key positions.

### WOMEN IN MANAGEMENT

Grundfos operates in a male-dominated industry and this is reflected in the number of female managers that are found in Grundfos. In general, the number of managers, female as well as male, has increased throughout 2010.

The number of female managers has increased due to a dedicated effort, which has also increased the number of female department heads and directors. The number of female managers in 2010 was 17.5 per cent compared to 17 per cent in 2009. The goal is to have at least 25 per cent female managers at Grundfos by 2015.

Grundfos has initiated a number of initiatives to meet our objective of having more women in management positions.

Among others, the initiatives in 2010 were:

- Preparation of a white paper on "Diversity", including women in management positions.
- A graduate programme aiming at 50 per cent female graduates – this goal was reached for 2010.
- A new network, "The Stiletto Road", has been established for women who would like to know about management and who consider to become a manager.
- In December 2010, 20 female managers and 20 male managers attended a workshop offering their ideas to initiatives that could ensure more diversity in management.
- Grundfos signed the initiative launched by the Danish Ministry of Equality about a "domino effect" to appoint more women in boards of directors, including training our own female managers so that they are able to take seats on boards of directors.

One functional area in the Grundfos Group breaks from the norm for gender distribution among managers, namely the positions of financial managers. The percentage of female financial managers within the Group was approx. 36 per cent in 2010. Notably, in the Asian region, the number of female finance managers is even higher, 52 per cent. It should be noted that this is not a result of legislation or a quota scheme, but is due only to a general principle of always employing the most competent person.

### EMPLOYEES ON SPECIAL TERMS

Grundfos knows that a business cannot succeed in a society that fails, and we therefore continued our long-standing commitment for inclusive labour market frameworks that ensure a sound business environment, welfare and integration.

# 17.5%

**FEMALE MANAGERS  
IN GRUNDFOS IN 2010**

# 4%

**EMPLOYED ON SPECIAL TERMS IN 2010**

# 52%

**FEMALE MANAGERS IN  
THE ASIAN REGION IN 2010**

Since the foundation of Grundfos in 1945, one focus area has been diversity and hiring people on special terms. The first flex-workshop was introduced in Denmark in 1968, and today similar workshops can be found in several Grundfos companies, for example Grundfos Manufacturing in Hungary and Grundfos Pumps Ltd. in China. The goal is for at least three per cent of the workforce to be employed on special terms, for instance due to reduced working capacity, disability or long-term unemployment. In 2010, the target was reached with more than four per cent of the workforce employed on special terms.



In order to reduce social exclusion and strengthen social inclusion in Denmark, Grundfos is represented in the National Network of Business Leaders, consisting of 14 Danish top executives. Their companies – which employ more than a total of 100,000 people – are working actively to find new forms of cooperation focused on social aspects of the workplace. Among other things, this includes acting as an advisory body to the Danish Minister for Employment. Network members also participate in the public debate on sustainability and responsibility and inspire other employers to promote the social well-being of both employees and businesses in surrounding communities.

**MOBILITY**

In order to strengthen our efforts to improve mobility in Grundfos, a Group Mobility Manager was hired in 2010. The goal for Grundfos is to become a front runner in dealing with mobility. Important elements in the mobility strategy are expatriation, cross-organisational projects, and the Grundfos Graduate Programme, which will ensure a steady flow of talented people in the global organisation.

**The Grundfos values**

During the last couple of years significant steps have been taken to develop Grundfos to become truly global, e.g. through global Research & Development activities, shared service centres, competence centres and global collaboration networks. A very important aspect of the truly global ambition is to share the same values throughout the organisation to make certain that people share the same, strong sense of the Grundfos culture.

In 2010, we carried out a project to revitalise the Grundfos values in line with the strategic objectives of growth and globalisation. As part of the preparation of the revitalised values we performed a validation process, comprising almost 200 employees in 14 countries, who were involved in discussing the meaning of the value statements in workshops locally. The revitalised values will be rolled out during 2011.

**Compliance with the Grundfos Code of Conduct**

Ethical and legal compliance is paramount in Grundfos. We therefore continuously wish to strengthen our activities to ensure compliance with the Grundfos Code of Conduct, which is signed by all Grundfos General Managers every year.

Our Code of Conduct outlines the principles that guide people to act responsibly in terms of complying with laws and rules.

**Focus in the Grundfos Code of Conduct**

The Grundfos Code of Conduct focuses on international laws and rules, human rights, labour rights, environment, political contributions, acceptable accounting, fair and lawful competition, entertainment and gifts, bribery, commission, and other personal monetary awards, conflict of interest and confidentiality.

**STRENGTHENED INTERNAL CONTROL**

In 2010, we continued our focus on internal control measures in relation to Grundfos' financial performance. Our Corporate Internal Control function (CIC) maintained its effort to implement and optimise our framework and concept for a uniform internal control environment in all Grundfos companies.

This was achieved by training financial managers and non-financial managers, implementing strategic projects such as a comprehensive Control Handbook covering our key financial processes and the SAP Governance, Risk and Compliance monitoring system. In 2010, the first pilot test was performed by testing the SAP access control and segregation of duty environment in the finance function of a selected Grundfos company.

56

**GROUP ENTITIES VISITED BY CORPORATE INTERNAL CONTROL IN 2010**

Compared with 34 visits in 2009, CIC increased the level of activity in 2010 by visiting 56 Group entities with the purpose of reviewing and rating the internal control environment and submitting observations, risk descriptions and recommendations for improving the business processes and controls. While two visits in 2009 were unannounced, seven visits were unannounced in 2010. Most of the visits in 2010 were "first-time visits", however some companies were visited for the second time due to low ratings in 2009 and they all showed improvements which led to a higher maturity rating in 2010. Overall, further significant improvement is expected in 2011, where more companies will receive their second visit.

In addition, three compliance workshops were held in 2010, attended by 23 managers and other key employees.

In 2010, the Grundfos Financial Shared Services Centre (GSS) was established in Hungary with the purpose of servicing 41 Grundfos companies during the next two years. The centre will undertake a number of financial and accounting tasks from the local companies. The CIC function contributed in structuring the control environment. GSS will start business in early 2011.

All targets for 2010 were met and the most important issues for 2011 will be to support the companies to achieve further improvement of the local control environment and to secure proper functioning of the controls in the GSS and in the companies joining the GSS. Furthermore, focus will be on the roll-out of the SAP Governance, Risk and Compliance finance access control system and prepare for an extension of the system to other functions such as procurement, logistics and sales.

#### DEPLOYMENT OF THE CODE OF CONDUCT

In order to enhance Grundfos employees' ethical competences, a process was initiated in 2010 to develop a user-friendly guideline for the Grundfos Code of Conduct. The guideline will be launched to all companies in 2011.

Most Grundfos companies report that they already have actively introduced the Grundfos Code of Conduct to their employees. Some companies ask all their managers or even all their employees to sign the Code of Conduct, although it is only obligatory for Grundfos General Managers. Furthermore, several companies inform employees about the Code of Conduct at annual meetings and offer training to their employees. Also, some companies have had the Code of Conduct translated into their local language to ensure that the employees understand it.

For example, Grundfos Greece has distributed small reference cards to all employees, which among other things include the name of the contact person for Code of Conduct-related matters. Furthermore, at Group level, the Code of Conduct is supported by The Ethics Committee, an internal whistle-blowing body, where all Grundfos employees are invited to raise concerns about any internal wrongdoings. The Ethics Committee covers all aspects of the Code of Conduct.

## 2

#### REPORTS RECEIVED BY ETHICS COMMITTEE AND INVESTIGATED BY CORPORATE INTERNAL CONTROL

In 2010, the committee received two reports, both were investigated by Corporate Internal Control, who found no violation of the Grundfos Code of Conduct.

#### HUMAN RIGHTS AND LABOUR RIGHTS

Grundfos supports and respects the protection of internationally proclaimed human rights and the ILO Declaration on Fundamental Principles and Rights at Work. By signing the Grundfos Code of Conduct every year, all Grundfos companies commit to follow the principles that meet or exceed local legislation. Thus, all Grundfos companies refrain from using forced labour or child labour and do not participate in discrimination or harassment.

In order to be continuously updated and be made aware of any human rights concerns, most Grundfos companies report that they receive updates on changes to legislation from local governments or that they make use of various monitoring systems.

As part of hiring processes, all potential employees are screened by the local Human Resource staff as part of the personal interview to make sure that the applicant is hired on the correct legal terms. In terms of wages, most Grundfos companies follow local laws which set a minimum standard wage, and most Grundfos companies pay more than the amount required by law. To ensure that the wages are fair, most companies use salary benchmarking reports.

Furthermore, Grundfos companies comply with national legislation concerning freedom of association and the right to form or join labour unions. In countries with minimal tradition for trade unions, companies have set up labour committees and employee representatives to speak on behalf of the employees.

Approx. 44 per cent of all Grundfos companies use some kind of security firm. Most of these activities are outsourced and all companies confirm that their security staffs have been trained on how to intervene and how to use as little authorised support as necessary.

## Future focus areas

In the future, we will continue to focus on the development of our people and organisation at large as this is crucial for our continued success. Grundfos' strategic focus in terms of PEOPLE will therefore be on:

- Growing people and the organisation
- A truly global workplace
- Innovating leadership
- Talent management





## PROCESS

Grundfos is present all over the world and we set high standards in all our companies. We're taking a dose of our own medicine by minimising our negative environmental footprint, thus reducing our own costs and preserving the environment as the sound basis for our success as a business in the long run. Furthermore, we create economic growth for the communities in which we operate. This is done through our engagement with stakeholders and our support to improve the living conditions of local people. This is our social license to operate.



### Content PROCESS

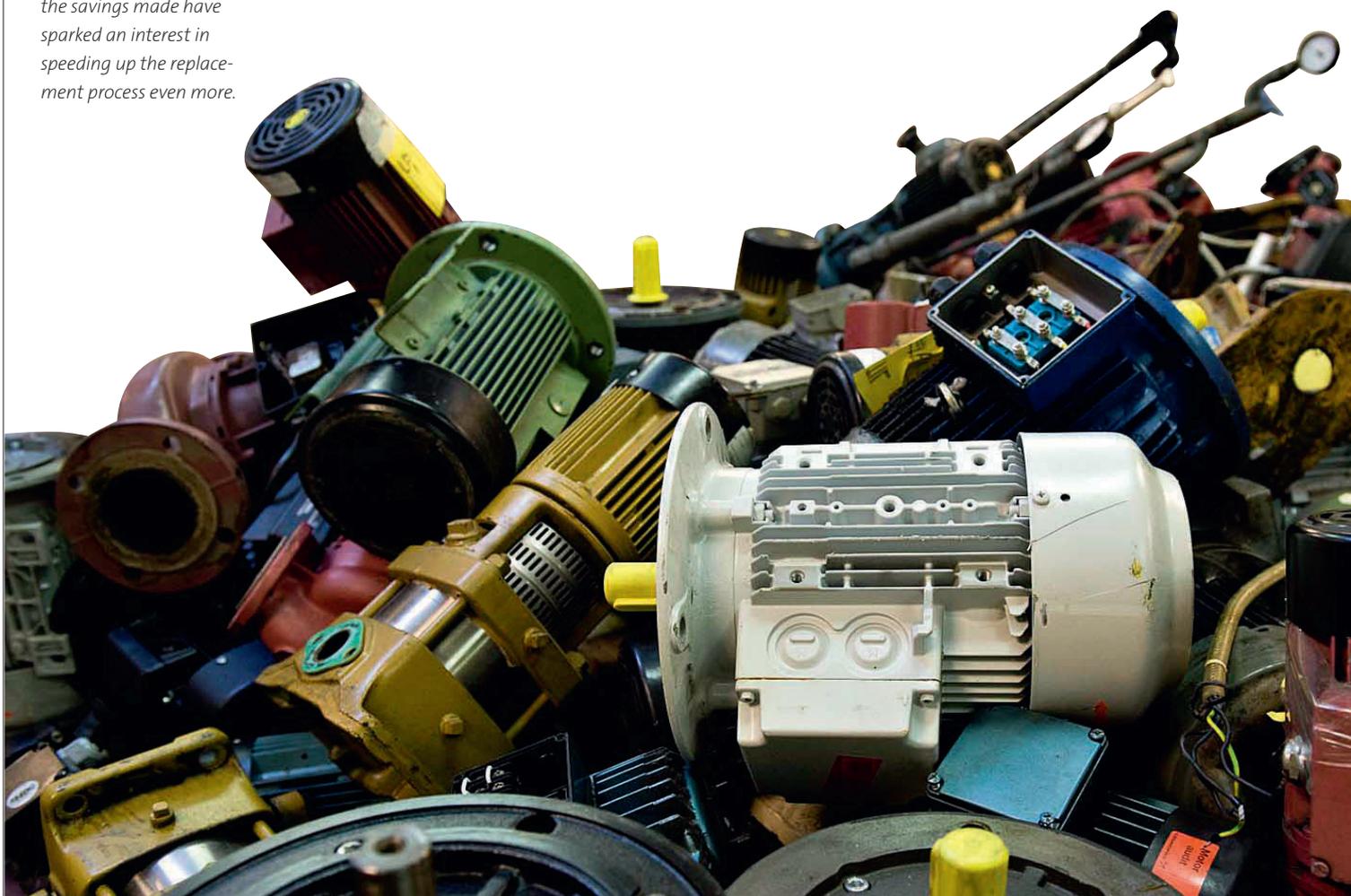
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# WE'RE TAKING A DOSE OF OUR OWN MEDICINE

Grundfos has an important target in view: We must never emit more CO<sub>2</sub> than we did in 2008. One way to achieve CO<sub>2</sub> reductions is to check operations at our own factories.

*Since 2009, the factories in Bjerringbro alone have replaced some 800 pumps and motors, and the savings made have sparked an interest in speeding up the replacement process even more.*





*The energy-efficient circulator pump, ALPHA2, is one of the pumps used in the replacement of pumps in the factories in Grundfos, creating great reductions in the energy consumption. Replacing an old CR pump, for example, with a new ALPHA2 pump led to an effect reduction from 460 W to only 5 W.*

**M**any pumps and motors are used at the world's largest pump factory. Many of them have worked really well for years and they have been left in place to do their job. Without causing any problems. Now, however, the old pumps and motors will be replaced because large amounts of CO<sub>2</sub> can be saved by doing so. Also, there is the financial benefit of changing to more energy-efficient motors as the pay-back time is very often surprisingly short.

"Some of the pumps have been functioning for many years without any problems. After all, they are Grundfos products and they are still running. But in many cases it is possible to replace them with more energy-efficient alternatives", says Mogens Olesen, Environment Coordinator responsible for examining and replacing pumps and motors.

#### TARGETED EFFORT

He says that, with some pumps, it is possible to reduce the energy consumption by as much as 73 per cent. "Previously, we were inclined to replace the pumps only when they were worn out. Now, we are making a targeted effort to reduce CO<sub>2</sub> emissions and save electricity while at the same time reducing costs", he says.

**SOME OF THE PUMPS HAVE BEEN FUNCTIONING FOR MANY YEARS WITHOUT ANY PROBLEMS. AFTER ALL, THEY ARE GRUNDFOS PRODUCTS AND THEY ARE STILL RUNNING. BUT IN MANY CASES IT IS POSSIBLE TO REPLACE THEM WITH MORE ENERGY-EFFICIENT ALTERNATIVES**

MOGENS OLESEN,  
ENVIRONMENT COORDINATOR AT GRUNDFOS

The idea for this initiative comes from Grundfos' own pump audits which have been offered to numerous customers of the Group for many years. Since 2009, this concept has been applied to the approx. 12,000 pumps and motors that are to be found in the Group's Danish factories alone.

#### ALL COMPANIES ENGAGED

It goes without saying that not all pumps will be replaced, but the high numbers involved offer real prospects of future savings.

At Group level it has been decided that every company all over the world will be required to find out whether there is a need to replace pumps and motors, based

#### Global Compact

Grundfos supports the UN Global Compact principle 8 by promoting environmental responsibility – both internally and externally.

#### Reviews and replacements

- More than half of the Grundfos companies have reviewed their pumps
- A third of the companies plan to replace pumps
- Just over a third have decided not to replace pumps

on the motto: If the energy consumption can be reduced, it should be reduced.

"At present, the companies are busy examining and mapping their pumps and motors, and we are getting lots of feedback. It is still too early to say anything about the total potential offered by all companies. In Denmark, we believe that we will be able to reduce our electricity consumption for pumps and motors by more than a third", says Jesper Møller Nielsen, Environmental Engineer of Group Environment.

#### INCREASED FOCUS

Since 2009, the factories in Bjerringbro alone have replaced some 800 pumps and motors, and the savings made have sparked an interest in speeding up the replacement process even more.

"We are very busy identifying the pumps that will lead to the greatest savings. So far, we have mainly been looking at pumps on the outer shell – that is in heating plants, and in hydraulics, ventilation and cooling plants. In some cases we will replace the pumps on a one-to-one ratio – while in other cases it is possible to replace a pump with a significantly smaller, but more efficient pump", says Mogens Olesen. ■

# PROCESS

**W**e understand PROCESS as all the activities involved in operating and managing our company, including production, logistics, properties and utilities. Furthermore, PROCESS includes our presence in the local community – our social license to operate.

With more than 80 companies in more than 50 countries, Grundfos is present all over the world and has a great impact on the environment and local communities. Grundfos' objective is to expand and to become a truly global company by 2025, employing 75,000 people and to increase our business activities significantly. Our company is growing and, consequently, so is the impact of our actions.

Therefore, our main focus in 2010 was on our own footprint, i.e. reducing the CO<sub>2</sub> emissions in our companies and setting targets for future reductions. In terms of managing our company, 2010 saw the completion of a number of pilot projects in order to test a new version of Business Excellence.

## Excellent Management

Grundfos utilises Business Excellence as a holistic approach to manage business performance. Business Excellence serves as a useful framework for running our business in accordance with our mission, vision and values. The model is a management tool used to assess companies' performance and manage improvements in relation to a set of nine criteria. Furthermore, the model includes focus on sustainability and responsibility.

An assessment of a company – called a cross-company assessment – is conducted by a team of Grundfos employees who are trained Business Excellence assessors. The assessors have different backgrounds and represent various Grundfos companies.

The assessment results in an evaluation of the company's performance, which can be benchmarked against other companies. Furthermore, the assessments also create a great opportunity for sharing best practice among all Grundfos' companies.

More than 75 per cent of Grundfos companies use Business Excellence as a management tool, and at approx. 70 per cent of these companies one or more cross company assessments have been conducted.

### PROJECTS 2010

2010 was a transition year in terms of Business Excellence. Among other things, we tested an updated model of Business Excellence and developed new assessment concepts. Three different pilot projects were conducted in 2010:

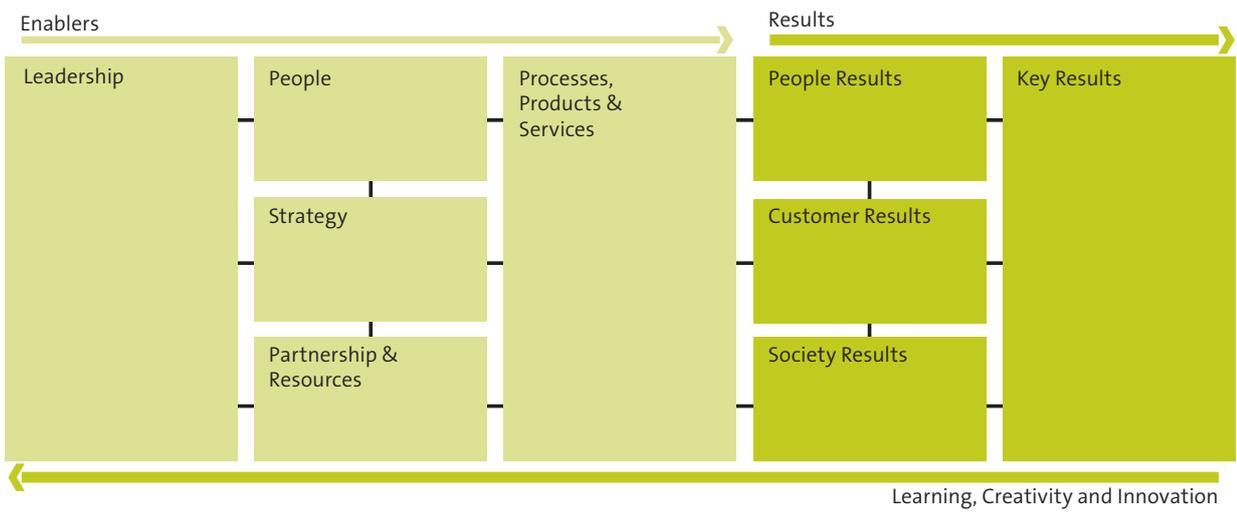
- Cross-company assessments based on an updated Business Excellence model
- Value Chain Assessment
- Talent Management and Business Excellence

### PILOTING THE UPDATED BUSINESS EXCELLENCE MODEL

In 2009, the European Foundation for Quality Management (EFQM) updated the Business Excellence model in order to increase focus on innovation, sustainability and risk management. Grundfos was involved in this process, and we have decided to implement the changes. Three pilot cross-company assessments were therefore conducted in 2010 to test the updated version of the model. The pilot assessments were conducted in Grundfos Canada, Grundfos Manufacturing Ltd. UK and Grundfos Turkey.

The results from the three pilot cross-company assessments were considered a success as the updated model creates more value for the companies. Therefore, all future Grundfos cross-company assessments will be based on the updated model. The goal for 2011 is to conduct 15 cross-company assessments.

### Business Excellence Model



### VALUE CHAIN ASSESSMENT

A new concept, Value Chain Assessment, was piloted in 2010. With this concept, the Business Excellence model is used to evaluate the performance in a value chain. In this assessment, focus is on the links and interactions between the numerous activities that form part of a value chain – logistics, operations, marketing, sales and service etc. This differs from a cross-company assessment, where focus is on one specific company.

The pilot Value Chain Assessment was conducted on the Machining Industry segment, a Grundfos segment that focuses on machining processes in industry. The assessment was based on the value chain in the segment; from developing the business strategy, identifying and prioritising opportunities for the development of new products and services to the fulfilment of orders on a daily basis. The assessment included site visits and interviews in Europe, Asia and the USA.

The Value Chain Assessment also turned out to be a success, as this kind of assessment can identify gaps and potential problems in a value chain. In future, similar assessments will be conducted in order to further develop the concept.

### TALENT MANAGEMENT AND BUSINESS EXCELLENCE

Another new initiative in 2010 was a pilot project that links Business Excellence with the development of talents, i.e. employees who take part in the talent development programme at Grundfos. The concept is that talents facilitate Business Excellence kick-start workshops with Grundfos companies that have not yet been through a cross-company assessment. The talents offer Business Excellence training to the management team of the company, and this is a learning-based assessment preparing the company for the future cross-company assessment. This project is two-dimensional as it develops the competences of the talents in Grundfos and facilitates business development.

In 2010, kick-start workshops were held in Grundfos India and Grundfos South Africa with good results, and another workshop is planned for Grundfos Brazil in the beginning of 2011.

### BUSINESS EXCELLENCE GOALS FOR 2011

The goal for 2011 is to further implement the results and related impact from the cross-company assessments based on the new model. This includes updating and training Business Excellence assessors in the new model.

Furthermore, at Group level, we will continue to develop our approach to Business Excellence. The goal is for Grundfos Management (headquarters) to become a role model in terms of utilising Business Excellence, ensuring aligned and successfully deployed processes and thereby driving excellence throughout the entire Group.

## Footprint strategy – no more CO<sub>2</sub>

Future expansion in Grundfos will have great environmental impact unless the required initiatives are taken to reduce our environmental footprint. If we continue to grow and nothing is done, Grundfos will double its CO<sub>2</sub> emissions within the next five to seven years.

The Climate White Paper identifies five commitments, and one of them is to take a dose of our own medicine. This commitment is directly linked with the Grundfos Footprint Strategy which was launched in 2009, and which focuses on reducing Grundfos' CO<sub>2</sub> emissions and thereby some of our negative impact on the environment.

### A SYSTEMATIC APPROACH TO CLIMATE INITIATIVES

Based on the Innovation Intent and the Climate White Paper, our Footprint strategy provides the framework for a systematic approach to climate initiatives. Our ambition with the Footprint strategy is to never emit more CO<sub>2</sub> than we did in 2008.

The strategy focuses on CO<sub>2</sub> emissions caused by our own manufacturing processes, building operations and logistics, including transport of goods and people between our own operations as well as from and to suppliers and customers. Furthermore, the Footprint strategy describes the methods and tools that are required to meet the objectives:

- Managing CO<sub>2</sub> (energy monitoring and reduction)
- Introducing Green Lean
- Identifying and implementing energy-saving projects
- Securing a greener energy supply

### STRATEGIC INITIATIVES

The long-term ambition is for Grundfos to become a CO<sub>2</sub> neutral company, and a number of strategic initiatives were launched in 2010 to help reach this goal.

In cooperation with an external partner, Grundfos has launched a project to identify areas for energy reduction and responsible investments in CO<sub>2</sub>-reducing projects outside Grundfos. This project will result in a strategy for CO<sub>2</sub> neutralisation with Grundfos Denmark as the scope.

Another strategic initiative, Energy Value Stream Mapping (e-VMS), was launched in 2010. The objective is to map the energy consumption in any given manufacturing process, thus providing an overview of areas in which potential reductions and improvements can be made. This initiative is still in the pilot phase and will be further developed and improved in 2011.

Also, a method for measuring transport suppliers' CO<sub>2</sub> emissions was tested in 2010. The method has not yet been fully developed and will be further developed and improved in 2011.



Also, we are developing a model for energy assessment at the production companies globally. The objective of the assessment is to identify potential energy reductions in a systematic way and to assess the “energy awareness” in the companies. In 2010, one pilot assessment was conducted in the Grundfos-owned Peerless Pump Company in the US and another pilot assessment was conducted in early 2011 in Grundfos Manufacturing Russia. Both pilot assessments gave great knowledge and input to the further development of a model, which will be finalised in 2011. Finally, we will initiate global assessments in 2011.

#### REDUCTION INITIATIVES

The growth in our manufacturing activities greatly influences our ability to reach our ambition in terms of CO<sub>2</sub> – to never emit more CO<sub>2</sub> than we did in 2008 and, in the long run, to become CO<sub>2</sub> neutral. Therefore, energy reduction initiatives at company level are essential to Grundfos.

In 2010, we identified the top 10 Grundfos production companies with the highest environmental impact in terms of CO<sub>2</sub> and energy consumption. These 10 companies are responsible for approx. 84 per cent of Grundfos’ total CO<sub>2</sub> emissions. They therefore received extra attention during 2010 and they have implemented a variety of initiatives to reduce their CO<sub>2</sub> emissions and energy consumption.

Every year in February the “Future Now Award” is granted to the best CO<sub>2</sub> reduction initiative internally in Grundfos. In 2010, the award was given to the Grundfos-owned DWT Holding in Italy. The company won the award for the idea of reusing waste heat from a compressor in a heating oven, resulting in a 40,400 kg CO<sub>2</sub> reduction.

Furthermore, to support the companies in their effort to realise energy reductions, resources were made available by the Grundfos Group. All Grundfos production companies could therefore apply for extra resources to help realise reduction initiatives. Many initiatives have been supported, and just as many ideas have been identified for other companies to adopt. Idea sharing is an important aspect in Grundfos’ quest to reduce energy consumption.

# 2%

#### REDUCTION IN CO<sub>2</sub> COMPARED WITH 2008

#### EHS GROUP AUDITS

A Group Environmental, Health and Safety (EHS) audit tool was developed in 2008. The tool makes it possible to compare Grundfos companies’ EHS performance. The goal for 2010 was to conduct five audits. However, these audits were postponed as we are currently testing the possibility to make the EHS audit part of the energy assessment model.

## Performance 2010

The Grundfos strategy clearly states that we put sustainability first and that we want to take a dose of our own medicine. Therefore, there is great focus on reducing CO<sub>2</sub> emissions, energy consumption, water consumption, and hazardous waste. Every year, we set targets for selected focus areas.

#### Environmental performance for all Grundfos companies in 2010

	2008	2009	Difference in %	2010	Difference in %
Total metric tonnes CO <sub>2</sub> emissions	125,544	108,572	-13 %	122,690	-2 %
Total MWh energy consumption	344,815	300,156	-14 %	340,344	-1 %
Total water usage m <sup>3</sup>	645,510	530,847	-18 %	670,612	4 %
Total hazardous waste relative to 1 million working hours	100,549	121,526	21 %*	146,041	n/a*

The data reported in this table includes all Grundfos-owned companies and the base year is 2008. Data for transportation is not included in the above due to incomparable data in base year 2008.

\*) Special condition for these numbers, see “Hazardous waste” below.

#### CO<sub>2</sub>

The ambition of the Footprint Strategy is to never emit more CO<sub>2</sub> than we did in 2008. With a reduction of two per cent in CO<sub>2</sub> emissions (122,690 metric tonnes in 2010 compared with 125,544 metric tonnes) this ambition was met. Furthermore, 17 production companies had a reduction target of five per cent compared with 2008. These companies achieved a three per cent reduction in CO<sub>2</sub> emissions in 2010 (99,373 metric tonnes in 2010 compared with 102,546 metric tonnes in 2008), and thus, the target was not met.

In 2010, Grundfos companies experienced the highest manufacturing volume in Grundfos’ history, making it a great challenge to meet our ambitious goal of the Footprint strategy. However, we achieved a two per cent reduction and thus managed to remain below the 2008 CO<sub>2</sub> level, meaning that – to a certain extent – Grundfos was able to isolate growth from CO<sub>2</sub> emissions. We are proud to have made this result.

#### ENERGY

In terms of energy consumption in 2010, two targets were set for 17 of Grundfos’ production companies. The first target was a five per cent reduction in fossil-based energy

while the second target was a reduction in total energy consumption compared with 2008. With a three per cent reduction in energy (270,599 MWh in 2010 compared with 279,957 MWh in 2008) and a five per cent reduction in fossil-based energy (262,412 MWh in 2010 compared with 278,341 MWh in 2008) both targets were met. Furthermore, the total energy consumption for all Grundfos companies in 2010 was reduced by one per cent (340,344 MWh in 2010 compared by 344,815 MWh in 2008).

The high manufacturing volume in 2010 also affected the energy consumption in the Grundfos companies, and we therefore consider a one per cent reduction satisfactory.

# 4%

## **INCREASE IN WATER CONSUMPTION IN 2010 COMPARED WITH 2008**

### **WATER**

As the focus for 2010 was mainly on launching CO<sub>2</sub> reduction initiatives, no target was set for water consumption for 2010. However, with a four per cent increase in water consumption (670,612 m<sup>3</sup>) we note that our water consumption in 2010 was higher than in 2008. Water is a local resource, and it is therefore not possible to determine the impact of generally higher water consumption.

Grundfos experienced very large manufacturing volumes in 2010, which explains the increase.

### **HAZARDOUS WASTE**

For 17 production companies the target for hazardous waste for 2010 was a 10 per cent reduction relative to working hours compared to 2008. The amount reported was 230,109 kg/million working hours. However, this cannot be compared to the amount reported in 2008 (156,089 kg/million working hours), and we therefore cannot conclude whether the target was met or not. The reason is that, in 2010, we engaged in more comprehensive reporting of hazardous waste than our base year 2008, meaning that more types of hazardous waste were included in the reporting. We are currently working on setting a new baseline for hazardous waste.

The total amount of reported hazardous waste in 2010 for all Grundfos companies was 146,041 kg/million working hours.

### **2011 TARGETS FOR CO<sub>2</sub>, ENERGY CONSUMPTION AND HAZARDOUS WASTE**

A new process for setting targets for CO<sub>2</sub> emissions, energy consumption and hazardous waste was launched in 2010.

First of all, as in 2010, 2011 targets have been set for the 17 largest Grundfos production companies, as they are responsible for most of Grundfos' environmental impact. Secondly, no overall and general target was set for these 17 companies, rather company-specific targets in absolute numbers.

These company-specific targets are based on target letters from previous years, indicating a 10 per cent reduction in 2011 compared with 2008. Also, they are based on the specific company's expected performance and they take growth and CO<sub>2</sub> reductions into account.

Reduction targets have not been set for the remaining production companies. However, their target is to remain under the 2008 level in terms of CO<sub>2</sub> emissions.

As our focus is on the production companies, no targets have been set for our sales companies in 2011 in terms of CO<sub>2</sub> emissions, energy consumption, water consumption and hazardous waste. The sales companies will handle energy and water reduction initiatives through their work with "Sustainable buildings" (p. 40).

### **INITIATIVES FOR WATER CONSUMPTION AND 2011 TARGET**

Grundfos believes that one of the most significant effects of climate change can be found in relation to water. Grundfos agrees with the Intergovernmental Panel on Climate Change (IPCC) and we believe that water, its availability and quality will experience growing pressure as climate change will make its ever increasing impact on society and the environment.

Grundfos companies are located in different parts of the world, and therefore, the amount of water they use, their access to water and water balance in their local communities differ from company to company. As a consequence, we want to investigate and identify the locations in which Grundfos needs to be aware of water consumption in order to avoid contributing to water stress. In 2011 we will develop a guideline on how to map the water footprint and we plan to initiate a Private-Public-Partnership project to define mechanisms to ensure water balance.

Furthermore, a 50 per cent reduction of domestic water used for irrigation is the target set for 2011. This target has been set for the 17 largest Grundfos companies, as is the case with the targets for CO<sub>2</sub> emission, energy consumption and hazardous waste.

### **ISO 14001 and OHSAS 18001**

In order to manage our impact on the environment, it is a basic requirement that all Grundfos branded production companies with more than 100 employees have implemented environmental management systems according to ISO 14001, and OHSAS 18001 as regards health and safety management systems. The companies have to be certified within three years of acquisition or production start. Today, 11 out of 16 Grundfos branded companies are certified according to ISO 14001, and 10 out of 16 are certified according to OHSAS 18001. The certification of the remaining companies will be initiated as soon as possible.





## > Sustainable buildings

On a global scale, buildings account for more than 40 per cent of the world's total energy consumption and 24 per cent of the world's CO<sub>2</sub> emissions. Therefore, there is great potential for reducing global CO<sub>2</sub> emissions by focusing on making buildings sustainable.

It is Grundfos' ambition to be a front runner within the area of energy-efficient and cost-efficient buildings. We are taking a dose of our own medicine by focusing on sustainability when constructing new buildings and renovating existing ones. This is described in our policy for sustainable buildings, which was launched in 2008. Furthermore, targets for sustainable buildings have been set and a building code defined in order to classify the level of sustainability in our buildings.

### Building code

The defined building code is based on our own building performance in 2010. As regards energy consumption, we have also compared the performance with the average energy consumption on LEED\* certified buildings.

**Class 1** is buildings with low energy and water consumption or which can achieve LEED, level Gold awards or higher

**Class 2** is buildings with medium energy and water consumption or which can achieve LEED, level certification awards

**Class 3** is buildings which, as a minimum, comply with local energy demands and building regulations

\*Leadership in Energy and Environmental Design (LEED)

Also, in 2009 we signed the Manifesto on Energy Efficiency in Buildings published by the World Business Council for Sustainable Development.

### PERFORMANCE IN 2010

From 2010, building code class 1 has been the class to strive for in terms of building performance. Therefore, the goal for 2010 was to improve building performance and our main focus was on energy and water consumption in our sales companies. As regards sustainable buildings, we have given special priority to our sales companies, as the performance of our production companies' buildings are covered by the Footprint strategy.

We have set targets for our buildings in relation to our policy on sustainable buildings. These targets include:

- By 2012, no domestic water may be used for irrigation
- By 2015, the consumption of fossil-based energy will be reduced by 30 per cent
- By 2015, the reuse of grey wastewater and rainwater harvesting will account for more than 30 per cent of the water consumption in all existing Grundfos buildings

However, no specific targets have been set for 2010 or 2011.

### Energy use in Grundfos sales companies in 2010

		Consumption kWh/m <sup>2</sup>	Sales companies without assembly	Sales companies with assembly
Building Code	Class 1	< 150	17	13
	Class 2	150 < x < 210	7	3
	Class 3	>210	11	4
Total			35	20

55 per cent of the sales companies are categorised as building code class 1 according to energy consumption. It is a satisfying improvement compared to 2009 where 50 per cent were building code class 1.

### Water consumption in Grundfos sales companies in 2010

		Consumption m <sup>3</sup> /m <sup>2</sup>	Sales companies without assembly	Sales companies with assembly
Building Code	Class 1	< 0.75	25	10
	Class 2	0.75 < x < 1.5	5	6
	Class 3	>1.5	5	4
Total			35	20

64 per cent of the sales companies are categorised as building code class 1 according to water consumption. It is a very satisfying improvement compared to 2009 where 38 per cent were building code class 1.

### FOCUS AREAS IN 2011

The action plan for 2011 includes three focus areas:

- Implementation and construction
- Maintenance and improvements
- Visibility and information

In terms of implementation and construction, our goal is to set specific sustainability targets for each new building project started, with focus on energy, CO<sub>2</sub> emissions and water. Furthermore, the goal for all new buildings is to live up to the requirements of LEED's (Leadership in Energy and Environmental Design) Gold level or similar in accordance with local standards. Where relevant, we will strive to obtain certification.

In terms of maintenance and improvements, the goal is for all existing companies to prepare long-term maintenance reports. This goal has been set in order to create a pro-active approach in the companies to prioritise and plan the required building improvements in a sustainable manner. In addition, before the end of 2012, all existing Grundfos buildings in building code class 3 must conduct an energy assessment.

In terms of visibility and information, the objective is to communicate our use of the sustainable solutions that have been implemented in our facilities. The target group includes employees, customers, suppliers and other relevant stakeholders, whom we hope to inform and inspire.

## Community engagement

In 2010, Grundfos companies all over the world engaged in various local community involvement initiatives in order to accommodate our important principle of shared value and grant us a social licence to operate. Hence, more than 70 per cent of all Grundfos companies engaged in local community initiatives. Globally, more than 130 initiatives were either launched in 2010 or continued from 2009. The initiatives reflect three main tendencies, namely: engagement in natural disaster relief, support of local educational institutions and provision of help to locally disabled and disadvantaged people.

# 70%

### OF ALL GRUNDFOS COMPANIES ENGAGE IN INITIATIVES

Many of these initiatives build on strong partnerships. Most of the initiatives are philanthropic and consist of donations of money and equipment. However, several are strategic in nature too, as they are linked with our business strategies and thereby serve the purpose of creating even greater shared value for both society and Grundfos.

#### GRUNDFOS ENGAGES IN NATURAL DISASTER RELIEF IN AUSTRALIA

Water is synonymous with Grundfos, and several of our community engagement initiatives are characterised by this. By doing what we do best – producing innovative and sustainable pump solutions – Grundfos companies utilised this ability in connection with natural disaster relief in 2010 in Australia, Haiti and Hungary.

South Australia suffered from immense flooding in 2010. Therefore, Grundfos Pumps Australia partnered with the Salvation Army Flood Appeal to whom they donated 10,000 Australian dollars and loaned suitable products to assist in the clean-up and rebuilding of communities. These efforts enabled people to return to their houses and resume day-to-day living. To Grundfos Pumps Australia, the image as a truly committed company was reinforced as we were able to prove the efficiency of our products and concern for our employees.

#### GRUNDFOS CREATES SHARED VALUE BY PARTNERING WITH EDUCATIONAL INSTITUTIONS

Grundfos companies engage in partnerships with local universities, high schools and research centres on a world-wide scale in order to contribute to educational levels of high quality and to provide access to education. By cooperating with educational institutions, Grundfos helps to develop the competences of future generations while at the same time getting a unique opportunity to attract new, qualified employees and to gain access to invaluable knowledge.

Grundfos Hilge GmbH & Co. KG in Germany put great efforts into building relations with their local universities, high schools and the German Engineering Federation, which is one of the largest engineering industry networks in Europe. In 2010, Grundfos Hilge provided cases for technical development projects, pump lectures and supported PhD projects. Altogether, the partnership between Grundfos Hilge and the local schools and confederations has created value for both Grundfos Hilge and the young talents who may become future employees.

#### GRUNDFOS HELPS DISABLED AND SOCIALLY DISADVANTAGED PEOPLE

Historically, Grundfos has engaged in social responsibility initiatives by supporting disabled and socially disadvantaged people in local communities all over the world. In 2010, this was a high priority in many Grundfos companies, among others in the USA, Denmark, China and Russia.

Grundfos Manufacturing Russia in the Moscow region engaged in a number of partnerships with charity organisations. Among others The Regional Fund for Children with Pancreatic Diabetes, The Khabarask Fund for Disabled Children, The SOS Children's Village for orphans and The Old People's Home. In total, Grundfos in Russia contributed with 85,000 euro to these organisations.

#### The Poul Due Jensen Foundation

In 2010, The Poul Due Jensen Foundation, which is the main shareholder of the company, donated more than 1,000,000 euro to causes that are not business-oriented as such. These donations mainly focus on research, design and innovation, environment and nature and social responsibility.

Also, the Foundation donated 20 SQFlex pumps systems for the relief work in Haiti via the non-profit organisation Water Mission International. Grundfos has partnered with the organisation for several years. The organisation's objective is to provide people in developing countries and disaster-struck areas with clean and safe water.

## Future focus areas

In the future, Grundfos will effect changes throughout our own organisation in order to reduce the environmental impact of our operations. First of all, we will live up to our commitments in the Climate White Paper, where the focus is on CO<sub>2</sub> emissions and energy consumption. Therefore, our goals include the following:

- Not to emit more CO<sub>2</sub> than we did in 2008 and
- Become a CO<sub>2</sub> neutral company

Also, in the future more focus will be on the management of our company.

- Further developing and implementing Business Excellence in Grundfos
- Further implementing our strategic shared value approach to sustainability and responsibility.





# PURCHASE

Securing high-standard suppliers is essential for Grundfos and we therefore aim to improve the suppliers' standards by focusing on responsible supplier management. By building up trustworthy relationships, we want to ensure that our suppliers comply with the Grundfos Supplier Code of Conduct, the UN Global Compact, local laws and international norms. Our actions hereby contribute to increasing local labour standards and growth.



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# REQUIREMENTS TO ETHICAL BEHAVIOUR POSITIVELY RECEIVED

Potential supplier sees new opportunities in forming a binding collaboration with Grundfos



*Sangwon Lee, Marketing Manager, presents the valves produced at Shinil Korea.*

**W**hen compared with Grundfos, Korean Shinil is a small company. Nevertheless, Shinil has a great wish to contribute to increased sustainability and does so by producing valves that stand out from those offered by their competitors. Because of their multi-functional design, the valves help simplifying the systems they are used in, Shinil explains. As a result, customers can make savings on materials, and this is a significant reason for Grundfos to show an interest in purchasing valves from Shinil and using them within our systems.

The Korean valve producer was identified as a potential supplier to the entire Grundfos Group because they had previ-

ously been supplying valves to Grundfos-owned PACO in the US for some time. And they were mentioned as a potential supplier in connection with a new project at PACO.

## Shinil in brief

Founded in 1972, Shinil currently employs a staff of 50 employees and had a turnover of 10 million US dollars in 2009.

The South Korean valve producer holds more than 50 patents in South Korea and a number of patents in the US and Taiwan. The company has formulated an objective for company growth, by developing one unique product every year and positioning themselves as a Green Valve Manufacturer.

## DOUBT ABOUT WORKING ENVIRONMENT

As part of the standard procedure before concluding a supplier agreement, Grundfos performed an audit at Shinil in the spring of 2010. Senior Quality Engineer Flemming Matthiesen, Strategic Purchasing, was responsible for the audit. He explains: "The audit, which examines the actual conditions at the supplier's prem-

ises, did not show any clear signs that the company does not meet our quality and responsibility requirements. However, a few things concerned us, especially in relation to the working environment due to the high noise levels and fumes from the painting booth."

Following the usual practice, Flemming Matthiesen wrote his audit report on site and presented the results to the supplier before going back to Denmark.

"Shinil is already a supplier to a number of South Korean companies, including Samsung, which, on a global scale, is a major company – not only within electronics and white goods, which are probably the most well-known areas – but also within the construction of factories, power plants and high-rise buildings. We take that as a sign that Shinil is a serious company", says Flemming Matthiesen. He continues:

"Nevertheless, the company is not quite where we would like it to be. We found, however, that it would be possible for the company to reach the required level and that it had the ambition to do so. That is why we decided to continue with the process."



#### REQUIREMENT FOR ACTION

The next step for Shinil was to map the working environment by having a third party set threshold values and check whether they were observed.

"If the supplier fails to meet our requirements, they must prepare an action plan for improvement. In addition, they must present a plan that explains how they will ensure that the suppliers in their own supply chain will meet our Supplier Code of Conduct", explains Flemming Matthiesen.

Collaboration will be valuable to Grundfos as we, as a company, need to be able to ensure high quality among our suppliers and get an opportunity to create trustworthy and long-term relationships. And this collaboration will offer Shinil new business opportunities.

According to Flemming Matthiesen, the incentive for the supplier will be to have Grundfos – a leader in its field – as a customer. "If Shinil gets Grundfos as a reference, this could open doors to other customers globally – so far, 95 per cent of their business comes from South Korean customers."

#### THE PROSPECT OF FUTURE COLLABORATION IS A MOTIVATION FOR US TO PLAN INITIATIVES REGARDING THE WORKING ENVIRONMENT AND SOCIAL RESPONSIBILITY AND TO PROVIDE CLEAR DOCUMENTATION REGARDING THE CONDITIONS AMONG OUR SUBSUPPLIERS

SANGWON LEE,  
MARKETING MANAGER IN SHINIL

#### BUSINESS OPPORTUNITIES

Sangwon Lee, Marketing Manager of Shinil, confirms that new opportunities may arise if they meet the requirements requested by Grundfos.

"This will give us the chance to reach an international level and strengthen our opportunities for developing business with customers overseas", he says.

Shinil has never before been subjected to such a detailed and systematic set of questions about the company – especially not as regards ethical behaviour and social responsibility.

Still, Sangwon Lee welcomes the interest shown by Grundfos.

"The prospect of future collaboration is a motivation for us to plan initiatives regarding the working environment and social responsibility and to provide clear documentation regarding the conditions among our subsuppliers", Sangwon Lee says.

In his opinion, it may not only be positive to Shinil and other companies to meet requirements like the ones presented by Grundfos:

"These requirements caused problems in the production process and have led to growing costs. It would be unacceptable if they tied up too many resources and if the potential offered by new business was negligible in relation to our total business volume." ■

#### Global Compact

The Grundfos Supplier Code of Conduct is based on the 10 principles of the UN Global Compact and focuses on human rights, labour rights, the environmental impact and anti-corruption at our suppliers.



# PURCHASE

**W**e understand PURCHASE as all sourcing activities related to procurement and supplier management in Grundfos. When building trustworthy relationships with suppliers, sustainability and responsibility are essential factors, and we believe that our responsibility goes beyond the sourced products and components.

Grundfos wishes to do business with suppliers who intend to meet the same high standards as regards quality, environment, ethics, flexibility and security of supply as we do. We therefore expect all direct suppliers to respect and comply with the Grundfos Supplier Code of Conduct, which is based on the 10 principles of the UN Global Compact. These minimum requirements are a prerequisite for doing business with Grundfos.

However, our ambition is to go beyond compliance and be considered a partner, who creates value by inspiring our suppliers to improve within the areas of sustainability and responsibility.

In 2010, our main focus has been on further development of tools and models to strengthen responsible supplier management, ensuring compliance with the Supplier Code of Conduct and mapping CO<sub>2</sub> emission among suppliers. Furthermore, our vision is to incorporate sustainability and responsibility in our purchasing activities, and responsible supplier management should therefore not be a separate process or activity, but an integrated part of the entire purchase process.

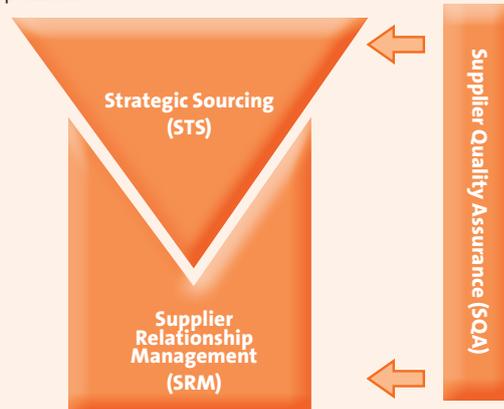
### Definition of supplier

- Direct:** Suppliers of direct materials such as raw materials and components consumed by production.
- Indirect:** Suppliers of indirect materials such as services, transport, advisory services, maintenance, etc.
- Group supplier:** Suppliers to several Grundfos companies.
- Local supplier:** Suppliers to a single Grundfos company.

### The Supplier Management process in Grundfos

In Grundfos, management of direct suppliers is supported by two main processes: Strategic Sourcing (STS) and Supplier Relations Management (SRM). In combination with Supplier Quality Assurance (SQA), it covers the complete cycle from screening of the supply market to final approval of the supplier as well as ongoing monitoring of existing suppliers.

This model illustrates the interaction between the SQA, STS and SRM processes:



**STS:** Screening of market, requesting general supplier information, evaluating potential supplier portfolio, requesting additional information, negotiating and entering Framework Agreement

**SRM:** Continuous supplier improvement and evaluation

**SQA:** Audit of potential and existing suppliers

## Supplier Relationship Management

Supplier Relationship Management is about maintaining and developing supplier relations and partnerships.

In Grundfos we recognise that, as a company, we are influenced by our supply chain as the quality of our products is highly dependent on the quality of the components and materials supplied by our suppliers. We understand quality in a broad perspective as this does not only cover products or components, but also processes, production methods and business approach in general.

#### KEY SUPPLIER FOCUSED INITIATIVE

With our Supplier Relationship Management process we continuously strive to develop supplier relations in accordance with our business strategies. 2010 saw the introduction of a new initiative, Key supplier focused initiative.

Four Group Key suppliers were selected and dedicated working groups were appointed at both Grundfos and at the suppliers' premises. The purpose is to identify areas of improvement, e.g. to strengthen the underlying processes and business relations. With this initiative we wish to take responsibility in our supply chain and support our suppliers in their development. We believe that it is possible to obtain mutual benefits from these projects and evidence shows that this is indeed the case. Our intention is to use the experience gained in the 2010 project to formalise and incorporate the ideas behind the initiative in the Supplier Relationship Management process. This is done to further increase the mutual benefits of engaging in partnerships with the suppliers.

#### Partnership with local suppliers

Approx. 40 per cent of the Grundfos production companies report that they have entered into a partnership with a supplier in order to improve the supplier's performance in terms of sustainability and responsibility. The results have mainly been positive.

## Further implementation of Supplier Code of Conduct

During 2010, the Supplier Code of Conduct has been further implemented in both Grundfos companies and at our suppliers' premises. In Grundfos we differentiate between group suppliers and local suppliers, where Group Purchase is responsible for Group suppliers, and local purchase departments in each of our production companies are responsible for local suppliers.

All suppliers of direct materials to Grundfos, both group and local suppliers, must comply with our Supplier Code of Conduct, which is ensured by concluding written agreements with the suppliers. One of the main goals within Group Purchase is to have Group Framework Agreements with all Group suppliers. Suppliers who are not covered by a Framework Agreement are still expected to comply with our Supplier Code of Conduct, and it is a mandatory topic on the agenda for all supplier meetings.

#### TRAINING IN SUPPLIER CODE OF CONDUCT

In order to further implement the Supplier Code of Conduct, several relevant people in Grundfos have received training in the Supplier Code of Conduct. Our global Category Manager team has received training in order to be well prepared for the dialogue with the suppliers. This team is geographically divided between China, Hungary, France, Germany and Denmark.

# 63%

OF GRUNDFOS PRODUCTION COMPANIES TRAIN PURCHASERS IN SUPPLIER CODE OF CONDUCT





➤ Additionally, Purchasing Managers, who are heads of local purchase departments in our production facilities, have been trained. They also hold the responsibility to ensure that all local purchasers are well prepared to implement the Supplier Code of Conduct at local suppliers.

Furthermore, approx. 63 per cent of Grundfos' production companies state that they have included training of purchasers in their implementation of the Grundfos Supplier Code of Conduct.

34

**EXISTING GROUP SUPPLIERS AUDITED IN 2009**

5

**POTENTIAL GROUP SUPPLIERS AUDITED IN 2009**

## Compliance and audits

Grundfos evaluates both new and existing suppliers against a set of main criteria which we consider essential for our long-term business success. This key process is called Supplier Quality Assurance. In 2010, we did business with a total of 276 existing Group suppliers. In 2010, 39 regular Supplier Quality Assurance audits were completed at Group Suppliers, which among others include compliance with the Grundfos Supplier Code of Conduct. 34 of the audits were conducted at existing suppliers and five were conducted at potential new suppliers.

### AUDITS FOCUSING ON SUSTAINABILITY AND RESPONSIBILITY

In 2010, the Supplier Quality Assurance team also completed two audits, where focus was mainly on sustainability and responsibility. The findings from all audits primarily relate to employee safety and sub-supplier management. In 14 out of the 17 cases where focus on sustainability and responsibility requirements were included in the audit reports, sub-supplier management was mentioned as an area of improvement. Grundfos requires all suppliers to not only comply with the basic sustainability and responsibility requirements, but also to pay attention to their own suppliers and their approach to sustainability and responsibility. This is what we define as Responsible Supplier Management, and we believe that it is essential to make such demands in order to influence the entire supply chain.

We are aware that sub-supplier management is a potential area of improvement, and this area will receive more focus during 2011. Suggested actions to be initiated at the suppliers' premises are formulated in the audit reports, and specific actions are then agreed upon, signed and included in the Group Framework Agreement. In general, our suppliers are very positive about the requirements we make to them, irrespective of whether the supplier is able to meet our demands initially.

### USE OF EXTERNAL PARTNER TO CONDUCT AUDITS

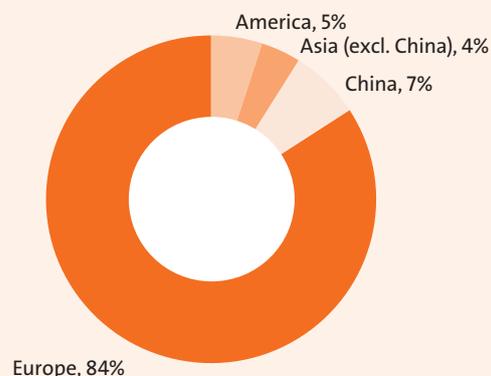
The past years have been a pilot phase, providing significant learning when considering how to further implement and strengthen responsible activities within Grundfos Purchase. In compliance with the strategy of strengthening not least the auditing activities, we engaged with an external partner in 2010, who will conduct audits at Grundfos suppliers on our behalf in 2011, focusing on sustainability and responsibility.

#### Audits at local suppliers

In 2010, approx. 48 per cent of Grundfos' production companies audited one or more local suppliers of direct materials to ensure compliance with the Supplier Code of Conduct.

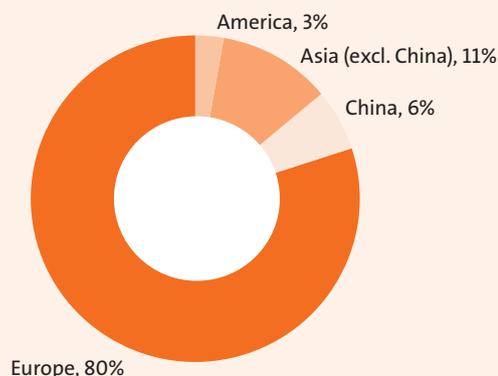
### Usage of external purchase materials in production

Divided into the geographical regions of the consuming production companies



### External purchase of material for production

Divided into the geographical regions of the suppliers from whom the materials are sourced



## Reducing CO<sub>2</sub> in the supply chain

As a result of our commitment to reduce our carbon footprint, Grundfos Purchase's aim is to contribute positively to this overall goal by focusing on our suppliers.

### MAPPING CO<sub>2</sub> EMISSION AMONG SUPPLIERS

During 2010, we have obtained information from current suppliers about their ability to measure CO<sub>2</sub> emissions and reductions, as well as their goals, if such goals have been set. Out of 216 group suppliers asked, 38 per cent have initiated specific activities to reduce their CO<sub>2</sub> emissions, 34 per cent are currently able to measure their CO<sub>2</sub> emissions, and a total of 28 per cent have defined CO<sub>2</sub> strategies. We want to prepare for future agreements on CO<sub>2</sub> strategies and reductions at the suppliers' premises.

### POLICY ON COMPANY CARS

In 2010, a policy for company cars was adopted concerning cars for sales people and executives in our Danish companies. The purpose of the policy is to ensure that the purchase of company cars is based on sound economic, safety and environmental considerations. The policy includes guidelines for maximum CO<sub>2</sub> emissions per kilometre, which will be reduced annually until 2015 in order to gradually tighten the requirements.

### FOCUS ON REGIONAL SOURCING

The strategy for Grundfos is to conduct the main part of sourcing in the region where the products are used for production. This means that we would like our organisational structure to reflect the purchasing structure by allocating more responsibility to the geographic regions where the sourced materials and components are consumed by production. Previously, the division was made between global sourcing and local sourcing. The future division will be made between global, regional and local sourcing.

The graphs illustrate that, in 2010, there was a reasonable balance between consumption and external purchase of materials for production in Grundfos. For example, seven per cent of the total consumption of production material was consumed in China and similarly, six per cent of the consumed production materials were sourced within this region. Of the total consumption of production materials, 84 per cent relate to the European region, and 80 per cent of the total consumption was sourced within this region. This leaves a minor overweight of sourcing within the Asian region compared to the geographic area of consumption.

# 38%

**SUPPLIERS HAVE INITIATED ACTIVITIES TO REDUCE CO<sub>2</sub> EMISSIONS**

## Future focus areas

One of the focus areas for 2011 is to further strengthen and improve the process of auditing external suppliers, which will include the following activities:

- Conduct audits focusing on sustainability and responsibility in cooperation with an external partner based on a newly developed auditing tool.
- Review and improve existing auditing tools used by the Supplier Quality Assurance team. This is done by further incorporating sustainability and responsibility aspects.
- Conduct specific training of the Global Quality Assurance team to ensure a higher level of sustainability and responsibility in regularly conducted supplier audits.

# GRUNDFOS ABOUT THE REPORT



This is Grundfos' fifth annual Sustainability Report. The main purpose of the report is to provide stakeholders with a comprehensive, fair and balanced picture of Grundfos' contribution to sustainable development. Also, the Sustainability Report functions as our annual Communication on Progress (COP) required by signatories of the Global Compact.

The theme for Grundfos' 2010 Sustainability report is "Sustainability through partnerships".

## SCOPE

The report covers all companies owned or controlled by Grundfos. Newly acquired companies are recognised in the Grundfos Group data as at the time of acquisition. It should be emphasised that the report concerns Grundfos at global level and it has not been the intention to include detailed information that is primarily significant to individual sites, processes, activities and products.

## REPORTING GUIDELINES

In order to ensure a transparent, balanced and reasonable presentation of our sustainability and responsibility performance, Grundfos follows generally accepted accounting and reporting policies: Global Reporting Initiative (GRI) and Greenhouse Gas Protocol (GHG).

The GHG protocol is used as a guideline for how to manage, account for and report on greenhouse gasses, which is of great importance to Grundfos. However, our goal is to report on all aspects of sustainability and responsibility. Therefore, the GRI principles and indicators (G3), which focus on both financial, social and environmental impacts, are also relevant. We have assessed the 2010 report to be at the B level.

## MATERIALITY

Our report focuses on environmental and social challenges which have an impact on or can be affected by Grundfos and which are relevant for our key stakeholders. Therefore, it is important that the content of a sustainability report is relevant for stakeholders and reflects our business goals and strategies.

In Grundfos, sustainability and responsibility are used as means to create value for society and for our company, i.e. we see it in the framework of shared value creation. Four main areas of value creation has been identified; PURCHASE, PROCESS, PEOPLE and PRODUCT, please see the Shared Value Model. Among other things, this model is used to create structure and priority in the content of Grundfos' Sustainability Report.

In addition to the Shared Value Model, the report content is also prioritised on the basis of the focus in Grundfos' Group strategy, Innovation Intent, the Climate White Paper and various unit strategies, e.g. Group Purchase's unit strategy.

## STAKEHOLDER INCLUSIVENESS

Our stakeholders are the target group for our sustainability reporting, and it is essential to know what they find to be relevant and essential in terms of sustainability and responsibility. Grundfos addresses a wide range of stakeholders, and we have identified them to be customers, current and potential employees, suppliers, business partners, opinion leaders, NGOs, governments and media.

In 2008, the first part of a stakeholder analysis, a document review, was prepared by Deloitte. The purpose of the analysis was to identify areas of sustainability and responsibility that our stakeholders find relevant. The analysis emphasised four significant issues:

1. Climate, energy, water and environment
2. Employee conditions
3. Business conduct
4. Involvement in society

Other stakeholder processes such as Employee Satisfaction Surveys and Customer Satisfaction Surveys are also used in Grundfos to gain an insight into subject that our stakeholders find relevant.

In order to further identify stakeholders, an internal stakeholder analysis was conducted in 2009. Several of the main group functions, such as Purchase and People & Strategy were interviewed, identifying their main stakeholders and their expectations.

As regards the Sustainability Report we have only identified our stakeholders on a general level and in a generic stakeholder map.

## DATA PROCESSING

Financial data is obtained from the Group's accounting system. The Environmental, Health and Safety (EHS) data has been collected, compiled and validated by Grundfos' Group Environment department, and the HR data has been collected, compiled and validated by Grundfos' People and Strategy department. The EHS data and the HR data are collected annually according to a fixed reporting procedure. Furthermore, the report includes results from an annual sustainability and responsibility survey with the purpose of collecting data about local sustainability and responsibility activities related to community involvement, responsible business conduct and supplier management.

2010 saw the launch of pilot projects to implement a new and improved EHS data collection platform. The pilot projects only influence Grundfos-owned manufacturing companies, and data collected by means of the new system will be available in the 2011 report. Also in 2010, the process for collecting HR data was revised, and part of our HR data is now collected via SAP. This data will be available in the 2011 report.

## PERSPECTIVE 2011

We continuously focus on improving our reporting practices. In 2011, Grundfos will initiate a process of developing a sustainability strategy document that clarifies our focus areas and future efforts in terms of sustainability and responsibility. This process will include a materiality assessment, which will strengthen the relevance of the content of the Sustainability Report even further.

## DETAILED REPORTING PRINCIPLES AND PRACTICE

For further information about reporting principles and practice, please visit [www.grundfos.com](http://www.grundfos.com), the document can be found under: About us > Sustainability & Responsibility > Reporting

For questions concerning the report or its content, please contact Grundfos Group CSR, [sustainability@grundfos.com](mailto:sustainability@grundfos.com).

# AUDITOR'S REPORT

## TO THE GROUP MANAGEMENT OF GRUNDFOS MANAGEMENT A/S

We have performed a review of the Grundfos Sustainability Report 2010 ("the Report"). The purpose of our review was to submit a statement on the employee, environmental and financial data in the Report. The management of the company is responsible for the Report. Our responsibility is to provide a conclusion based on our review of the Report.

## THE PERFORMED REVIEW

We have performed our review in accordance with the Danish auditing standard on assurance engagements RS 3000 ("Assurance engagements other than audits or reviews of historical financial information"). It has been our purpose to obtain limited assurance that the employee, environmental and financial data at Group level in the Report are in accordance with the described reporting practice and information reported by factories and other business units. By agreement, we have visited the company's factories in Sunderland, UK and Fresno, USA, in order to evaluate whether data regarding employees and the environment has been documented, collected and calculated in accordance with Group instructions.

Our review is based on an evaluation of risk of material errors. We have evaluated the reporting practice and analysed correlations with the company's audited annual accounts, and we have performed spot check comparisons with documentation. The review is limited first of all to include inquiries from management and employees as well as analytical procedures, and a limited level of assurance is thus lower than the assurance which would have been obtained if we had performed an audit.

## CONCLUSION

During our review, nothing came to our attention that caused us not to believe: 1) that the employee, environmental and financial data for the Group are generally in accordance with the described reporting practice and information reported by factories and other business units, and 2) that employee and environmental data from the company's factories in Sunderland, UK and Fresno, USA have been documented, collected and calculated in accordance with Group instructions.

Copenhagen, 12 April 2011

Deloitte  
Statsautoriseret Revisionsaktieselskab



Anders Dons  
State-authorized Public Accountant



Preben J. Sørensen  
State-authorized Public Accountant

# GRUNDFOS IN BRIEF

Grundfos was established in 1945 by the late Poul Due Jensen. 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 per cent of the world market.

## 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 and 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.

## VALUES

Our values are summed up with the words: BE>THINK>INNOVATE. It is our responsibility, our foresight and our focus on creating ground-breaking solutions and ideas that have made us one of the world's leading pump manufacturers.

## OWNERSHIP STRUCTURE

Grundfos was established in 1945 by the late Poul Due Jensen. In 1975, the self-governing institution The Poul Due Jensen Foundation was established, and today it owns 86.7 per cent of the shares in Grundfos Holding A/S. The remaining shares are divided between the Grundfos employees (2.0 per cent) and the founder's family (11.3 per cent).

## MANAGEMENT

The Grundfos Group Management is domiciled in Bjerringbro, Denmark, and has the following members:

- Carsten Bjerg, CEO and Group President
- Heine Dalsgaard, Executive Vice President
- Lars Aagaard, Executive Vice President
- Peter Røpke, Executive Vice President\*
- Søren Ø. Sørensen, Executive Vice President

Grundfos Holding A/S Board of Directors:

- Niels Due Jensen, Group Chairman
- Lars Kolind, Executive Director
- Niels Christian Nielsen, Professor of Copenhagen Business School
- Thomas Lund, Managing Director of Dansk Teknologi Udviklingselskab
- Ingelise Bogason, Managing Director of Alectia

\*Peter Røpke joined Group Management on 1 January 2011



- Sales companies
- Production companies
- Other brands

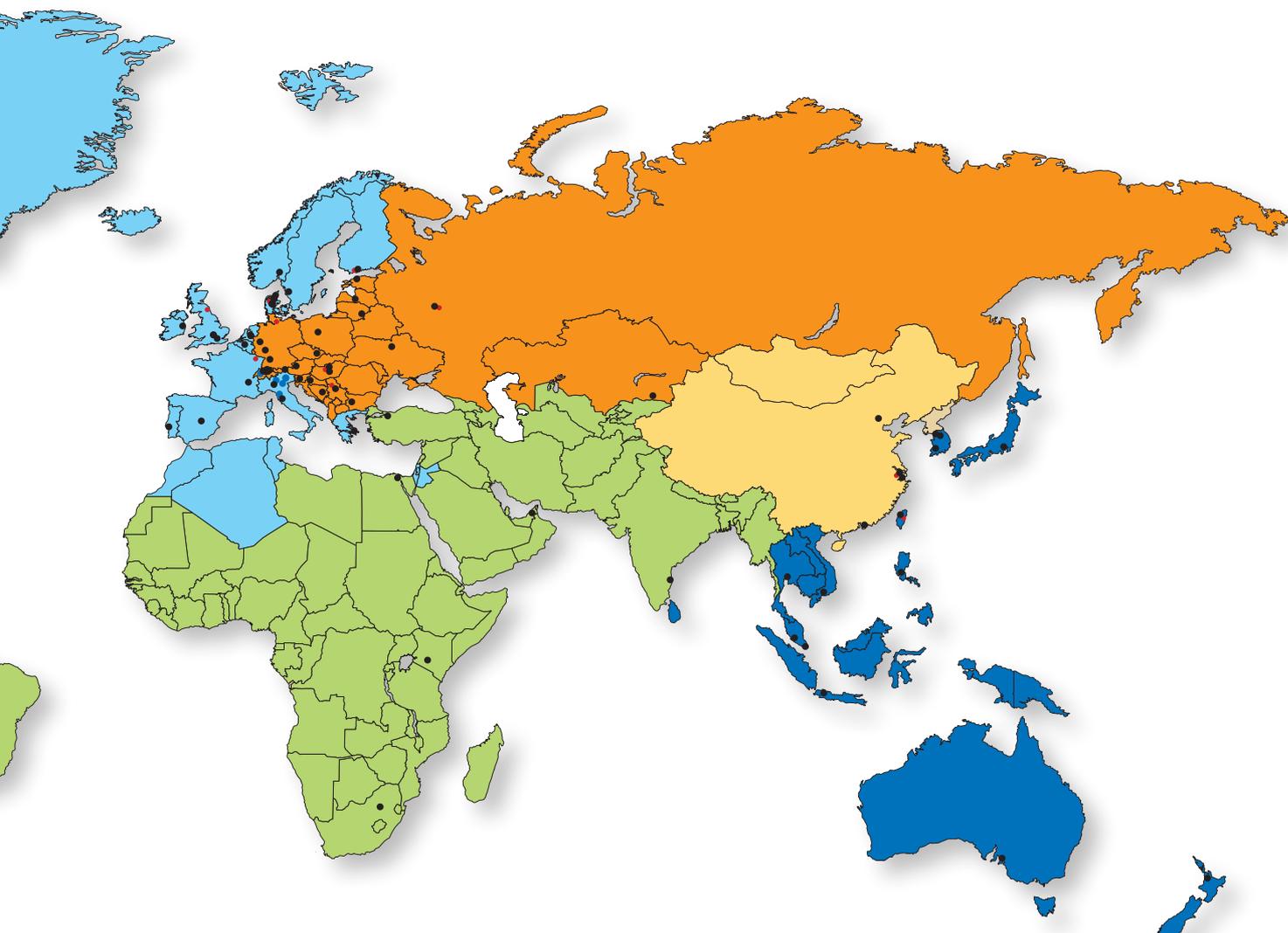
## TURNOVER DEVELOPMENTS DIVIDED BY OECD AND OTHER (IN MILLION EURO)

	OECD	Other	Total
2010	1,883	751	2,634
2009	1,727	564	2,291
Growth	9%	33%	15%

## INVESTMENTS IN FIXED ASSETS DIVIDED BY OECD AND OTHER (IN MILLION EURO)

	OECD	Other	Total
2010	65	18	83
	78%	22%	100%
2009	79	36	115
	69%	31%	100%
Growth	-18%	-50%	-27%

- North American Region
- Central European Region
- Emerging Markets
- China
- Western European Region
- Asian-Pacific Region



#### TURNOVER DEVELOPMENTS DIVIDED BY REGION (IN MILLION EURO)

	Western Europe	Eastern Europe	The Americas	East Asia	The Middle East and Africa	Total
2010	1,298	341	326	522	147	2,634
2009	1,221	279	291	384	116	2,291
Growth	6%	22%	12%	26%	28%	15%

#### INVESTMENTS IN FIXED ASSETS DIVIDED BY REGION (IN MILLION EURO)

	Western Europe	Eastern Europe	The Americas	East Asia	The Middle East and Africa	Total
2010	50	20	5	8	0	83
2009	49	33	10	21	2	115
Growth	2%	- 39%	- 50%	- 62%	- 100%	- 27%

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## READ MORE

### **www.grundfos.com:**

Annual Report 2010  
Climate White Paper  
Grundfos' values and policies  
The Grundfos Code of Conduct  
The Grundfos Supplier Code of Conduct

### **Grundfos.com>about us>sustainability and responsibility>reporting:**

- Reporting principles and practices for Grundfos' Sustainability Report 2010

### **Grundfos links:**

Biobooster [www.grundfos-biobooster.com](http://www.grundfos-biobooster.com)  
Energy movement [www.grundfos.com/energy](http://www.grundfos.com/energy)  
Grundfos HVAC OEM [www.grundfos.com/hvac OEM](http://www.grundfos.com/hvac OEM)  
Grundfos Sensor [www.grundfos.com/directsensors](http://www.grundfos.com/directsensors)  
LIFELINK [www.grundfoslifelink.com](http://www.grundfoslifelink.com)  
Power by the impossible [www.powerby.grundfos.com](http://www.powerby.grundfos.com)  
Pump audit [www.grundfos.com/pumpaudit](http://www.grundfos.com/pumpaudit)

### **Other relevant links:**

Deloitte [www.deloitte.com](http://www.deloitte.com)  
Europump [www.europump.org](http://www.europump.org)  
Global reporting initiative [www.globalreporting.org](http://www.globalreporting.org)  
HR Leadership Alliance [www.hrleadershipalliance.com](http://www.hrleadershipalliance.com)  
ISO [www.iso.org](http://www.iso.org)  
LEED [www.usgbc.org/leed](http://www.usgbc.org/leed)  
OHSAS [www.ohsas.org](http://www.ohsas.org)  
Red Cross [www.ifrc.com and www.kenyaredcross.org](http://www.ifrc.com and www.kenyaredcross.org)  
UN Global Compact [www.unglobalcompact.org](http://www.unglobalcompact.org)  
World Business Council for Sustainable Development [www.wbcsd.org](http://www.wbcsd.org)

# GRUNDFOS PERFORMANCE SUMMARY

The Global Reporting Initiative's (GRI) G3 sustainability reporting guidelines are a source of inspiration to Grundfos in the preparation of sustainability reports. The performance summary comprises all the GRI performance indicators that Grundfos complies with in whole or in part as well as an overview of those of the 10 Global Compact principles that Grundfos supports.

			Result	Page	GRI	Global Compact
Management statement	Management statement			6	1.1	All principles
	Commitment to Global Compact			6	4.12	
Corporate sustainability and responsibility	Shared value			8	5	
	Management approach			8	5	
Product	Impacts, risks and opportunities related to climate change			14	1.2	Environment 8-9
	Customer satisfaction and loyalty	Customer loyalty	82	19	PR5	
	Warranty rate	Products reported faulty within the two-year warranty period	0.48%	20	PR5	
	Energy	Energy saved through sales of A-labelled pumps (billion kWh)	1.1	19	EN7	Environment 9
	Economic value	Investment in the development of new products (percentage of turnover)	5.2%	15	EC1	
	Public policy	Participation in public policy development		21	SO5	
	Compliance	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	0	20	SO7	
		Sanctions for non-compliance	0	20	SO8	
		Non-compliance concerning information and labelling of products	0	20	PR4	
		Total number of incidents of non-compliance concerning marketing communications	0	20	PR7	
		Complaints regarding customer privacy	0	20	PR8	
	Sanctions for non-compliance concerning provision of products	0	20	PR9		
	Stakeholder engagement	Memberships of associations		21	4.13-4.17	
		Approach to stakeholder engagement		50		
People	Access to water	Number of LIFELINK systems financed via Grundfos Brings Water2Life	4	28	SO1	Environment 8-9 Human rights 1 Anti-corruption 10
		Number of companies that have organised activities in order to raise money to Grundfos Brings Water2Life	45%	28	n/a	
	Awards received	Talent Innovation Award		26	n/a	
	Workforce	Workforce size (total number of employees)	16,609	26	LA1	
		Employees on special terms	4.27%	29	LA3	Labour standard 6
		Freedom of association		31	LA4/HR5	Labour standard 3
		Child labour		31	HR6	Labour standard 4
		Forced labour		31	HR7	Labour standard 5
	Employee motivation and satisfaction	Loyalty	68	28	n/a	
		Satisfaction and motivation	80	28	n/a	
	Security	Grundfos companies that use security personnel	44%	31	HR8	Human rights 1-2
	Health and safety	Number of accidents per million working hours	9.13	28	LA7	
		Lost working hours due to lost time injuries (per thousand working hours)	1.07	28	LA7	
	Employee development	Training hours (per white collar)	17	27	LA10	
		Training hours (per blue collar)	12.4	27	LA10	
		Employee Development Dialogue (white collar)	77%	27	LA12	
		Employee Development Dialogue (blue collar)	71%	27	LA12	
	Business ethics	Compliance workshops held	3	30	SO3	Anti-corruption 10
		Group entities audited in relation to Grundfos Code of Conduct	56	30	SO2	
		Response to incidents of corruption	2	31	SO4	
Process	Business Excellence	Grundfos companies using Business Excellence	75%	36	5	
	Governance	ISO 14001 and OHSAS 18001-certified production companies (number of certifications)	21	39	n/a	
	CO <sub>2</sub>	Total CO <sub>2</sub> emissions (metric tonnes)	122,690	38	EN16	Environment 8-9
	Energy	Total energy consumption (MWh)	340,344	38	EN3	
	Water	Total water usage (m <sup>3</sup> )	670,612	39	EN8	
	Waste	Total hazardous waste (kg relative to 1 million work hours)	146,041	39	EN22	
		Sustainable buildings	Number of sales companies in building code class 1 in terms of energy consumption (< 150 kWh/m <sup>2</sup> )	55%	40	n/a
	Number of sales companies in building code class 1 in terms of water consumption (< 0.75 m <sup>3</sup> /m <sup>2</sup> )		64%	40	n/a	
	Local community engagement	Grundfos companies with one or more initiatives supporting the local community	70%	41	n/a	All principles
	Purchase	Suppliers	Group suppliers of direct material	276	48	n/a
Spending on locally based suppliers				49	EC6	
Audits		Screening of group suppliers and potential group suppliers regarding human rights	39	48	HR2	Human rights 2
		Number of Grundfos production companies that have conducted audits at local suppliers' premises	48%	48	HR2	
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**BE > THINK > INNOVATE >**

Being responsible is our foundation  
Thinking ahead makes it possible  
Innovation is the essence



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