



= Sustainability

GRUNDFOS SUSTAINABILITY DATA 2013

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This is Grundfos

Grundfos Holding A/S

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

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

Products

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

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

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

Business areas

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

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

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

A global company

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

Grundfos takes sustainability to the next level

In Grundfos, we believe that every day holds the possibility of solving the urgent challenges of the world. Global warming, water scarcity and an increasing pressure on natural resources due to for instance growing populations and increasing urbanisation are some of the urgent challenges the world is presently facing. Every day we choose to take steps to care for our people, our planet and our business. We do this for three reasons: First of all, sustainability is part of our DNA and the way in which we have always done business. It is an essential part of our purpose and values. Secondly, sustainability is a key concept and business driver in Grundfos. We see great business potential in being a provider of innovative and sustainable solutions. Thirdly, sustainability is also a way to manage potential risks and reduce costs throughout our value chain.

We strive to integrate sustainability systematically across the Grundfos organisation in order to live up to the commitments of the Grundfos Sustainability Strategy 2012-2017, because sustainability is not just a department or function in Grundfos, but the way we think and do business. Everyone in Grundfos is invited to take part in making the world better, because only through a joint global effort will we be able to keep our core promise: to be responsible, to think ahead and to innovate the future.

Progress 2013

The Grundfos Sustainability Strategy covers 2012-2017. 2013 showed progress on different areas in the strategy. To mention some of the activities: Our global Motor & Pump Programme has also in 2013 replaced old pumps and motors in our production with more energy efficient ones. The Green Lean concept adds a structured analysis of consumption and waste in our production to minimize use of energy, water, chemicals and materials. Furthermore, we introduced a Grundfos Focus List of Chemicals, a global list of unwanted chemical substances. Additionally, Grundfos' global water risks have been mapped by analysing the physical, regulatory and reputational water risks for Grundfos companies globally in order to prioritise to most targeted activities.

Also a Sustainable Product Solutions Toolbox has been developed in order to facilitate life-cycle thinking integration into our core product development processes.

The employee programme Water2Life also showed results in 2013, as the 11th – and final – solar driven Grundfos Lifelink water system was installed in Kenya in September 2013. Furthermore, a new Water2Life project started up in Vietnam in collaboration with the NGO East Meets West. Where Kenya experiences water scarcity, the Mekong Delta in Vietnam is challenged by the surface water being undrinkable due to heavy pollution. Our employees help provide ground water through solar driven Grundfos pumps with our own dosing and disinfection system for purifying the water.

In 2013, Grundfos Lifelink entered a partnership with the NGO Water Missions International on water projects in Uganda, Haiti and Malawi. The water projects have provided a reliable water supply to approx. 44,000 people in rural and peri-urban areas, which have a positive impact on local communities as new jobs are created and the health situation is improved.

Read more about Grundfos' sustainability activities on www.grundfos.com/sustainability

A firm foundation

Our sustainability activities rest on a firm foundation and draw on several recognised international agreements. Since 2002, Grundfos has supported the UN Global Compact and its ten principles. Furthermore, as part of our commitment to the UN Global Compact, we support Caring for Climate, the CEO Water Mandate and the Green Industry Platform (UNIDO).

The Grundfos Sustainability Data 2013 functions as our Communication on Progress (COP).

Independent auditor's assurance

Deloitte has performed a set of tests on specific data included in the report and issued an independent statement. The statement can be found on page 37.



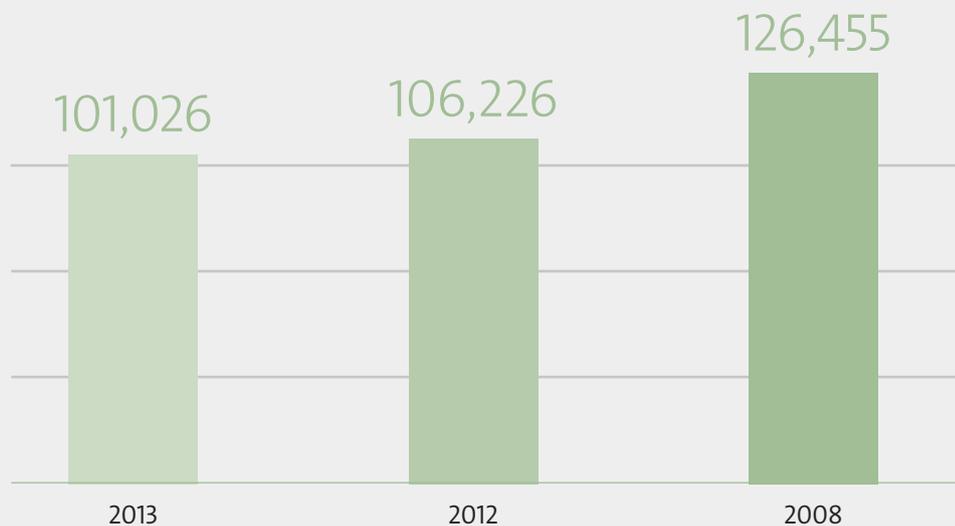
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Grundfos' ambitions is never to emit more CO₂ than in 2008 in absolute numbers. Overall, CO₂ emissions are in 2013 20% lower than in 2008.

CO₂ emissions

CO₂ emissions (metric tonnes)*



CO₂ emissions are measured in metric tonnes. Emissions are calculated for all activities in Grundfos companies. The reporting is based on GHG protocol scope 1 and 2, however, fuel consumption from own vehicles is not included, due to data difficulties.

The 2013 data shows that our target from our Footprint Strategy, of never emitting more CO₂ than we did in 2008, is fulfilled again: The CO₂ emissions are reduced by 20% since 2008. Compared to 2012, CO₂ emissions are reduced by 5%.

Please note that this data cannot be compared directly with the CO₂ data from the Management's report on sustainability in Grundfos Annual Report 2013: The scope is different; the Annual Report includes only 26 production companies, which corresponds to 89% of the emissions. Data in this report includes all Grundfos companies.

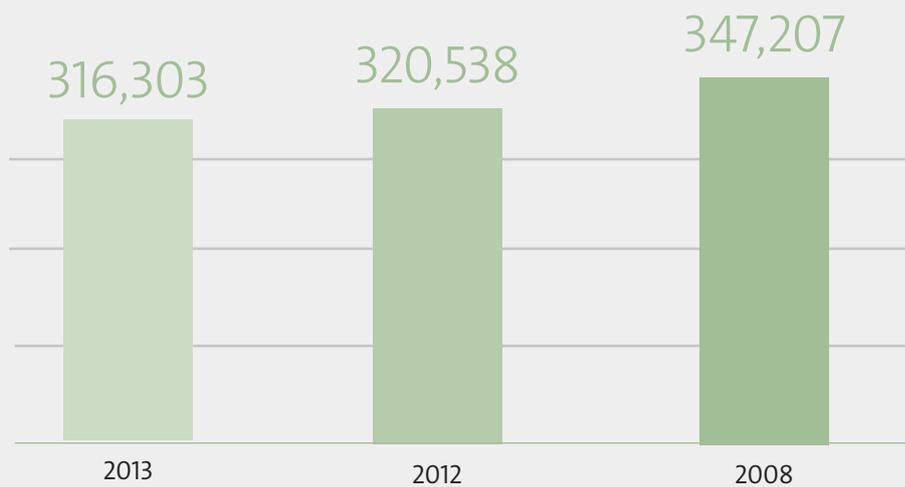
Please note that comparison figures for year 2008 and 2012 have had minor adjustments since first reported. This is due to enhanced data measurement and reporting process. The adjustments are not material.

The difference between CO₂ and energy reductions in 2012 as well as 2013 is due to increased purchase of green electricity in a few sub companies, that a higher share of the energy consumption is heat demand, which has a lower CO₂-emission than other types of energy consumption and increased renewable energy share in the overall energy-mix in Denmark.

* Deloitte has performed a review of Grundfos Environment, Health & Safety Data for 2013 – see auditors statement p. 37

Energy consumption

Energy consumption (MWh)*



Energy consumption is measured in MWh. The reporting is based on GHG protocol scope 1 and 2, however, fuel consumption from own vehicles is not included. Energy consumption is calculated for all activities in Grundfos companies.

The data show that energy consumption has been reduced by 9% compared to 2008 – and compared to 2012 the reduction is 1%.

Please note that this data cannot be compared directly with the energy consumption data from the Management’s report on sustainability in Grundfos Annual Report 2013. In the Grundfos Annual Report 2013 the scope is different as this includes only 26 production companies, corresponding to 91% of the emissions.

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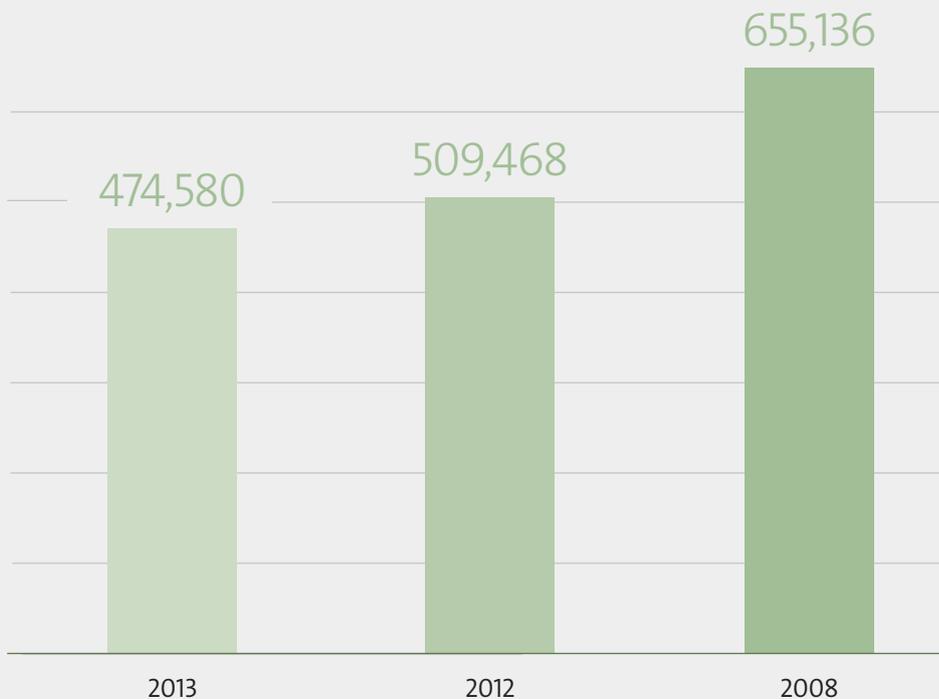
For a number of years, Grundfos has focused on reducing the environmental footprint on energy in the entire value chain. Initiatives such as UN Global Compact’s Caring for Climate has in that connection been supportive and obvious for Grundfos to join.

* Deloitte has performed a review of Grundfos Environment, Health & Safety Data for 2013 – see auditors statement p. 37

Grundfos is committed to reduce the total water consumption in Grundfos facilities by 50% before 2025 compared with 2008. 2013 data showed that water consumption is reduced with 28% compared to 2008.

Water usage

Water usage (m³)*



Water usage is defined as delivered municipal water, ground water from own well and surface water from e.g. lakes, measured in m³. Collected rainwater is not included.

The water usage during 2013 has been reduced by 28% compared with 2008 and compared to 2012 the reduction is 7%. This is due to e.g. the continuously focus on the water usage in the production companies, individual targets set for each company and monthly reporting on water consumption. Please note that this data cannot be compared directly with the data from the Management's report on sustainability in Grundfos Annual Report 2013: the scope is different; the Annual Report includes only 26 production companies, which corresponds to 77% of the usage. This data includes all activities.

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

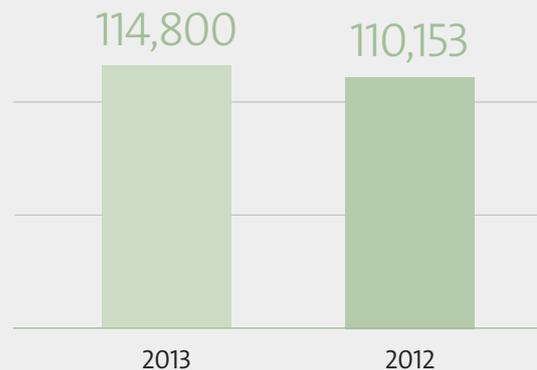
* Deloitte has performed a review of Grundfos Environment, Health & Safety Data for 2013 – see auditors statement p. 37

Waste

Hazardous Waste
(kg /mio. working hours)*



Non-Hazardous Waste
(kg /mio. working hours)*



Hazardous waste*

Waste disposal is divided into hazardous and non-hazardous waste and reported in kilograms. Hazardous waste is categorised according to national regulations. Waste is aggregated from data on disposed at landfill, incinerated with energy recovery and incinerated without energy recovery and indexed in relation to amount of million working hours. Recycled waste is not included.

The development shows that from 2012 to 2013 hazardous waste has been reduced by 33%. Hazardous and non-hazardous in total has been reduced in this period by 14%, and hazardous waste now corresponds to 38% of the total, compared to 49% in 2012.

Focus is on handling waste correctly – in particular hazardous waste. However, sorting, categorising and disposal of waste in different fractions and handlings are treated differently globally. This means that reporting on waste is not as mature as other environmental indicators.

The 2008 figure has been left out due to lack of comparability.

Non-hazardous waste*

Waste disposal is divided into hazardous and non-hazardous waste and reported in kilograms. Hazardous waste is categorised according to national regulations – which means that non-hazardous waste corresponds to the residual. Waste is aggregated from data on disposed at landfill, incinerated with energy recovery and incinerated without energy recovery and indexed in relation to amount of million working hours. Recycled waste is not included.

The development shows that from 2012 to 2013 non-hazardous waste has increased by 4%. However, hazardous and non-hazardous in total has been reduced in this period by 14%, and non-hazardous waste now corresponds to 62% of the total, compared to 51% in 2012.

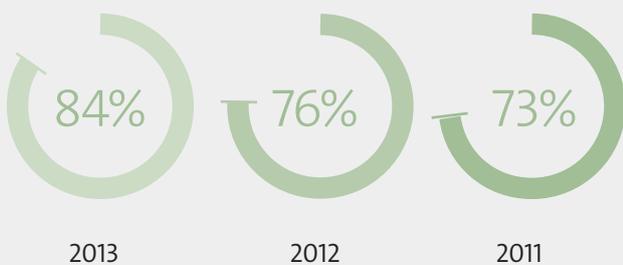
Focus is on handling waste correctly – in particular hazardous waste. However, sorting, categorising and disposal of waste in different fractions and handlings of these fractions are treated differently globally. This means that reporting on waste is not as mature as other environmental indicators.

The 2008 figure has been left out due to lack of comparability.

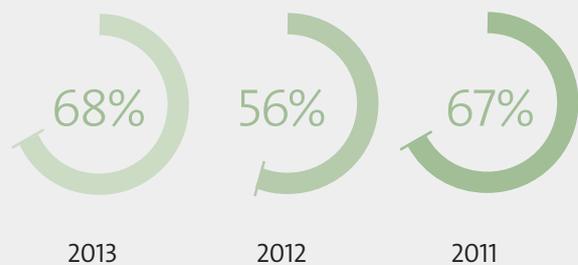
* Deloitte has performed a review of Grundfos Environment, Health & Safety Data for 2013 – see auditors statement p. 37

Certifications

ISO 14001-certified production companies (%)



OHSAS 18001-certified production companies (%)



ISO 14001-certified production companies

The number shows the percentage of Grundfos production companies certified according to ISO 14001. It is Grundfos policy that within three years of acquisition or production start all Grundfos production companies have implemented management systems according to ISO 14001.

Until 2012 only companies with more than 100 employees were targeted with this policy – this limitation has been removed in 2012. This means that the number of companies included has risen from 16 to 25. Some of the 9 additional companies have been certified already.

In total 84% of the companies are certified, being an improvement compared to last. However, having a target of 100% certified companies, this is not yet fulfilled. It is expected that all the companies will be certified during 2015.

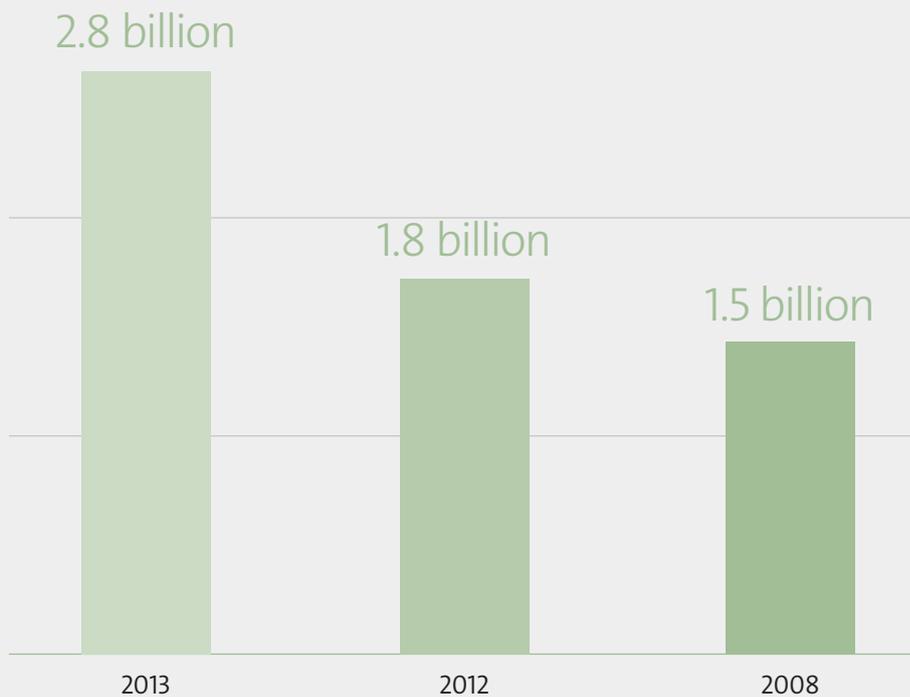
OHSAS 18001-certified production companies

The number shows the percentage of Grundfos production companies certified according to OHSAS 18001. It is Grundfos policy that within three years of acquisition or production start all Grundfos production companies have implemented management systems according to OHSAS 18001 as regards health and safety.

Until 2012, only companies with more than 100 employees were targeted with this policy – this limitation has been removed in 2012. This means that the number of companies included has risen from 16 to 25. Only few of the 9 additional companies have been OHSAS 18001-certified earlier, this being the reason for the 2013 result being 68%. It is expected that all the companies will be certified during 2015.

High efficiency circulator pumps

High efficiency circulator pumps
– electricity saved (kWh per year)



The total sales of the Grundfos high efficiency circulator pumps in EU from 2005-2013 have saved 2.8 billion kWh per year, which corresponds to the annual electricity consumption of 600,000 European households.

High efficiency circulator pumps – electricity saved

Electricity savings are calculated as the electricity savings by all Grundfos high efficiency circulator pumps sold in EU between 2005 and 2013. The estimate is based on the actual sales figures for the year and assumptions about which previous models the sold pumps replace. The figure is calculated as electricity savings in kWh a year.

The total sale from 2005 up to 31 December 2013 has led to electricity savings of 2.8 billion kWh per year. The savings per year are accumulated as each pump leads to electricity savings for several years.



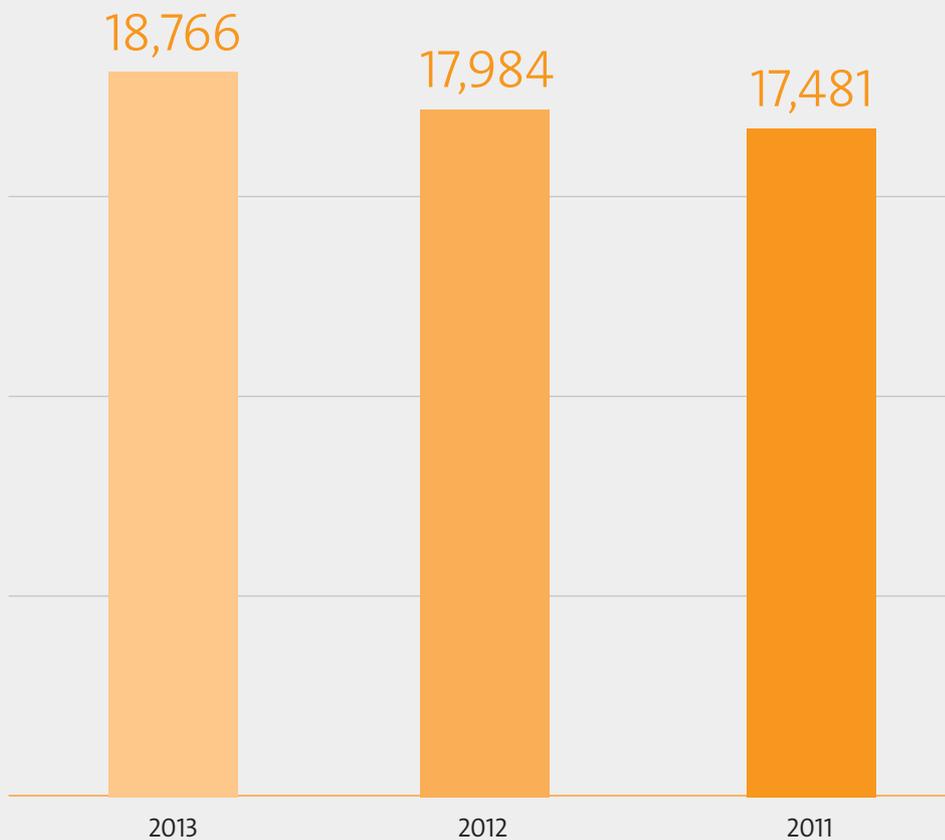


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Workforce

Workforce size
(full time employees)



Workforce size

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

From 2012 to 2013, the workforce size grew by 4% from 17,984 to 18,766 full time employees. 32% of the workforce size is female, 68% is male. 54% is white collar workers, and 46% is blue collar workers.

Grundfos' ambition is to have 25% female leaders in 2017. In 2013, the female leaders in the entire group are 19%, but e.g. the Asian Grundfos companies have already reached the target with 25% of their leaders being female.

	2013	2012	2011
Female leaders	19 %	17 %	17 %
Non-Danes in key group positions	22 %	21 %	23 %
Employees on special terms	4 %	4 %	4 %

Female leaders (%)

It is our goal that the percentage of female leaders in general should be minimum 25% in 2017. In 2013, Grundfos had 19% female leaders, the three previous years this was 17%. The percentage of female leaders differs looking into criteria as geography, e.g. in Asia the percentage of female leaders is 25%, and in China specifically it is 35%.

30% of the male leaders are younger than 40 years – the corresponding number for the female leaders is 42%. This shows that the focus of creating a pipeline of female leaders also for the executive level for the future has worked. However, we will continue to sharpen our effort to build a stronger and more diverse successor pipeline, by implementing global systems and processes for succession management.

Non-Danes in group positions (%)

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

The Grundfos target is to have a share of non-Danes in group positions of 40% in 2017 and 60% in 2022. The 2013 figure of 22% shows that the percentage of non-Danes has not changed significantly although the number is a little higher than in 2012. For Grundfos it is still very important to increase the diversity, and we will in 2014 be putting even more focus on activities in the recruitment and promotion process, as well as focusing on where in the organisation we place the group positions.

Employees on special terms (%)

The indicator is calculated as the number of employees who are given special consideration by Grundfos, and for whom Grundfos installs facilities aimed at the employees' physical, psychological or social problems. Special consideration is given to employees by amending or adjusting the workplace with regard to time, flexibility or mobility, and by adjusting the content of the job and nature of the work, to enable this to be carried out in spite of reduced working capacity. The number of employees working for an external business partner who carries out assignments for Grundfos is also included. It is Grundfos target to have 3% employees on special terms.

Since 2008 the percentage has been 4% on average for all the Grundfos companies –including 2013.

Creating a workplace which promotes diversity also includes encouraging an inclusive workforce and taking care of those with special needs.

Our goal is to have at least 3 pct. of our workforce employed on special terms.

When it comes to people competences, Grundfos has a responsibility towards employees to provide them with ongoing training and development.

Workplace

	2013	2012	2011
Training - blue collar (hours)	17 h	24 h	20 h
Training - white collar (hours)	27 h	35 h	28 h

Training – blue collar (hours)

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

Training hours during 2013 have decreased compared to last year, the average now being 17 hours per employee. The reason for the decrease is mainly due to postponement of training activities and to some extent also smaller reductions in the budgets.

Training - white collar (hours)

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

Training hours during 2013 have decreased compared to last year, the average now being 27 hours per employee. The reason for the decrease is two folded. First of all, all companies in Grundfos have dedicated all their time to pursue all business opportunities in the market and have therefore postponed training activities. Secondly, we have also seen a smaller reduction in the budgets for training.



	2013	2012	2011
Employee Development Dialogue - blue collar	76 %	79 %	76 %
Employee Development Dialogue - white collar	86 %	80 %	77 %

Employee Dialogue Development (EDD) – blue collar (%)

It is Grundfos’ objective that all employees attend an EDD every year. However, due to employee turnover and a number of people employed on short term contracts the percentage will never be 100%.

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

In 2013, 76% of the blue collar employees had an EDD, a decrease of 4% point compared to last year. Due to implementation of a new process and system per January 1st 2014 some companies have postponed the EDDs planned in Q4 2013.

Employee Dialogue Development (EDD) – white collar (%)

It is Grundfos’ objective that all employees attend an EDD every year. However, due to employee turnover and a number of people employed on short term contracts the percentage will never be 100%.

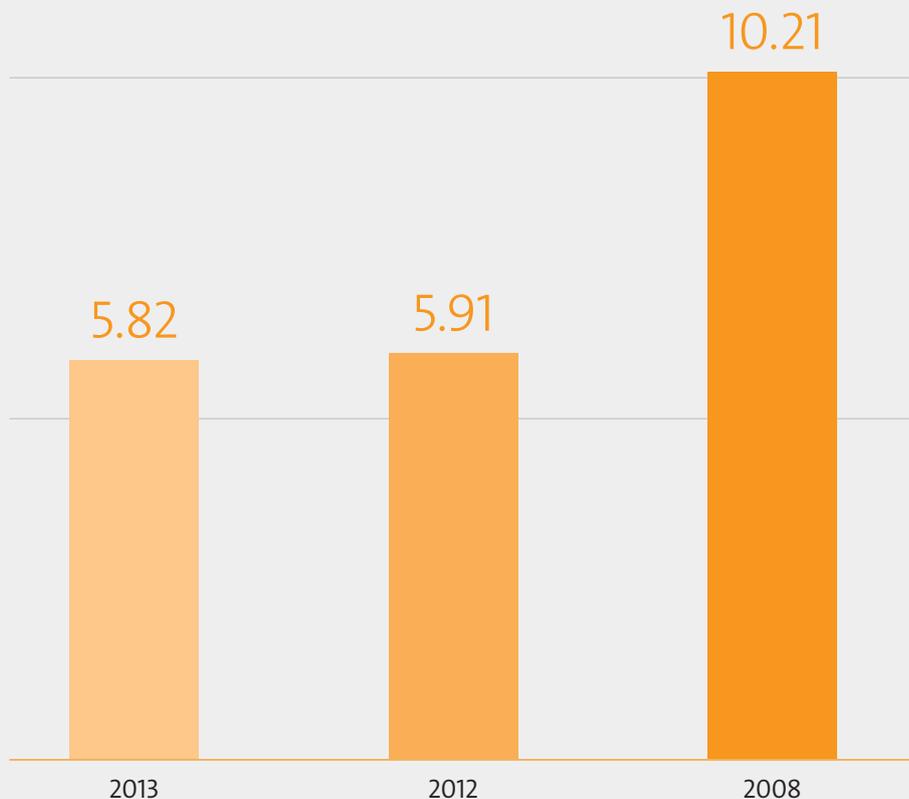
The purpose is to create a framework to discuss the employee’s tasks, qualifications and motivation for doing his/her job and for the employee’s development ambitions.

In 2013, 86% of the white collar employees had an EDD, an increase of 8% point compared to last year. The increase would have been even bigger, if not some companies due to implementation of a new process and system per January 1st 2014 had postponed the EDDs planned in Q4 2013. The increase is based on strong focus on the importance of managers having the EDD with their employees. This focus will be continued in 2014.

Health and safety

Safety, health and well-being of employees go beyond everything else. Grundfos has ambitious goals, and wants to strengthen a mindset of safety first and be proactive when it comes to ensuring zero injuries and absence related to injuries.

Injuries (per million working hours)*



Number of injuries per million working hours *

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

Number of injuries per one million working hours is reduced by 43% compared with 2008. Comparing 2013 data with 2012 the reduction is 2%. The actual number of injuries was 200 in 2013.

Please note that comparison figures for year 2008 and 2012 have had minor adjustments since first reported.

* Deloitte has performed a review of Grundfos Environment, Health & Safety Data for 2013 – see auditors statement p. 37

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



Lost working hours due to lost time injuries *

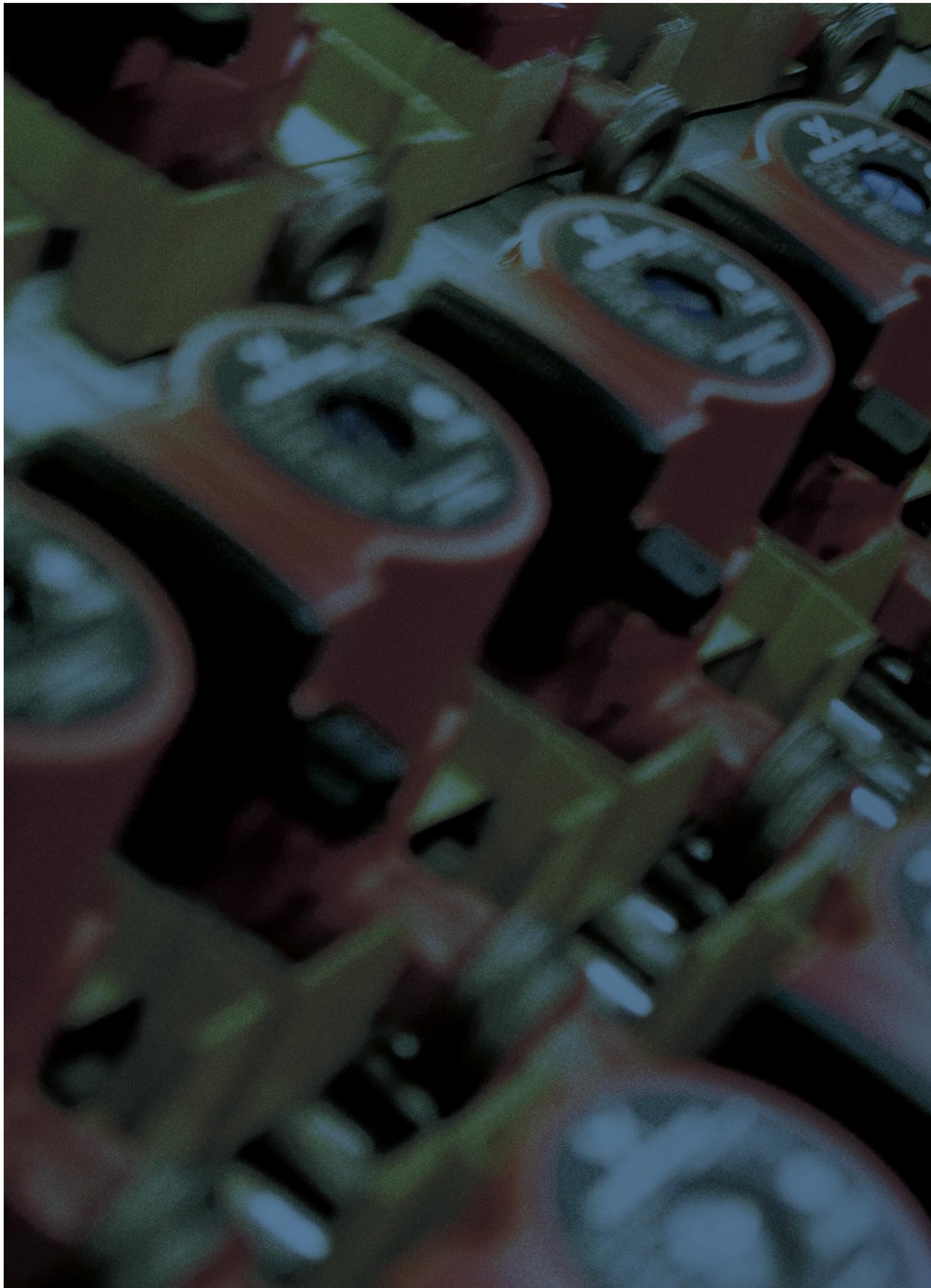
Lost time due to lost time injuries is measured in number of hours. The indicator is indexed as lost working hours due to injuries per one thousand working hours.

The lost working hours due to injuries per one thousand working hours has decreased by 26% from 2008 to 2013. Comparing this year's data with 2012 the reduction is 18%.

Please note that comparison figures for year 2008 have had minor adjustments since first reported.



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Grundfos focus on strengthening activities in order to comply with the UN Global Compact in regards to labour standards, human rights, anti-corruption and environment.

Business ethics

	2013	2012	2011
Compliance workshops	2	3	4
Group entities audited, Grundfos Code of Conduct	37	37	45

Compliance workshops held

During 2013, 2 compliance workshops took place. The concept was launched in 2009 and Grundfos Corporate Internal Control (CIC) was running many workshops in order to educate the whole organisation. Now workshops are conducted mainly for new finance managers. This means that CIC expects to conduct 1 or 2 workshops each year.

Group entities audited, Grundfos Code of Conduct

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

During 2013, CIC audited 37 group entities.



	2013	2012	2011
Actions taken in response to incidents of corruption	2	3	1
Legal actions – anti-competitive behaviour	0	0	1
Sanctions for non-compliance	0	0	0

Actions taken in response to incidents of corruption

After introducing the Code of Conduct Handbook in 2012 the number of claims reported to the Ethics Committee has increased (15 claims reported during 2013 compared to 6 in 2012). All claims have been assessed by the Ethics Committee. However, none of the claims showed a breach of the Grundfos Code of Conduct.

Furthermore, during 2013, 2 incidents of corruption have been discovered. Those have been followed up by employee termination.

Legal actions for anti-competitive behaviour

This indicator includes the total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices. Grundfos had no cases in 2013.

Sanctions for non-compliance

Grundfos has received no sanctions for non-compliance in 2011-2013.

To be a responsible company, it is important to ensure legal and ethical compliance in order to minimise risks, to live up to our values and to meet stakeholder demands.

Purchase

Grundfos wishes to be recognised as a responsible buyer by our suppliers and other external stakeholders. Therefore, a strengthened sustainable supplier management setup in Grundfos is being developed.

	2013	2012	2011
Group suppliers	318	290	310
System and process audits	40	40	38
Social Audits	7	9	8

Group Suppliers

A Group supplier is a supplier who supplies direct material to more than one Grundfos production company. Group suppliers can be global (serves more Grundfos companies across more regions) as well as regional (serves more Grundfos companies within a region). In 2013, Grundfos had 318 Global suppliers.

System and process audits

System audits are quality audits of potential and existing suppliers. System audits include social and environmental aspects related to the Grundfos Supplier Code of Conduct. During 2013 process audits were introduced to sharpen the scope and increase the pool of resources to conduct audits, meaning to make the audits where and how they value the most. However, those do not include social and environmental aspects.

The number of audits (system and now also process audits) has been constant during the period 2011 - 13: Approximately 40 audits a year. The data from 2011 and 2012 includes system audits only. Data for 2013 is the total number of audits consisting of 18 system and 22 process audits.

In addition to audits conducted with existing suppliers, 10 potential suppliers were audited with a system audit.

Social audits

Social audits dedicatedly focus on the suppliers' performance within the areas of labour standards, employment practices, anti-corruption and community impact and sub-supplier responsibility. In 2013, the geographical scope was broadened from Asia to also include Europe and Americas. We also audited suppliers belonging to other material categories than previously.

In 2013, 7 social audits were carried out by an external auditor partner. In the cases where non-compliance was found these issues have been addressed.

Product responsibility

	2013	2012	2011
Products reported failing	0.36 %	0.39 %	0.46 %
Incidents of non-compliance, marketing	0	0	0

Products reported failing within the two-year warranty period

The warranty rate is calculated as the share of products reported failing within the Grundfos two-year warranty period. The warranty rate was 0.36% in 2013. Please note that data is different from Sustainability Data 2012. This is due to change of scope of the companies included. The data from comparison years has been changed accordingly, meaning that data from all three years is comparable.

Total number of incidents of non-compliance concerning marketing communications

Grundfos has not identified any incidents of non-compliance concerning marketing communication in during 2013 or comparison years.

Investment in the development of new products

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

This indicator decreased by 8% in 2013 compared to 2012 (to 5.6 % of the annual turnover).

Sustainable Supplier Management takes dedication from both Grundfos and suppliers, and Grundfos recognises the challenges in ensuring transparency through the value chain. Grundfos is a responsible buyer and will continue to be responsible and act with integrity.

Investment

	2013	2012	2011
Investment in the development of new products (% of turnover)	5.6 %	6.1 %	5.8 %

Investment in the development of new products

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

This indicator decreased by 8% in 2013 compared to 2012 (to 5.6 % of the annual turnover).



Responsible Business Conduct



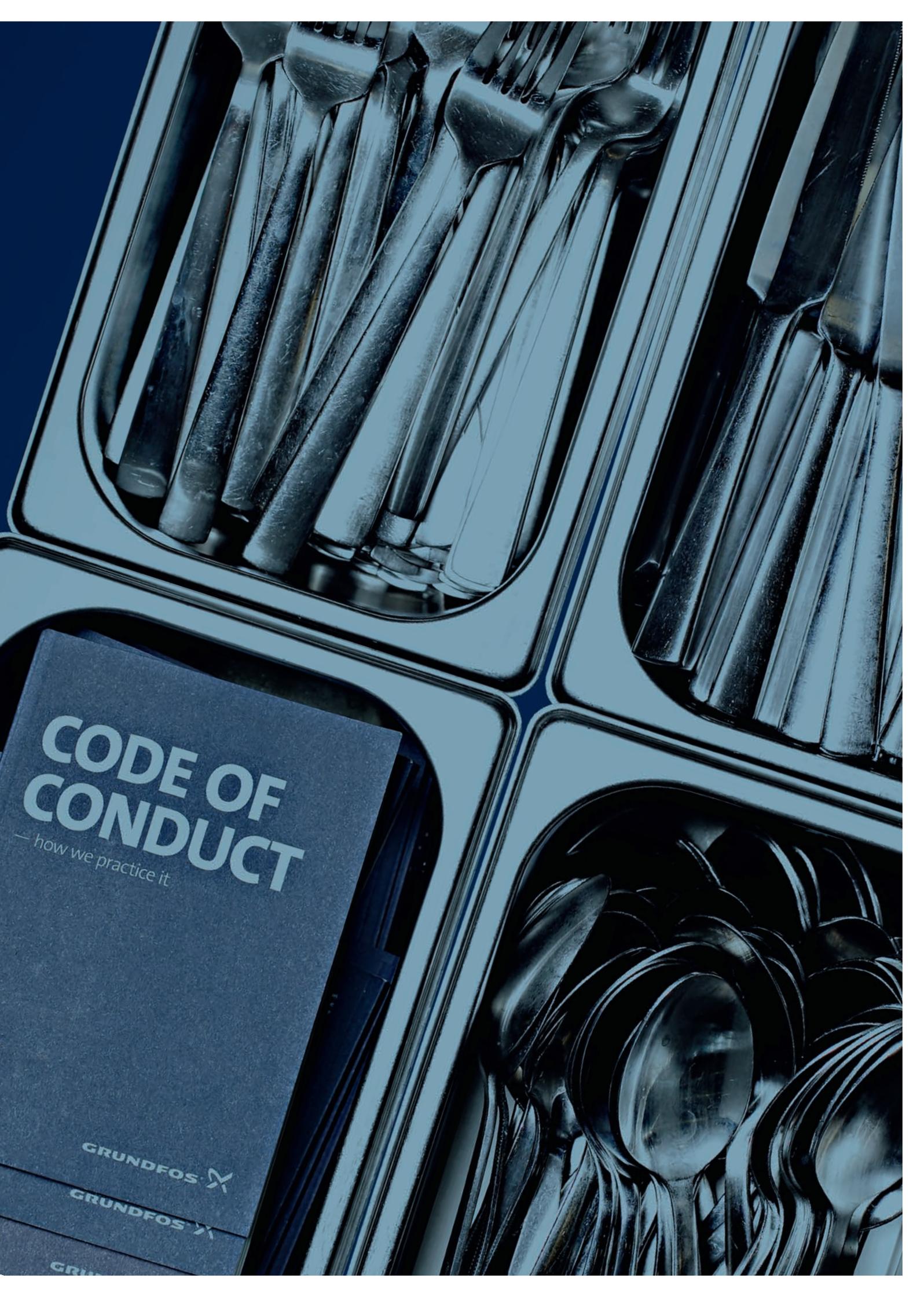
Grundfos is a company with high ethical standards and a reputation of honesty and integrity.

Grundfos operates in more than 50 countries worldwide through more than 80 companies. Grundfos wants to deliver and comply with international standards, no matter where in the world we operate. This only makes it even more important for Grundfos to ensure uniformity and consistency in the approach to responsible business conduct. Grundfos is committed to the following international and national requirements and voluntary endorsements within business ethics:

- **International and local laws and regulations**
- **UN Guiding Principles for Business and Human Rights**
- **OECD Guidelines for Multinational Enterprises**
- **UN Global Compact**
- **Danish and international reporting requirements**

As a part of the Grundfos Sustainability Strategy 2012-2017, Responsible Business Conduct is identified as a focus area to Grundfos. The aim is to strengthen the focus on establishing and maintaining well-founded business ethics, and ensure that Grundfos complies with relevant laws, legislations and voluntary endorsements. Act ethically is our mantra, and this has to be an integrated part of our corporate behaviour as a responsible company. ►►





CODE OF CONDUCT

— how we practice it

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►► In order to deliver on and achieve our goals within responsible business conduct, three main initiatives have been identified;

1. **Code of Conduct – communication and implementation**
2. **Human rights & labour rights**
3. **Sustainable Supplier Management**

In the following text, approach and progress on the initiatives will be presented.

Code of conduct – communication and implementation

In Grundfos, we are convinced that we cannot achieve long term success, unless we act ethically on the basis of an ethical culture within the organisation. This is the reason why we, as a global company with different cultures and practices, created a Code of Conduct in 2007.

The Grundfos Code of Conduct is continuously updated and strengthened in order to improve our corporate governance. It focuses on ethics and legal compliance in the area of bribery, entertainment and gifts, fair and lawful competition, conflict of interest, confidentiality, acceptable accounting, human rights, labour rights, environment, and political contributions. The Code of Conduct is signed every year by all Grundfos managers and key employees, and a poster with the Code of Conduct is displayed in different areas of the company.

Making a decision in the face of complex situations can be difficult, and we therefore published a Code of Conduct Handbook in 2012. The handbook is a guide on how to put Code of Conduct into practice. It includes a set of guiding principles and present dilemmas that employees might face in their daily work.

Grundfos aims for a culture where employees and managers can talk openly with each other about Code of Conduct issues. But if employees for some reason feel uncomfortable about talking to their manager about a suspected breach of the Code of Conduct, claims can be submitted – also anonymously - to the Ethics Committee. The claims are received by the Ethics Committee, which is an independent committee responsible for processing the claims and determine whether there is a potential breach of the Grundfos Code of Conduct. Whenever there is a potential breach of the Code of Conduct an investigation may be conducted in conjunction with other functions and an assessment of the issue will be presented to top Management, who is responsible for making a decision.

In 2013, we identified improvement opportunities for the reporting mechanism, as we wish to ensure complete discretion for employees and flexibility in accordance to language barriers. Therefore, it was decided that in 2014 an external company will host a whistle-blower hotline, where employees can submit issues through different communication means at no cost in all the countries, where the company is present. In the first setup of the hotline 20 languages will be available, but the ambition is to cover all Grundfos languages.

Human rights and labour rights

Grundfos supports and respects international proclaimed human rights as well as the ILO declaration on Fundamental Principles and Rights at Work. Human rights and labours rights form part of Grundfos' activities within purchase and the sustainable supplier management setup. This means, among other things, that these rights are part of the supplier screening activities and the general audit of suppliers. In addition, we perform special social audits as a supplement to the other audits we perform. These are followed up by concrete action plans. The Grundfos Supplier Code of Conduct is based on the UN Global Compact principles, international human rights conventions and the ILO Declaration on Fundamental Principles and Rights at Work.

For Grundfos human and labour rights are key elements for sustainable growth. In 2013, we defined the actions needed to go further in this area. This includes e.g. developing a Corporate Human Rights policy, which among other things will provide Grundfos with the confidence that not only are Human Rights managed within the business but also that the company is prepared to address future issues in a responsible manner.

Sustainable Supplier Management

Grundfos wishes to be recognised as a responsible buyer by our suppliers and other external stakeholders. Therefore, a strengthened sustainable supplier management setup in Grundfos is being developed.

The objective of the initiative is to ensure responsible supplier practices through all parts of the supply chain. Just as Grundfos will work dedicatedly with business ethics in own operations, Grundfos will continue to require suppliers to meet Grundfos standards. In this process, Grundfos takes an active role in inspiring and motivating suppliers to improve in the area of business ethics and sustainability.



In 2013, Conflict Minerals has been brought into focus. In August 2012, the US Securities and Exchange Commission (SEC) approved the final rule on Conflict Minerals – also known as the Dodd-Frank act.

Grundfos is not directly affected by the legislation, but US customers are. Therefore, Grundfos initiated an assessment of suppliers in 2013. We are currently still assessing and implementing steps to determine the use, source and origin of the minerals tin, tantalum, tungsten and gold in our supply chain. Due to the complexity of the supply chain, a significant investment of time and resources is required, and it is recognised that the assessment can only be done step by step. This process will be performed continuously, as supply chain and products develop.

So far Grundfos has no knowledge that we use conflict minerals, and we are satisfied to see that our suppliers live up to our expectations.

Additionally, it is underlined in the Grundfos Supplier Code of Conduct that Grundfos refrains from unethical sourcing and sourcing in conflict areas, and suppliers are expected to demonstrate responsible sub-supplier management.

Grundfos' position on sourcing conflict minerals is thereby clear, and an integrated part of the sustainable supplier management setup.

Grundfos is legally obligated to comply with both U.S. and E.U. export control regulations, which govern which products can be exported and re-exported to certain destinations. During 2013 existing purchased parts have been analysed and ECCN classification has been obtained from existing suppliers. These data are necessary for Grundfos to make the right export control classification on own products and when shipping service- /spare parts. A review will be made yearly to ensure all relevant data are available from suppliers.

Sustainable Supplier Management takes dedication from both Grundfos and suppliers, and we recognise the challenges in ensuring transparency through the value chain. Grundfos is a responsible buyer and will continue to be responsible and act with integrity. ■

Reporting on sustainability in Grundfos

“What gets measured gets done”. That is the way we work at Grundfos, and therefore reporting is a continuous driver for improvement.

It is important for us to set targets and monitor development. For the eighth consecutive year, we provide a report on our sustainability achievements. It is the ambition of the company to engage in an open and transparent dialogue with our stakeholders by providing a fair and balanced picture of Grundfos' contribution to sustainable development. Furthermore, Grundfos Sustainability Data 2013 serves as a communication on progress report to the UN Global Compact framework.

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

There have not been substantial changes to the Grundfos organisation during 2013, and we have not outsourced substantial business processes. The basis for the reporting is therefore the same and comparable to last year's report.

Comparison data (historical) for Environmental, Health and Safety data has been changed in some cases, however, in all cases, without any significant consequences, a specific explanation is provided.

It is of great importance to Grundfos that all data is complete and as accurate as possible. In 2012, Grundfos set out to implement a new sustainability data handling system in order to improve data quality. Systems have been evaluated in 2013, and purchase of new data handling system is expected in 2014.

Process for defining report content

Grundfos Group Strategy, Innovation Intent, Climate White Paper and our Sustainability Strategy are used to prioritise what we report on. Grundfos follows generally accepted accounting and reporting policies. We also use the Global Reporting Initiative (GRI) as a yardstick for our non-financial reporting and annually publish a GRI index that is correlated with reporting on Global Compact's ten principles. To define and select the content of our reporting we have used the GRI 3 version, which focuses on financial, social and environmental impacts.

We have not narrowed the scope or excluded any topics with regard to our previous reporting. Through this process we have set out to follow existing GRI guiding documents for defining report content. Our sustainability reporting meets reporting level C in the GRI index. Key performance indicators have been reviewed by an external partner and correspond to C+ in the GRI index. It is indicated in the report, which performance indicators have been reviewed.

Carbon emissions and energy use

The reporting of our energy consumption and carbon emissions data is based on the emission calculation factors provided by the Greenhouse Gas Protocol (GHG Protocol), which is an international acknowledged standard for measuring greenhouse gas emissions, developed by World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD). The GHG Protocol categorises direct and indirect emissions into three broad scopes:

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

As in previous years Grundfos provides full reporting on scope 1 and 2, however, fuel consumption from own vehicles is not included in scope 1 emission figures. Also, the sustainability data provides no reporting on scope 3 emissions. Our data measurement techniques rely on the total energy consumption related to corporate operations. The carbon footprint gives a general overview of the company's greenhouse gas emissions, converted into CO₂ equivalents and it is based on reported data from internal and external systems. CO₂ emissions are measured in metric tonnes. Emissions are calculated for all activities in Grundfos companies.

Baseline year for carbon emissions and energy use was established in 2008.

Processing Environmental, Health and Safety Data

84% of the Group production companies are ISO 14001 certified and 68% of the production companies are

OHSAS 18001 certified. The data collection processes for meeting these standards serve as a basis for the measurement of EHS data. (EHS) data has been collected, compiled and validated by Grundfos' Group Environment, Health & Safety department. Human resource data has been collected, compiled and validated by Grundfos' People and Strategy department. Both data sets are collected annually through a survey. Financial data is obtained through the group's accounting system.

Waste and water

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

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

Strategy and stakeholders

The topics reported in the Grundfos Sustainability Data 2013 reflect our business goals, strategies and are relevant subjects to our stakeholders. The basis for identification and selection of stakeholders, with whom we engage with, is established through our strategy process, where stakeholders are defined and prioritised in a general stakeholder map. Customers, current and potential employees, opinion leaders, NGOs, governments and the media are identified as primary stakeholders as regards sustainability issues. Grundfos has responded to key topics and concerns through the company's corporate communication, including the sustainability reporting.

A number of stakeholder dialogue tools are developed and managed. Examples of this are our employee satisfaction surveys, customer satisfaction surveys, which provide criticism, improvement suggestion and satisfaction, and general dialogue.

We invite all of our stakeholders and readers of the Grundfos Sustainability Data 2013 to contact us with suggestions, questions and general comments. For further information about Grundfos and sustainability reporting you can also visit www.grundfos.com/sustainability. Or if you have questions concerning our sustainability reporting contact Grundfos Group Sustainability at sustainability@grundfos.com.



Independent auditor's review report

To the Group Management of Grundfos Holding A/S

We have reviewed the Grundfos Environment and Health & Safety data for 2013 comprising CO₂ Emissions, Energy Consumption, Water Usage, Hazardous Waste, Non-Hazardous Waste, Injuries, and Lost Working Hours Due To Lost Time Injuries, ("the EHS Reporting"). The EHS Reporting is the responsibility of the Company's Management. Our responsibility is to issue a report on the EHS Reporting based on our review.

Scope of review

We have conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information and additional requirements under Danish audit regulation to obtain limited assurance about our conclusion; compared to a reasonable assurance engagement, our work has been limited primarily to inquiries of company personnel as well as analytical procedures to ascertain the quality of underlying processes for data collection, analysis and consolidation.

The purpose has been to obtain limited assurance that the data presented in the EHS Reporting at Group level

are in accordance with the described reporting practice, and that the information reported by the sites is included. By agreement, we have performed on-site visits in Dubai (December 2013) and in Bjerringbro, Denmark (January 2014) to evaluate whether EHS data has been documented, collected and calculated in accordance with Group instructions. We performed our on-site review at Grundfos Head Office in Denmark in April 2014.

Our review is based on an assessment of risk of misstatements. We believe that the work we have conducted provides a reasonable basis for our conclusion. We have not performed an audit and, accordingly, we do not express an audit opinion.

Conclusion

During our review, nothing has come to our attention that causes us to believe that the EHS Reporting for the Group, in all material respects, has not been prepared in accordance with the described reporting practice and information provided by sites. Further, nothing has come to our attention that causes us to believe, in all material respects, that EHS data from the sites named above have not been documented, collected and calculated in accordance with Group instructions.

Copenhagen, May 2, 2014

Deloitte

Statsautoriseret Revisionspartnerselskab



Anders Dons
State-Authorised Public Accountant



Helena Barton
Lead Reviewer

Grundfos Performance

Summary 2013

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

- **Grundfos Sustainability Data 2013**
- **Grundfos Thinks Water Wise 2013**
- **Grundfos Annual Report 2013**

We have assessed our reporting on sustainability for 2013 to be at a C+ level.

GRI	Standard disclosures	References
1.1	CEO statement	Grundfos Annual Report 2013 p. 4-15
2.1	Name of the organisation	Sustainability Data 2013 p. 4
2.2	Primary brands and products	Sustainability Data 2013 p. 4
2.3	Operational structure of the organisation	Grundfos Annual Report 2013 p. 18-19
2.4	Location of headquarters	Sustainability Data 2013 p. 4
2.5	Countries where we operate	Grundfos Annual Report 2013 p. 46-47
2.6	Ownership and legal form	Grundfos Annual Report 2013 p. 7 + 18-19
2.7	Markets	Sustainability Data 2013 p. 4
2.8	Scale of reporting	Grundfos Annual Report 2013 p. 20-25
2.9	Significant organisational changes	Grundfos Annual Report 2013 p. 18-19
2.10	Awards	Grundfos Thinks Water Wise (to be published June 2014)
3.1	Reporting period	Grundfos Annual Report 2013 p. 20-25
3.2	Most recent previous report	Sustainability Data 2012
3.3.	Reporting cycle	Grundfos Annual Report 2013 p. 20-25
3.4	Contact point	Sustainability Data 2013 p. 5
3.5	Defining report content	Sustainability Data 2013 p. 6-35
3.6	Boundary of the report	Grundfos Annual Report 2013 p. 20-25
3.7	Scope and boundary limitations	Sustainability Data 2013 p. 6-35
3.8	Reporting on joint ventures, subsidiaries etc.	Grundfos Annual Report 2013 p. 20-25
3.10	Re-statements	Sustainability Data 2013 p. 6-35
3.11	Changes in scope, boundary or measurement methods	Sustainability Data 2013 p. 6-35
3.12	GRI table	Sustainability Data 2013 p. 18-39
4.1	Governance structure	Grundfos Annual Report 2013 p. 18-19
4.2	Chair of the highest governance	Grundfos Annual Report 2013 p. 18-19
4.3	Unitary board	Grundfos Annual Report 2013 p. 18-19
4.4	Shareholders and employees' recommendations	Grundfos Annual Report 2013 p. 18-19
4.14	List of stakeholders	Sustainability Data 2013 p. 34-35
4.15	Identification and selection of stakeholders	Sustainability Data 2013 p. 34-35

Indicators

**Sustainability
Data 2013**

**Global
Compact**

GRI	ECONOMIC			
EC1	core	Direct economic value generated and distributed	Sustainability Data 2013 p. 27-28	
ENVIRONMENTAL				
EN3	core	Direct energy consumption by primary energy source	*Sustainability Data 2013 p. 9	Environment 7-9
EN7	additional	Initiatives to reduce indirect energy consumption	Sustainability Data 2013 p. 10	
EN8	core	Total water withdrawal by source	*Sustainability Data 2013 p. 10	
EN16	core	Total direct and indirect greenhouse gas emissions by weight	*Sustainability Data 2013 p. 8	
EN22	core	Total weight of waste by type and disposal method	*Sustainability Data 2013 p. 11	
N/a	N/a	ISO 14001-certified production companies (%)	Sustainability Data 2013 p. 12	
N/a	N/a	OHSAS 18001-certified production companies (%)	Sustainability Data 2013 p. 12	
HUMAN RIGHTS				
HR5	core	Operations identified in which the rights to exercise freedom of association and collective bargaining may be at significant risk	Sustainability Data 2013 p. 30-33	
HR 6	core	Operations identified as having significant risk for incidents of child labour	Sustainability Data 2013 p. 33-34	Labour rights 4
HR 7	core	Operations identified as having significant risk for incidents of forced labour	Sustainability Data 2013 p. 33-34	Labour rights 5
		Group Suppliers	Sustainability Data 2013 p. 26	
HR2	core	Significant suppliers and contractors that have undergone screening in human rights	Sustainability Data 2013 p. 26	Human rights 2
LABOUR PRACTICES AND DECENT WORK				
LA1	core	Total workforce	Sustainability Data 2013 p. 16	Labour rights 6
LA3	additional	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability Data 2013 p. 17	
LA4	core	Employees covered by collective bargaining agreements	Sustainability Data 2013 p. 24-25	Labour rights 3
LA7	core	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region.	*Sustainability Data 2013 p. 24-25	Human rights 1-2
LA10	core	Training per year per employee	Sustainability Data 2013 p. 18	Human rights 1-2
LA12	additional	Employees receiving regular performance and career development reviews	Sustainability Data 2013 p. 19	
PRODUCT RESPONSIBILITY				
PR5	additional	Practices related to customer satisfaction	Sustainability Data 2013 p. 27	
PR7	additional	Incidents of non-compliance with regulations and voluntary codes concerning marketing communication	Sustainability Data 2013 p. 27	
SOCIETY				
SO2	core	Business units analysed for risk related corruption	Sustainability Data 2013 p. 24-25	Anti-corruption 10
SO3	core	Employees trained in anti-corruption policies and procedures	Sustainability Data 2013 p. 24-25	
SO4	core	Actions taken in response to incidents of corruption	Sustainability Data 2013 p. 24-25	
SO7	additional	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	Sustainability Data 2013 p. 24-25	
SO8	core	Significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Sustainability Data 2013 p. 24-25	

* Deloitte has performed a review of Grundfos Environment, Health & Safety Data for 2013

**Planet
+ People
+ Business**

= Sustainability

