

Prevention of Modern Slavery

Progress Report 2018

Unfortunately, slavery is not a thing of the past.

Modern slavery describes not only the practice of humans owning other humans but also the exploitation and total control of people who are unable to leave at their own free will.

The International Labour Organisation (ILO) estimates that **40+ million people** are enslaved worldwide and **1 in 4 modern slaves** is a child.

We simply cannot look away.

At Grundfos, we believe in the importance of freedom for all individuals and are fiercely committed to preventing modern slavery in all forms.

We are not naïve. We acknowledge the grim realities and risks of forced labour, understanding that this journey will not be quick or easy. Modern slavery is a complex issue with complex causes and solutions.

Still, together with suppliers, we are proactively working to increase transparency throughout our global supply chain because we believe that coordinated, international collaboration is one of the most powerful ways to eliminate this heinous practice. In the coming year, we will continue to improve oversight processes to identify and address gaps in our due diligence.

The following statement gives a brief overview of additional concrete steps we are taking.



Most sincerely,

A handwritten signature in black ink, appearing to read 'Pia Rask'.

Pia Yasuko Rask
Head of Engagement & Responsibility

This report has been reviewed and signed by the board of Grundfos Group Companies in the United Kingdom.

Peter Reynolds

A handwritten signature in black ink, appearing to read 'Peter Reynolds'.

General Manager
Grundfos Pumps Limited

Marl Lister

A handwritten signature in black ink, appearing to read 'Marl Lister'.

Plant Director
Grundfos Manufacturing Limited

Gary Chance

A handwritten signature in black ink, appearing to read 'Gary Chance'.

General Manager
DAB Pumps Limited
North European Region (DUK)

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PURPOSE-DRIVEN, VALUES-LED

We pioneer solutions to the world's water and climate challenges and improve quality of life for people.

Our products provide drinking water for the smallest villages and tallest skyscrapers. They help treat and remove wastewater, prevent flooding, regulate temperature, and bring comfort to the world. We contribute to global sustainability by pioneering technologies that improve the quality of life for people while caring for our planet at the same time.

As individual employees, and as an organization, we strive to act in accordance with 6 core values, each of which has concrete implications for the contribution we make to eliminating modern slavery:



OPEN AND TRUSTWORTHY

In Grundfos, we do what we say and say what we do. Our communication is open and honest among ourselves, and with the world around us. We put the facts on the table – also when they are not pleasant.



FOCUSED ON PEOPLE

Echoing the mantra of our founder, we believe that everyone deserves to feel respected and valued. Everyone has potential and the power to influence the world around them.



SUSTAINABLE

We run our business in a responsible and ethical way that helps customers save natural resources and reduce climate impact. We take an active role in the society around us and are socially responsible. We take care of our people – especially those with special needs.



PARTNERSHIP-FOCUSED

We create value through close relations with customers, suppliers, and other stakeholders. We are a global company building on local entrepreneurship. We believe that diversity drives innovation and growth.



RELENTLESSLY AMBITIOUS

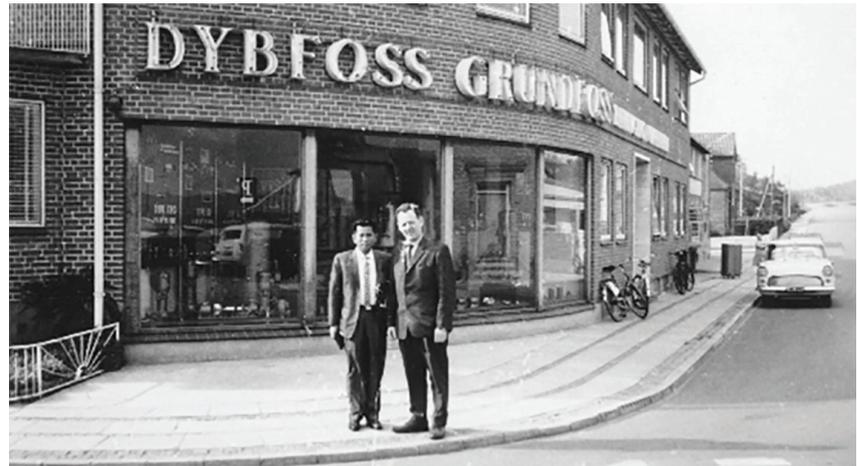
We never stop challenging ourselves to demonstrate excellence, leadership, and innovation in everything we do.



INDEPENDENT

Being owned by the Poul Due Jensen Foundation enables us to stay true to our values, and to view profit as a means for creating growth and positive impact in the world – rather than as a goal in itself.

STRUCTURE & SUPPLY CHAINS



With 133 companies and more than 19,000 employees, Grundfos is present in 56 countries, not including our network of partners, distributors, and sub-dealers.

Profits from modern slavery per victim are higher in developed economies.

In 1945, Poul Due Jensen invented the very first Grundfos water pump. The company was born in the basement of his home in Bjerringbro, Denmark, the city where our corporate headquarters are still located today. All these years later, we use cutting edge technology to continuously build on his innovation, efficiently moving water to where it is needed.

As the majority owner of Grundfos, the Poul Due Jensen Foundation exists to develop and strengthen the company. Six members of our top-management team set strategic direction in close collaboration with an extended leadership team and Board of Directors.

Grundfos sources materials, products, and services from over 33,000 suppliers/contractors globally. This includes everything from cast iron and electronic components to cleaning and security services.

POLICIES, DUE-DILLIGENCE & RISK ASSESSMENT

In 2014, the EU and other developed economies made an estimated \$46.9 Billion USD in profits from modern slavery.

At Grundfos, we aim to have a positive impact in every interaction and every community where we work.

We have zero tolerance for any form of forced labor or human trafficking.

Respect for human rights is one of the 15 core principles of the Grundfos Code of Conduct and an essential part of how we put our values into practice in daily business activities.



Slavery is also imposed by governments, not only by businesses or individuals. Over 4 million people are slaves in State labour at any given time.

CODE OF CONDUCT

The Grundfos Code of Conduct is our commitment to doing business in an ethical and responsible way wherever we operate around the world. It is an important global standard that we carry out and live by. Through ongoing training, we equip our employees to face the ethical dilemmas they may encounter in their daily business activities.

Our deep commitment to the corporate values described earlier, and to the Code of Conduct extends to our supply chain, as outlined in the [Grundfos Supplier Code of Conduct](#) and [Grundfos Human Rights Policy](#).

SUPPLIER CODE OF CONDUCT

We are continually working with suppliers throughout our supply chain to ensure their compliance with the standards outlined in our Code of Conduct. We also focus on cooperation, accountability, and sustainability audits to increase the likelihood that the Supplier Code of Conduct is implemented and followed.

New suppliers must submit to thorough screening processes that include an assessment of their compliance with the principles outlined in the UN global compact. High-risk suppliers must undergo a third-party audit, which includes topics covered by the Grundfos Supplier Code of Conduct such as the use of forced labor and the revision of practices closely connected with modern slavery.

Gaps identified through these audits are given the highest priority by our internal teams who then work with suppliers to mitigate issues immediately.

More information about our practices is available in the Ethics & Responsibility section of the [2018 Grundfos Sustainability Report](#).

HUMAN RIGHTS

In line with our commitment to respect Human Rights, and dedication to transparent reporting on due diligence progress, we are committed to issuing a statement outlining the specific Grundfos initiatives undertaken to prevent modern slavery and human trafficking. Legislation such as the [UK Modern Slavery Act](#) is a foundational stepping stone towards collaborative action and we welcome the call for increased transparency on this journey.

The Grundfos Human Rights Policy is based on the [International Bill of Human Rights](#) and [ILO Declaration on Fundamental Principles and Rights at Work](#), which also include the prohibition of forced labor and slavery. Our human rights policy is the foundation for our due diligence and efforts to prevent modern slavery.

OVERVIEW OF OUR PROGRESS

2018

- We conducted human rights impact assessments (HRIA) of two Grundfos facilities:
 - In India, we partnered with twentyfifty to perform an assessment.
 - Building on prior experience in China and India, we conducted an internal assessment of our manufacturing facility in Serbia. The risk profile used in this assessment was developed in partnership with twentyfifty.
 - Both processes included analyses of potential- and actual sources of adverse human rights impact.
 - The results of the 2018 HRIs reaffirmed findings from our 2017 HRIA pilot: when it comes to modern slavery, risks and impacts are most likely to occur in the supply chain, particularly beyond Tier 1 (e.g., via the sourcing of raw materials and use of employment agencies.)
- Based on the findings of our HRIs, we began searching for ways to improve due diligence processes in the sourcing of minerals, starting with those with the highest risk of modern slavery. Additionally, we developed a plan to pilot assessments of service providers in China starting in 2019. This pilot will be used to inform future improvement strategies as we move forward on our journey to prevent modern slavery.
- After revising our Supplier Code of Conduct, all employees in the purchasing department received training on recently updated portions of the code. The training focused on some of the most common challenges suppliers face as they strive to meet Grundfos requirements, particularly those related to modern slavery.
- Forced labour and modern slavery practices are, and always have been, a focus area of third-party supplier audits. In 2018, we identified 3 issues, which have been fully remediated.

2017

- We commissioned BSR to pilot an human rights impact assessment (HRIA) of one of our facilities in China.
- Based on the outcome of the pilot HRIA, we developed an action plan which included a strategy for mapping the risks of modern slavery in our service providers and suppliers beyond Tier 1.
- The framework for Grundfos supplier sustainability audits (including tools, ratings, and escalation procedures) was revised.
- The Grundfos Supplier Code of Conduct was revised to be more specific about the use of forced labour and now includes a requirement that suppliers perform their own human rights due diligence. The Grundfos Suppliers Code of Conduct is available in five languages.
- We significantly increased the number of supplier sustainability audits from 15 in 2016 to 97 in 2017.

2016

- We trained a working group of employees from China, Denmark, India, Mexico, and Russia in human rights basics. Countries were selected based on human rights risk and number of employees.
- The working group assessed gaps between existing practice and the requirements of the UNGP in each country.
- The Grundfos Code of Conduct was revised to include additional topics such as discrimination (previously included under the subject, 'Human Rights').
- We defined how our existing approach to monitoring compliance with the Grundfos Supplier Code of Conduct could be improved.
- We increased the number of sustainability audits conducted and committed to another significant increase in 2017.
- We defined which actions should be taken to focus on the most pressing issues and identified additional gaps.

2015



- We conducted high-level corporate mapping in collaboration with Business for Social Responsibility (BSR) to identify our salient human rights issues at a global scale. These included our external supply chain and focused on assessing potential impacts.
- During this exercise, we identified potential risks of some forms of forced labour in our external supply chain, including the retention of important original identification documents.
- To mitigate identified risks, we further assessed gaps between our current systems and the requirements of the United Nations Guiding Principles for Business, and Human Rights (UNGP). This prepared the ground for significant changes in our approach to supplier audits which were developed in 2016 and carried out in 2017.



2014

- We strengthened our commitment to Human Rights with the creation of the [Grundfos Human Rights Policy](#).

PRESSING AHEAD

In the coming year, Grundfos will be steadfast in our commitment to continuously improve our human rights due diligence processes. We will conduct 2 HRIAs in 2019 and have a long-term goal to include even more high-risk (beyond Tier 1) suppliers in our supply chain management program.

Based on trends identified in the HRIAs, and the results of various elements of our due diligence programs (e.g. third-party supplier audits and service provider assessments), we will determine how our existing systems can be enhanced to mitigate identified risks.

Our overarching goal is to continually integrate learnings into our operations. This statement gives an overview of the journey and concrete steps taken from January 1 through December 31, 2018.

1 in every 4 victims
of modern slavery
is a child.



“Human rights refer to basic standards of treatment to which all people are entitled to, such as the right not to be discriminated, the right not to be subjected to forced labour, the right to a safe and healthy working environment and the right to water and sanitation among many others.”

- Grundfos Human Rights Policy

