



Sustainability Report 2016

be
think
innovate

GRUNDFOS 

Global HIGHLIGHTS 2016



COVER PHOTO
Product application of BioBooster in Ulsåk municipality, Hemsedal, Norway. The treated water is bacteria-free and discharged directly to the nearby river.

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Number of employees

17,779

Reduction of water/m³ **5,0%** from 2015

Employees with reduced work capacity globally **2,2%**

Sustainability audits **15**

Net turnover **24,667 DKKm**

EBIT **2,230 DKKm**

Contents

The progress report is divided into four means of change through which we target sustainability:



Sustainability is not a department or a report. To us, it is a mindset, a way to do business. We push the boundaries of possibility in energy efficiency and water conservation. This way we reach our goal of bringing value to the world, to our clients, to our business, and to our employees.

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Water is the foundation of our business and of our lives. Every day, we bring our expertise on water to our business and to our global commitments. The world is facing a global water crisis and our commitment is to be part of the solution.

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Grundfos has a strong tradition of social responsibility with one simple aim: To make a positive difference. From pursuing a diverse workforce in terms of gender, age and ethnicity to including people with reduced work capacity, we strive to go the extra mile.

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Nearly 75 years ago, our founder Poul Due Jensen said that our aim is to leave a world to the next generation in a better state than we inherited it. From that vision, he built a company based on integrity, principles, and individual and corporate responsibility.

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“ Working towards a positive impact lies deep within our existence and our purpose as a business.”
 Mads Nipper, Grundfos CEO

(left to right: Morten Elsborg Laursen, Purchase Process Consultant; Suganya Sivasundaram, Facilitator Operations; Michael Rene Bødskov, Category Buyer; Liselotte Pihl Mortensen, Technical Assistant Manufacturing Supplier; Preben Sørensen, Purchase Manager)

In the Grundfos definition, sustainability is not a department or a report. It is all of us.

Katrina Sonne Einhorn *Geraldine Tsui Yee Lin*
 Katrina Sonne Einhorn Geraldine Tsui Yee Lin

Karen Touborg *Klavs Horrum* *Ernst Lutz*
 Karen Touborg Klavs Horrum Ernst Lutz

Stéphane Simonetta *Yee Kok Son* *Peter Krarup* *Peter Meulegracht Jensen* *Mikael Geday* *Guillermo Wehmann*
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Steen Holm Jensen *Søren Nøhr Bak* *Astrid Nørgaard Friis* *Wilbert van de Ven* *Preben Poulsen*
 Steen Holm Jensen Søren Nøhr Bak Astrid Nørgaard Friis Wilbert van de Ven Preben Poulsen

Constantly innovating for sustainability

For the third consecutive year, the World Economic Forum's annual risk report highlighting the most significant long-term risks worldwide, ranks the water crisis as one of the three high-impact global threats, resulting in harmful effects on human health and economic activity.

Grundfos has embraced UN Sustainable Development Goal number 6 on safe and clean water for a long time in spirit. To acknowledge the tremendous importance of water and its clear link to our core business, we have made that goal our own now.

Working on the water and energy nexus, Grundfos has been actively pursuing a sustainable water agenda since we began doing business in 1945. We endeavour to create win-win situations in which we do business whilst doing good.

With increased competitive pressures in our industry, we want to be faster and lower our cost base. At the same time, we need to make substantial investments in new offerings and services to our customers to sustainably meet the new local and global water challenges. It will take focus and strong leadership to keep pushing the boundaries of business on the triple bottom line – financials and environmental and social impact. In 2016, we consequently took the step to anchor sustainability activities directly among the Group Management members.

We see our products and offerings as a way of improving energy efficiency and contributing to global water solutions. From demand-driven water distribution systems to flood control, solar pump and wastewater solutions, our greatest impact is in the millions of products and solutions we deliver to customers. Our high efficiency circulator pumps saved an estimated 5.5 billion kWh last year – or the equivalent of the annual electricity needs of 3.4 million EU inhabitants. In fact, swapping to an energy efficient pump can save as much as 4% of the world's electricity.

At our factories, we managed to turn our safety numbers around after a rise in safety incidents. We stayed on track with projected emissions and water savings, continued our human rights due diligence process, and stepped up sustainability efforts in the supply chain.

Despite this, we know there is room for improvement. Looking forward, we want to improve our data collection, in order to better understand our results and target our efforts towards the best and greatest impact.

We must act but we must also measure. This will be a strong priority in the years to come. Another priority is the exploration of life cycle thinking that we continue to work with.

Sustainability is a journey, not a destination. For now, join us on a journey through our 2016 results.



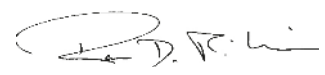
Bettina Brynaa Nielsen



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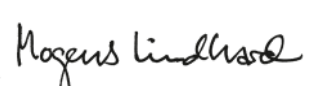
Shih Hung Lin



Niels Bidstrup



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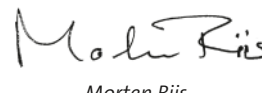
Mogens Lindhard



Stina Bonde



Lene B. Lauridsen



Morten Riis



Galuh Wulandari Tayip



Henrik M. Christiansen



Kim Nøhr Skibsted



Mads Nipper



Poul Due Jensen



Our founder Poul Due Jensen's simple belief in innovation and responsibility remains in our DNA as the driving force for all that we do.

Get to **know us**

The story of Grundfos begins in 1945, with a young visionary wanting to solve a neighbour's problem. He solved it by building a pump and helping the neighbour get access to clean water.

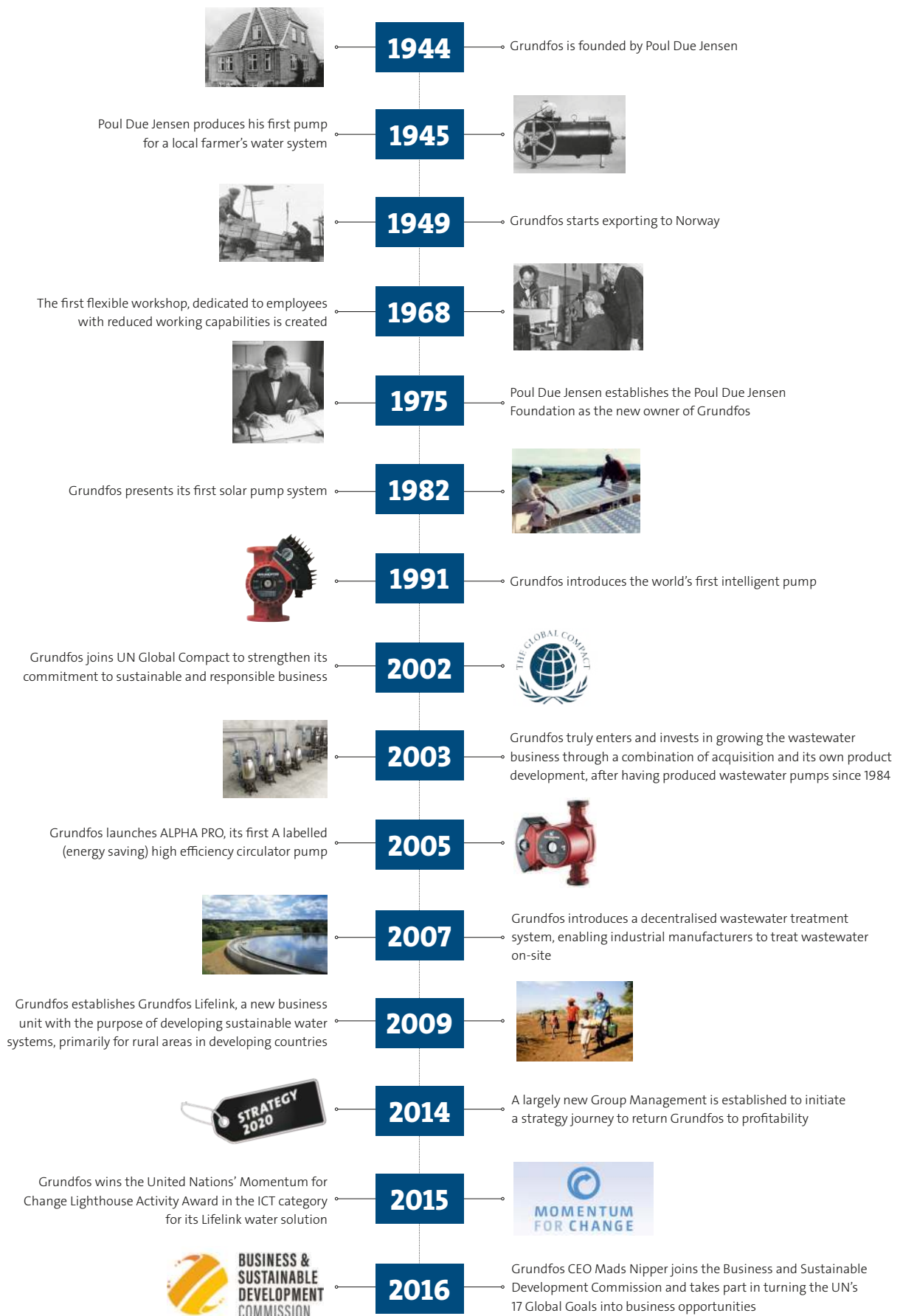
Today, we are still doing the same thing, except our neighbours and the problems we help to solve are global. Grundfos has become one of the world's leading providers of pump solutions, with annual production of more than 16 million pump units, touching millions and millions of people every day with our solutions; from providing drinking water for the smallest villages and the highest skyscrapers, treating and removing wastewater to bringing heating and cooling.

Our founder Poul Due Jensen's simple belief in innovation and responsibility remains in our DNA as

the driving force for all that we do. Every day, more than 18,000 Grundfos employees in 56 countries go to work, where they push the boundaries of technology to bring water where it is needed and help customers conserve water and save energy.

Our aim 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.

History & development



Our Path to the **Sustainable Development Goals**

What they are

Water and sanitation are critical to the survival of people and the planet. Sustainable Development Goal number 6 (SDG 6) addresses issues of drinking water, sanitation, hygiene and global water resources. It is one of 17 SDGs encompassing a universal call to action to end poverty and hunger and to protect the planet. The 17 goals were unanimously adopted by all 193 United Nations member states in September 2015.

Why they matter

For the Paris Agreement and the SDGs to be realised, we must all commit, including the private sector. For the private sector to rally and a large-scale impact to materialise, we need to operationalise the SDGs and create replicable business cases. We need to understand where and how we impact the SDGs and at the same time identify the SDG market opportunities.



A community in Kenya now has access to clean water through AQtap, a Lifelink project.

The Business and Sustainable Development Commission defines 60 of the biggest market opportunities related to delivering the Global Goals. These include water and sanitation infrastructure, municipal water leakage, irrigation and other opportunities directly touching our core as a business.

We want to know how we can help our customers to reach their sustainability goals. We want to understand how we can grow our business, while also working with the SDG goals – thereby doing business, whilst doing good. From efficient and reliable delivery of drinking water to water reuse and flood control, our current and future technologies and solutions can make a real difference. This gives us the privilege and obligation to work as an agent of positive change.

Material issues

We reworked the SDGs into 10 thematic areas of potential material importance to our business. We then asked a range of stakeholders to rank the 10 areas. It showed our collective commitment across sustainability issues and in particular to water access, energy efficiency, water management, a safe and inclusive workforce and human rights.

Starting out with SDG 6 as the backbone of our commitment, we mapped the SDGs across our four means of change to define those most material to us, in terms of impact and opportunity:

- **Sustainability is our business.** Our goal is to minimise our environmental footprint through innovative and energy efficient products, solutions and business models. We impact some SDGs more than others, but we indirectly work with all the SDGs through our customers.
- **Water is our passion.** Water is what we do best and we bring that expertise to our business and global commitments every day. We have identified four key SDGs in this area.
- **Social responsibility is our commitment.** We set our heart on making a positive difference by going the extra mile for our employees and the local communities we operate in. We identified four SDGs of importance to us in this area.
- **Ethics and integrity are our foundation.** As a global company we need a shared set of values and principles for good and ethical business conduct – and our work in this area impacts at least seven of the SDGs.


We now embark on a journey to understand how we can link SDG market opportunities to our business strengths. We see the SDGs as a business driver that supports our vision to be a value-based, sustainable company.

We mapped the SDGs across our four means of change to define those most material to us, in terms of impact and opportunity:



Although clearly an SDG 6 company, the SDGs cannot be separated and we impact all of them in one way or another.

We now embark on a journey to understand how we can link SDG market opportunities to our business strengths.



“ We can provide innovative water technology that moves water where it needs to be with high energy efficiency.

It is an expertise we have refined over decades, and I am absolutely confident that our knowledge can make a difference.”

Mads Nipper, Grundfos CEO



Sustainability is our business – **energy efficiency** is our strength

Our greatest impact is in the pumps and product solutions we provide to our customers. The right pump is a powerful global presence; a hidden opportunity to support the environment by reducing energy consumption, lowering carbon emissions and saving water. In fact, switching to energy efficient pumps could save 4% of the world's electricity usage.

We conducted an internal calculation of electricity savings for all our high efficiency circulator pumps sold in the EU between 2005 to 2016. The estimate is based on the actual sales figures for the year and assumptions on which previous models the pumps sold had replaced. The result is that our high efficiency circulator pumps saved an estimated 5.5 billion kWh last year – or the equivalent of the annual electricity consumption of 3.4 million EU inhabitants.

Our goal is to minimise our environmental footprint through innovative and energy efficient products, solutions and business models.

IN PRACTICE



"You can rely on the system. The DDD frees us."
 Jose Parra, Head of Operations, Essbio-Nuevosur.



Waterworks cuts energy use by **32 percent** with real-time pressure adjustments

In extreme cases, leaky pipes waste as much as 70% of the water. Our Demand Driven Distribution (DDD) system is an intelligent solution that supports minimising non-revenue water (wasted water) and pressure on the pipes with significant potential impact on existing water distribution systems.

Essbio-Nuevosur is a waterworks company based in Talca, Chile that distributes drinking water to more than a million households and collects, treats and disposes of their wastewater. Through the implementation of the DDD system the company cut energy consumption

by 32%, while losses due to non-revenue water declined by 3.3% in the first six months. Jose Parra, Head of Operations of Essbio-Nuevosur's network department, highlights the fact that the implementation of DDD system has led to the elimination of breakdowns: "We used to have an average of four yearly events of this kind. But since the installation of the DDD system, the plant has had no problems with the pipeline." He uses a computer or smartphone each day to make sure everything is operating smoothly.

How the DDD system in Essbio-Nuevosur contributes to sustainability

32%

reduction in energy consumption after installing the DDD system.

3.3%

decrease in non-revenue water in the first six months.

Stable pressure across the network.

Minimises risk of breaks in the pipeline, lowers maintenance costs.

"Since the installation of the DDD system, the plant has had no problems with the pipeline."

Jose Parra, Head of Operations, Essbio-Nuevosur.

IN PRACTICE



ALPHA3: Raising the bar within efficiency and innovation

In November 2015, a new circulation pump, the ALPHA3, hit the market. Three months later, it made its mark in Geran

many at the Plus X Award 2016, deemed “Outstanding” in the categories Innovation, High Quality, Functionality and

Ecology. Michael Skjoldemose, Global Product Manager of Grundfos states, “We are hugely invested in developing and producing high quality and innovative products that are easy to use and have a positive environmental impact. This is what we are being recognised for, and in a core business area of ours at that too, and this means a lot to us.” The Plus X Award was evaluated in seven different categories by an independent panel of judges from 26 industries. Grundfos has previously been dubbed “Best in Class” at the Plus X Award for the SOLOLIFT2, the MAGNA3 and the ALPHA2.

How the ALPHA3 contributes to sustainability

The pump comes with energy efficient attributes known from its predecessors along with new smart features. The latest features include the option of handling hydraulic balancing in private homes using no more than the pump’s built in intelligence, a newly developed ALPHA reader and a smartphone. With an energy efficiency index (EEI) of 0.15, it easily fulfils the EU’s energy efficiency requirements.

Product leader in pump solutions

To remain a product leader in pump solutions, we must innovate and invest. In 2016, we launched more than 30 new products and solutions onto the market. At 4.7% of our turnover, we invested more than last year in developing new solutions. Our future ambition is to have our products and product solutions supported by Eco-Design guidelines and measures, new circular economy related initiatives as well as life cycle assessments and continue our journey moving from energy to resource efficiency.

In 2016, we completed a life-cycle assessment for the MAGNA3 pump family. Next year will focus on implementation plans for the full portfolio, and our life-cycle assessment area will be expanded with additional employees and resources in mid 2017.

We mapped the current process for monitoring legal requirements for our products to identify gaps and possibilities for im-

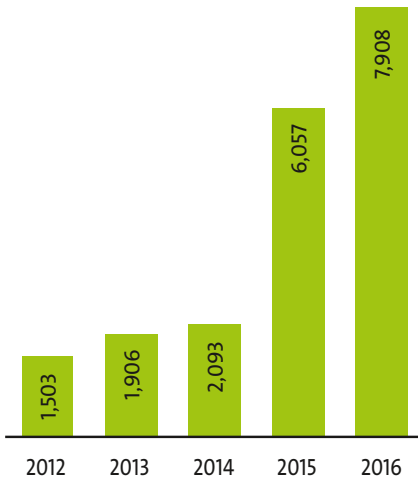
provement. In 2017, we will implement a global process for monitoring regulatory requirements for products – not just related to environmental topics, but including all relevant legislation which impacts on our products.

We have also continued our efforts to reduce the environmental impact of our value chain activities by accelerating our efforts within the circular economy. In 2016, we launched several pilot projects and 7,908 kg of end-of-use circulators were collected through our Danish takeback system, a 30% increase compared to 2015.

Production

We have an aim of creating a healthy and safe workplace where no employees are injured. Following a rise in lost time injuries in 2015, new standards and a new approach to health and safety were implemented, focusing on eliminating risks and there-

Returned pumps from partners (kg)



by preventing injuries. Focus is on safety leadership and knowledge sharing. Safety leadership is demonstrated by managers taking an active role in identifying risk, for example in connection with conducting safety walks. In addition to that, our knowledge sharing from incidents was improved in 2016 to alter our behaviour from reacting to accidents, to preventing them.

As a result, the number of lost time injuries per million working hours in 2016 was 3.27, and there were 105 lost time injuries – 34% lower than in 2015. In 2016, 83% of our employees worked in a company that is OHSAS 18001 certified according to international occupational health and safety management standards.

In order to anchor this positive development, 2016 saw a focus on global networking, to learn and share knowledge. In Serbia, health and safety professionals from more than 30 Grundfos companies came together to discuss solutions and improvements.

Environmental footprint

When it comes to the environment, we are committed to keeping our CO₂ emissions below our 2008 levels. In 2016, we reduced CO₂ emissions by 7.2%, from 99,627 in 2015 to 92,518 metric tonnes in 2016, bringing them down more than 30% from 2008 across our global facilities. Energy use is

IN PRACTICE

Grundfos Sunderland, Great Britain:

New culture, new mindset

In 2016, Grundfos in Sunderland, Great Britain (GBW) celebrated an outstanding health and safety achievement. It has gone four years without any lost time injuries – a major accomplishment at a busy manufacturing plant. Taking a far more proactive rather than reactive approach was the solution that nurtured an interdependent health and safety culture, where all employees have the same mindset: A safe working environment is an absolute priority.

A SAFE WORKING ENVIRONMENT IS AN ABSOLUTE PRIORITY.

Aside from a Behavioural Safety Programme that includes monthly walks around each area of the business, the employees feel comfortable in pointing out potential areas of concern because they believe they have a role to play and a responsibility for ensuring a safe working environment. A SWAT team (Safety at Work Action Team) was established, whose members have a health and safety supervision qualification. The team is made up of representatives from every department on site and organises safety briefings and produces videos.



In 2016, GBW celebrated four years without any lost time injuries.

down 2% from 2015, from 305,657 MWh to 299,533 in 2016, and 92% of our production companies are ISO 140001 certified to international environmental standards.

We have also dedicated ourselves to

reducing 50% of our water consumption by 2025 compared to 2008, whilst constantly improving the quality of discharged water. In 2016, we cut water consumption from 440,271 m³ in 2015 to 417,891 m³ in 2016, corresponding to a 5% – and we are down more than 36% from

2008 through a range of global initiatives, such as rainwater harvesting. We continue to launch initiatives to improve the quality of discharge water.

We are also focusing on resource recovery and waste-stream optimisation across our operations sites. Recycling of waste, returnable packaging and disassembly of end-of-life pumps are among the key initiatives undertaken in 2016.

We acknowledge that the impact of hazardous and non-hazardous waste is most significant in our production companies. Various activities were therefore initiated across the companies to ensure that we continuously minimise waste. As a result, hazardous waste was reduced from approximately 54,000 kg per million working hours in 2015 to approximately 50,000 kg in 2016, corresponding to an 8% reduction. Non-hazardous waste has been reduced from approximately 101,000 kg per million working hours in 2015 to approximately 99,000 kg in 2016, corresponding to a 3% reduction.

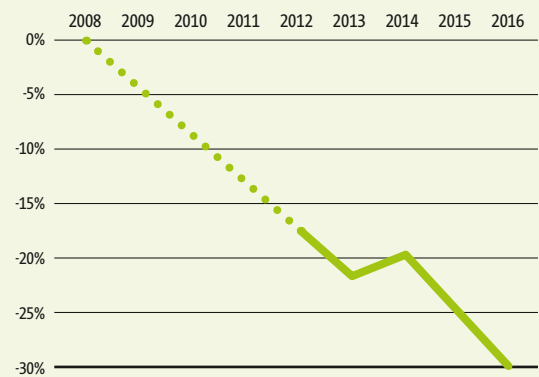
The Grundfos Focus List is compiled from the chemical substances listed in the following chemical directives, regulations and conventions

- REACH (Regulation (EC) No 1907/2006)
 - Candidate List of SVHC's
 - REACH Annex XIV – Authorisation list
 - REACH Annex XVII – Restriction List
- RoHS (Directive 2011/65/EU)
- RoHS future (Directive (EU) 2015/863)
- IMO (International Maritime Organization/Hong Kong Convention)
- China RoHS
- ODS (Regulation (EC) No 1005/2009 Ozone Depleting Substances)
- GHG (Regulation (EU) No 517/2014 Greenhouse Gases)
- Batteries (Directive 2006/66/EC)
- Packaging (EU Directive 94/62/EU)
- POPs (Commission Regulation (EU) No 1342/2014 on Persistent Organic Pollutants)
- PROP65 (California Proposition 65, Safe Drinking Water and Toxic Enforcement Act of 1986)

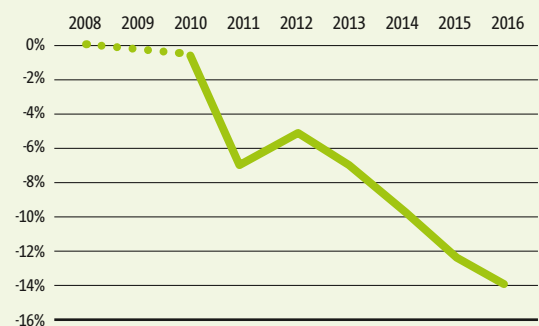
Find the Grundfos Focus List on our website: <http://www.grundfos.com/about-us/group-purchase/focus-list.html>

We are continually working to reduce, substitute and eliminate the use of hazardous chemicals. The Grundfos Focus List bans or restricts the use of certain chemical substances in our products and production processes and at our facilities. We are in the process of phasing out the use of the Substances of Very High Concern (SVHC) from the REACH Candidate List. With the implementation of a new product chemical compliance IT platform in 2016, we have given our suppliers a smarter and more automated way to document product compliance with the Grundfos Focus List. The aim is to roll-in the entire Grundfos product portfolio during 2017-2018, to ensure an agile process and a faster response to customers.

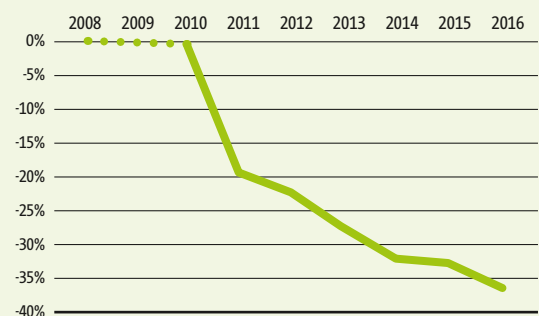
Reduction in CO₂ emissions, 2008 baseline (%)



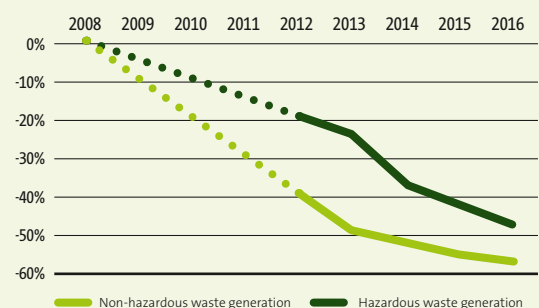
Reduction in energy consumption, 2008 baseline (%)



Reduction in water consumption, 2008 baseline (%)



Reduction in waste ratio (kg per one million working hours), 2008 baseline (%)



Note: Due to insufficient data, some years are presented using dotted lines.

IN PRACTICE

Future Now Award

We start with ourselves

Since 2009, we have been rewarding our own internal environmental initiatives with the Future Now Award. The award is granted to projects that have proven to reduce environmental footprint through an innovative approach with great impact.



Steen Holm Jensen (left), Area Managing Director and John Zarnke (right), Quality, Safety & Environment Coordinator with the Future Now Award 2016.

Future Now Award 2016

Three streams, one initiative

With its three streams project, Grundfos Australia (GPA) brought home the Future Now Award 2016. It translated sustainability as our value by combining three key environmental impact areas: energy, water, and waste. For energy, it invested in a 100kW PV Solar Panel System, which will reduce CO₂ emissions by 50% and save the company 28,988 euro in 2017. Taking inspiration from the circular economy model, GPA contacted some local suppliers who agreed to remove the timber from site free of charge. In return, the local suppliers are able to rework the timber back into functional packaging or household outdoor items. In cooperation with the company's waste management provider, they sort all their waste into colour-coded bins, with the result that 100% of waste collected from the site could be recycled or reused.

Moreover, the company has had rainwater harvesting capabilities since 2008, but these were not optimised. Through some maintenance programmes, the system contributed to reducing the use of municipality water by up to 45% compared to 2008. "Monitor safety and environmental performance and always seek to improve. No matter how you are performing you can always do better. Simple 'life hacks' like placing one litre water bottles in toilet cisterns can make a significant reduction in water usage and cost nothing to implement," says John Zarnke, GPA-GNZ Quality Safety & Environment Coordinator, who is also the initiator of the projects.

For us, Grundfos Australia portrays a greater commitment to sustainability by including all three streams in this way, reminding us that environmental issues are connected and do not need to be thought of separately.

How Grundfos Australia contributes to sustainability

Reduces CO₂

after investing in 100kW PV solar panel system

Reduces timber waste

by diverting waste streams to pallet manufacturers to repurpose and reuse

100%

Waste is recycled by colour coding bins and engaging a best practice waste removal company to ensure no waste is sent to landfill

45%

Reduction in municipal water use from 2008 levels through improvement of maintenance programme and monitoring rainwater harvesting capabilities

Pumps & Products



Last year:

High efficiency circulator pumps
SAVED AN ESTIMATED

5.5 billion kWh

or the equivalent of the annual electricity consumption of **3.4 million EU inhabitants**

>30

**NEW PRODUCTS
AND SOLUTIONS**
were launched in 2016



4.7%

of **OUR TURNOVER**
was invested in developing
new solutions

Production & Environmental Footprint



34%

LOWER number of **INJURIES**
per million working hours
than in 2015



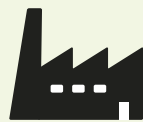
83%

of employees worked in a
company that is OHSAS 18001
certified



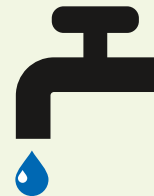
7.2%

REDUCTION in CO₂
emissions from 2015



92%

of **PRODUCTION
COMPANIES** are ISO 140001
certified to international
environmental
standards



5.0%

cut in **WATER
CONSUMPTION** compared
to 2015

30%

REDUCTION in CO₂
emissions from 2008
across global facilities



2%

REDUCTION in energy use
from 2015

MORE THAN

36%

cut in **WATER
CONSUMPTION** from 2008



The world is thirsty for clean water. Our pump products and expertise are already having a major impact, but looking ahead things are really exciting. With connected and smart solutions, we help our customers to save and reuse water, while our innovative solutions bring water to new customers in efficient and economical ways. All of this while building a sustainable business.”

*Wilbert van de Ven,
Director, Water Applications & Technology.*

Water is our passion

According to the United Nations' (UN) data in 2015, nearly 663 million people lack access to safe drinking water and around 2.4 billion people globally have no access to improved sanitation facilities. Our goal is to help in bringing clean water to all of them, and our strategy is to do it one drop at a time. When it comes to water, no effort is too small and every drop counts.

Continuous innovation is the solution

Water is a finite resource. Fresh water accounts for 2.5% of all the water on the planet and less than 1% is available to us. The UN also highlights that more than 80% of wastewater resulting from human activities is discharged untreated into water sources. We have to be smart in the way we use, reuse and conserve water.

Through energy efficient and sustainable technologies, we can optimise water solutions and apply our knowledge of water to global challenges.

**Water is what we do best and
we bring that expertise to our business
and global commitments every day.**

Grundfos' pumps take care of almost seven thousand aquatic animals in Moskvarium Moscow, Russia.

IN PRACTICE



*"It is of huge value to us that we save our water resources," says
Jonna Mortensen, Site Manager, Arla Foods, Rødkaersbro, Denmark.*

Sustainable technology: Reusing milky water

Arla Foods is Europe's second largest dairy company and a cooperative society owned by approximately 10,600 dairy farmers. Every day, about 2.2 million litres of milk flow into its mozzarella cheese dairy in Rødkaersbro, Denmark. In the process of making cheese, around 85% of the milk ends up as wastewater known as milky water. Arla Foods came to Grundfos for a solution to reuse this water. Part of the problem was that milky water contains compounds that traditional wastewater treat-

ment plants cannot purify. For a few months, Grundfos tested its new BioBooster technology on milky water before a contract for a full-scale plant was signed. The solution was put into practice in 2015 and has been treating milky water to drinking water quality, allowing Arla Foods to safely re-use it at the dairy or discharge it to receiving water. The treated water has been partially reused at the dairy without compromising the high food safety standards in Denmark in 2016.

How the Biobooster system at Arla Foods contributes to sustainability

- Arla Foods is now able to reuse 150 m³ of water per day and are working on reusing the remaining 300 m³.
- The technology for reusing water from cheese production will enable a future where dairies will not require water, thereby reducing water consumption.
- The surplus water can be safely released even into sensitive areas, as it meets all legislative requirements, thereby ensuring a viable local aquatic environment.

Arla is now able to reuse 150 m³ of water per day and is working on reusing the remaining 300 m³.

GRUNDFOS LIFELINK

A growing business with a social purpose



AQtap offers a direct and reliable supply of safe water 24/7 to consumers in the Mathare informal settlement in Nairobi, Kenya.



Grundfos Lifelink water solutions represent our commitment to providing sustainable water solutions that are customised to serve people living in low-income communities in the developing world.

Grundfos Lifelink water solutions are designed to strengthen the quality, reliability and sustainability of drinking water supply in both rural and urban communities. The Lifelink solution concept is the result of years of field studies and research grasping how to solve the fundamental challenges faced by water service providers and low-income consumers.

These issues include the ability to collect revenues to secure funds for maintenance, the transparency and efficiency in water management, accountability towards investors or the sheer lack of electric power to transport water.

Lifelink solutions combine renewable energy, proven pump technology, water treatment and intelligent water ATMs with online water management and a professional service network. On top of technology

and service, Lifelink solutions also build on partnerships across sectors and business model know-how.

Grundfos Lifelink water solutions provides a holistic approach to enabling a truly sustainable and long-term reliable supply of safe water by supporting revenue collection and efficient water service operations.

In 2016, the Grundfos Lifelink business has taken significant steps on the journey to scale Lifelink solutions to more application areas and to several communities, particularly in Africa and South East Asia.



IN PRACTICE

Delivering safe water in Nairobi, Kenya 24/7



Philip Gichuki, Managing Director of NCWSC with the AQtap water in Nairobi, Kenya.

“It is crucial that we are able as a utility to generate revenue where nobody thought we would be able to generate revenue. This is really something that has made us feel really very good about this system. And more importantly, that now people are getting water legally and in a cheaper way than they were doing before.”

Philip Gichuki, Managing Director of NCWSC.



In Nairobi, Kenya, the impacts of the first Lifelink installations in the large Mathare informal settlements have proven very positive to the challenged residents and the water service provider, Nairobi City Water & Sewerage Company (NCWSC). With the Lifelink solution based on automated water ATMs, NCWSC has been able to cut off the

illegal water cartels and delivers safe drinking water at a low price directly to the local residents. Prior to the installations, water cartels charged residents up to 20 times more for water not guaranteed as safe to drink. The consumers are now able to access tap water 24/7 via the smart-card based payment system of the Grundfos AQtap water ATMs.

IN PRACTICE

Real time data for water consumption profiles



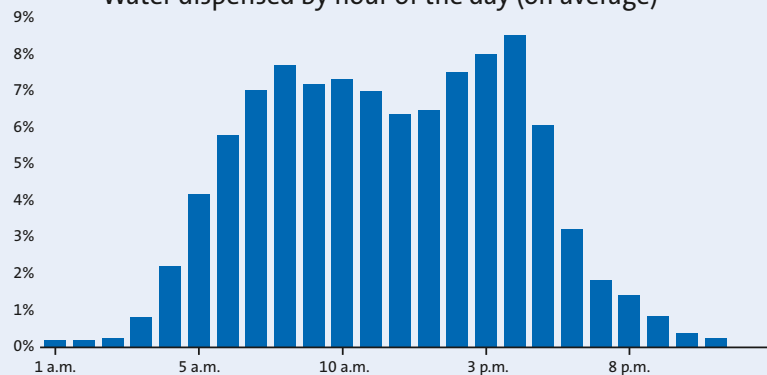
Following the scaling up of Grundfos Lifelink water solutions, Grundfos continues to generate knowledge from the increasing amount of data delivered to the online water management system connected to the installed base of AQtap water ATMs. From this data, we are able to generate real data based water consumption profiles for the mutual benefit of Grundfos and our customers. By analysing the consumption patterns, we have learned that water consumers benefit from the flexibility of the automated water kiosks and tap water almost evenly throughout the day.

Based on this knowledge, we believe there is a great potential for our customers, the water service providers, to

design water projects intelligently in accordance with the specific profiles of more independent consumers using automated water kiosks based on Lifelink technology. “We are able to know the water consumption in a family. That is very important when it comes to planning. How many times does a fam-

ily come to fetch water? This will assist us to plan for how many of these facilities we need, and how much water we need to push to this area. It is very important. I like the whole thing because the data is at our fingertips,” says Philip Gichuki, Managing Director of NCWSC.

Water dispensed by hour of the day (on average)





WATER2LIFE

A journey across continents

Water2Life brings clean water to some of the world's most vulnerable. In 2016, this powerful employee-driven programme wrapped up its latest project, bringing water to 20,000 people in Vietnam, and we are getting ready to launch in the Americas.

Vietnam 2013-2016

Water2Life's second stop was in the Mekong Delta, where water is abundant but heavily polluted by metals, chemicals and bacteria.

During dry seasons, the concentration of chemicals in the water is so high that washing clothes or taking baths in the river burns the skin, leaving it itching and damaged. For locals, the only alternative is rainwater that sits for weeks once caught off rooftops or in

containers. Bottled water is too expensive and waterborne diseases are rampant.

In the past three years, Water2Life brought safe water to 20,000 people in ten local communities. In cooperation with our local NGO partner Thrive Networks, we also engaged locals and children in the handling, usage and disposal of water to avoid contamination.



FACTS

Water Paradoxes in Mekong Delta, Vietnam

- Heavy metals from the many industries along the 4000km of river.
- Agricultural pesticides led into the river on its way through six Asian countries.
- 60% of the rural population do not have access to clean drinking water and thousands die of water borne diseases.
- In the dry season, day labourers have to wear gum boots because of chemicals in the water.

RESULTS

Water2Life in Vietnam after 3 years

More than
20,000

people in 10 local communities have access to clean drinking water

More than
19,000

livestock have access to clean water

More than
82,000

metres of water pipes installed to provide clean water

40%

reduction in CO₂ after using solar panels



Ms. Minh, the owner of the first water enterprise in Côn Phú Đa island, Vietnam, contributes to delivering clean water to her neighbours.

Partnerships for water

Partnerships are essential to global progress, and are even more essential when working in unknown or uncharted territory. This is often the case when we want to bring water to remote or rural areas. We have signed global agreements with seven NGOs in 2016: the International Federation of Red Cross, WaterAid, Adventist Development and Relief Agency International and German Agro Action. We also extended our agreement with World Vision International and partnered with two national NGOs, DanChurchAid and Danish Refugee Council. Combining our know-how with strong partners and local knowledge is not just good business – it is necessary and deeply founded in our values.



Danish Refugee Council

In 2016, we partnered with the Danish Refugee Council in what we call a business-humanitarian partnership lab. We are exploring opportunities to pilot-test, co-develop and advocate for better solutions to global water related challenges. Starting up with a pilot project in a Ugandan refugee camp in 2017, our partnership with the Danish Refugee Council fosters an exchange of experience and expertise that may enable us to service some of the world's most vulnerable and do business whilst doing good.



Water Aid partnership

In 2016, we announced a five-year partnership with international development charity, WaterAid. Our goal is a shared and ambitious one: to reach everyone, everywhere with clean water by 2030. This is in line with the SDGs of the 2030 Agenda for Sustainable Development.



2030 Water Resources Group

In 2016, we joined the prestigious 2030 Water Resources Group, named so for the 2030 Agenda for Sustainable Development and the SDGs that guide its goals. The group brings together public, private, and civil society at country level to have an open discussion about water management and to develop concrete proposals that can help drive action on the management of water resources.



The presence of a solar water pumping system has its own advantage in remote villages of developing countries. It is in fact only one of the advantages. Water pumping accounts for a high percentage of energy consumption and we use a large amount of water to cool the power plant to generate power to pump water for our consumption. This alone should encourage people to use solar water pumping as a primary solution.”

Geraldine Tsui Yee Lin, Global Product manager



Not only sustainable, solar water pumping system helps to supply water to remote locations, including communities in Kenya, Samburu – near Samburu National Park.

IN PRACTICE



Partnering with World Vision to fight water scarcity

Since our partnership with World Vision in 2014, we have brought clean water to more than 300,000 people in Africa and Asia. Over the next five years, another 1,000 solar-powered systems are planned for the Sub-Saharan African region, in order to reach our goal of supplying two million more people with clean water by 2020. The 1,000 units are expected to reduce CO₂ emissions by 39,000 tonnes over their 15-year lifespan.



©2016 World Vision/
photo by Jon Warren

Jeneta Sneele no longer has to carry 20 litres of water balanced on her head now that clean water is available in her village.



“

Our ability to demonstrate social responsibility is evaluated based on what we do, not what we say.”

*Kim Nøhr Skibsted,
Group Vice President, Communication,
Public Affairs & Engagement*

Social responsibility is our commitment

Poul Due Jensen built a company based on integrity, principles, responsibility, and a sincere wish to make a difference. Today, we try to carry that legacy forward with a strong moral and corporate code and global and political engagement.

From global to local change – we want to improve our positive impact and are helped greatly by our employees worldwide, who go the extra mile for others.

**Our aim is to
make a positive difference.**

IN PRACTICE

Future Now Social Award 2016

Socially committed to local community

We share because we care and Grundfos Mexico (MXP) employees show us just that. In 2016, MXP's social project involved all departments in the company where each department created its own social campaign. These campaigns were initiated by the employees where they contributed to helping different vulnerable groups and causes, from helping homes for the elderly and low-income communities to donating blood and their hair for wigs for cancer

patients. Grundfos took an active role by granting access to in-kind resources, such as meeting rooms, car fleets and work time.

MXP also helped job seekers who were previously in prison to reintegrate through work. It collaborated with an NGO, whose mission is to aid innocent people who are sent to jail and could not afford to pay a lawyer. Apart from helping with the legal procedures, the

NGO also helped them with job applications. Afterwards, MXP invited them as candidates to fill vacancies according to their job description. The initiative not only increased the possibilities of filling some of MXP's job vacancies, it also shows that MXP lives out Grundfos' values.

From donating hair to cancer patients to helping low-income communities, MXP committed to helping its local community.

**Diversity**

We aim to employ a diverse workforce that reflects society in terms of gender, age, and ethnicity. In 2016, people of non-Danish ethnicity in executive positions made up almost 40%, reaching our target set for 2017. With 20% of women in management positions, we are still 5 percentage points behind our 2017 target of 25%. We are still aiming for the 25% ratio, but have to accept that it will probably take one or two years longer to reach the target than first anticipated. To help get more females into executive

positions, a mandate to always include qualified female candidates when recruiting for executive positions has been put in place. There are 12 members on the Poul Due Jensen Foundation board, of whom the Grundfos Group's European employees elect four. Of the remaining eight members, five are males and three are females. The Board had no target to change the Board composition in 2016, but has a target of a 50/50 gender split in connection with planned changes to the Board in 2017.

**Diversity in 2016**

non-Danes in executive positions, reaching our target set for 2017



women in management positions



A mandate to always include qualified female candidates when recruiting for executive positions



We built our business based on social responsibility, including gender equality in the workplace.

We have standardised globally the definition of people with reduced work capacity as we lifted our ambitions to go beyond Denmark.

Employees with reduced work capacity

To get a picture of the current status, we collected performance data from some of the larger and older companies in the Grundfos Group and conducted site visits. Based on that, we set targets

and the direction for our work with people with reduced work capacity. We have now standardised the definition globally as we lifted our ambitions to go beyond Denmark and began the process of establishing a common understanding of the concept and how we wish to move forward. The first step has been a descrip-

tion of the process for employing staff with reduced work capacity. Globally, our aim is to hire at least 3% employees with reduced work capacity. We are currently at 2.2% and aim to reach the 3% target in 2020. The target for each Grundfos Company is set individually and reflects the work-force composition.



Employees on long-term sick leave

We have the aim of ensuring early, dedicated and coordinated follow-up and contributing to any sick leave being as short and as active as possible. Currently, 92.7% of our Danish employees who have been on long-term sick leave are retained at Grundfos.

In Denmark, we continually coordinate the existing initiatives to ensure employees return to work after long-term sick leave. To ensure higher rates of retention, we developed a catalogue of relevant tasks that are appropriate for employees with reduced work capacity and we have described the process for retaining employees after long-term sick leave.

Employee satisfaction

We believe that our strength in doing business lies within our employees. Grundfos is its people, bonded by a strong set of values. It therefore comes naturally that employee motivation and satisfaction is one of our five key performance indicators. Our Employee Motivational Survey (EMS) is an annual survey where we ask all our employees globally about their motivation and satisfaction. Based on the result of EMS in April 2016, we saw an increase in motivation and satisfaction compared to 2015 (from 69 to 70 points). However, we know it will require substantial efforts to meet our ambitious target of 78 points in the EMS in 2020. The next EMS will be in September 2017. In the meantime, the EMS from 2016 provides us with a unique opportunity to focus on motivation and leadership – two of the most important levers to ensure the future success of Grundfos.

We followed up the EMS with workshops and a toolbox for managers, to enable managers to understand and work with the results of the EMS along two tracks:

- (a) a team process to improve motivation and performance in the teams and
- (b) a personal leadership track to improve leadership competences.



Based on the work with the EMS, managers created action plans and defined development areas to be discussed in the annual Performance Development Dialogue (PDD). The PDD aims to give:

- (a) a clear assessment of each employee's performance and potential level and
- (b) provide clear feedback and engage in a dialogue about development and career opportunities.

In 2016, the PDD was completed by 80% of blue collar workers, and 86% of white collar workers. The PDD was supported by a new online tool making it easier for managers and employees to manage and document the process for each employee. It was also followed up with workshops and training on how to best utilise the PDD at both the individual employee and organisational levels.

We are Grundfos

2.2%

of employees with reduced work capacity globally

Target: **3%**

of employees with reduced work capacity globally by 2020

80%

of blue collar workers completed the Performance Development Dialogue

86%

of white collar workers completed the Performance Development Dialogue

A visit to the Zaatari Refugee Camp

Lack of clean water is a major problem on every continent, but it is particularly pressing in refugee camps. This year, Group Vice President Kim Nøhr Skibsted explored issues and challenges in the Zaatari refugee camp in Jordan.

Sustainability and the US Congress

“Water and sustainability are global challenges. Solving them takes the right people, making the right choices.” Kim Nøhr Skibsted spoke about the issues and opportunities at the United States Congress in 2016.

Kim Nøhr Skibsted took the opportunity to create more awareness of the issues faced concerning water.



Creating sustainable mindsets

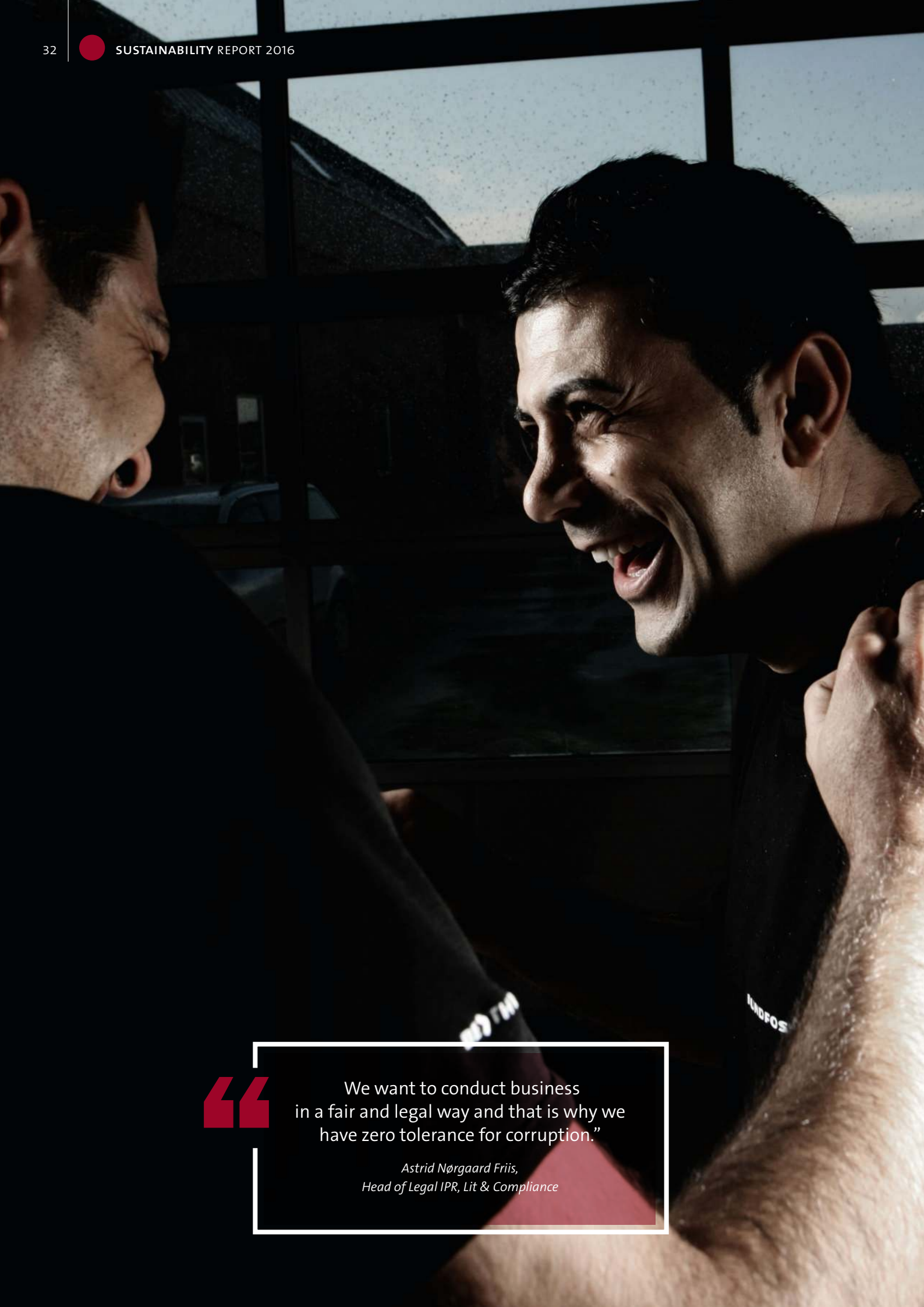
Sustainability is the very essence of every company that wants something greater than just short-term profit. And it goes well beyond a department or a report, CEO Mads Nipper told global leaders at the United Nations this year.



SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD

Grundfos CEO Mads Nipper was among the speakers at The UN Global Compact Leaders Summit in New York City.





We want to conduct business in a fair and legal way and that is why we have zero tolerance for corruption.”

*Astrid Nørgaard Friis,
Head of Legal IPR, Lit & Compliance*

Ethics and **integrity** are our foundation

As a global company that does its business based on honesty and integrity, it comes naturally for us to have a common set of guiding principles on what we believe to be a good business conduct, built based on our values.

Code of Conduct

As a global company, we need a shared set of values and principles for good and ethical business conduct. These are found in our Grundfos Code of Conduct and Grundfos Supplier Code of Conduct.

The Code of Conduct is governed by a strong framework led by an independent ethics committee and informed by a cross-organisational forum. Any suspected breach of the Code of Conduct can be submitted to the Ethics Committee anonymously and in any language.

As a global company we need a shared set of values and principles for good and ethical business conduct.

In total, we received 13 claims of breaches of the Code of Conduct. One claim was considered a breach of the Code of Conduct with-in labour rights. There were also six requests for advice, none of which were breaches of the Code of Conduct.

In December 2016, we launched a revised Code of Conduct which will come into force on 1 January 2017. The revised Code shows our value-based approach to global business, and is more clear on how employees are expected to behave in accordance with the Code. Training is expected to roll out globally for the first time in 2017, and we will launch a third party whistle-blower function in early 2017.

In order to assess to what extent Grundfos' Suppliers Code of Conduct is embedded in suppliers' operations, on-site audits are performed at selected suppliers. That is what we in Grundfos call Sustainability Audits.

In 2015, we increased the number of sustainability audits to 15. Our aim for 2017 is a revised supplier Code of Conduct and an increase from 15 to 100 sustainability audits, with improvements to follow-up processes and actions needed to reach 75% compliance for audited suppliers in the coming years. We see this as an indication of our ability to better understand, follow-up on and improve our supplier base.



The updated version of Grundfos Code of Conduct, available in 21 languages.

We also did 25 system audits, consisted of 13 existing suppliers and 12 potential suppliers, and 28 process audits. All approved suppliers for group purchase in 2016 are on-site audited as part of the approval process.

In 2016, we established a steering committee with Group Management representation, to drive significant 2017 sustainable supply chain initiatives.

13 claims on breaches of the Code of Conduct

1 breach of labour rights

15 sustainability audits in 2016 and will conduct 100 sustainability audits in 2017

Human rights

We support and respect the protection of internationally proclaimed human rights for everyone, and are committed to the development of a culture that supports the respect for human rights.

We expect all our business partners, including suppliers, to adhere to these commitments as well.

Our commitment to respect Human Rights is integrated and communicated across the organisation through our values, our Code of Conduct and Grundfos' global policies. We are also signatories of the UN Global Compact and have worked on the development and deployment of the Grundfos Human Rights Due Diligence Programme in recent years.

We launched our Grundfos Statement Pursuant of the UK Modern Slavery Act in 2016 to explain our efforts to eradicate slavery and modern trafficking in our supply chain and in our business.

As part of the Grundfos Human Rights Due Diligence Programme, a five-country analysis was launched to determine how our current human rights practices compare to the UN Guiding Principles for Business and Human Rights. The five countries were China, India, Mexico, Russia and Denmark.

Based on the analysis, we developed a Human Rights Action Plan to address the gaps. As a next step, we will conduct the first on-site human rights impact assess-

ment, aiming for five on-site country assessments by 2020.

Although we have stepped up our efforts, we realise that human rights is a dynamic process and we must continually work to improve our governance and actions.

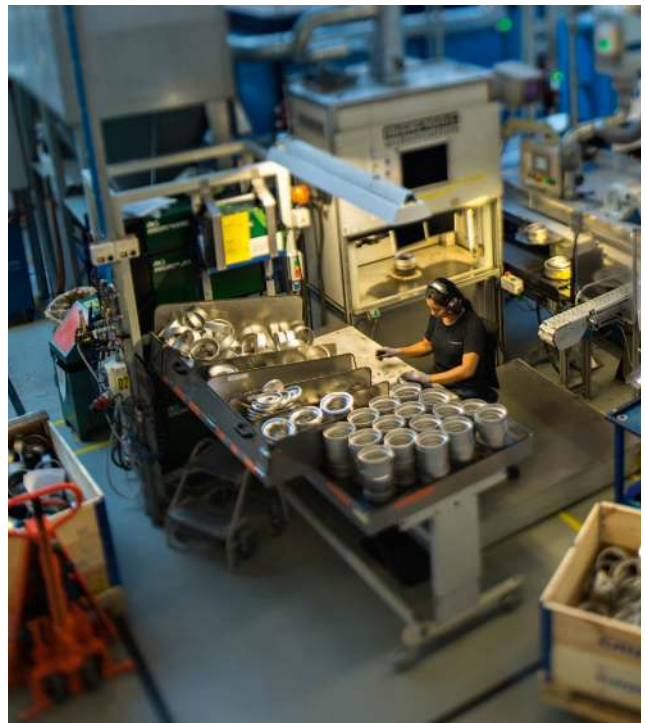
Anti-corruption

Grundfos wants to remain a responsible corporate citizen with a legacy of sustainability, honesty and integrity. This requires an absolute and ongoing commitment against corruption. None of the breaches to the Code of Conduct this year were related to corruption.

In 2016, we rolled out anti-corruption and bribery training for sales and service as mandatory pass/fail training. This project is still ongoing.

We also launched an updated Code of Conduct with several rules to cover the risk of corruption practices. Anti-corruption is a big part of the mandatory Code of Conduct training, which applies to all Grundfos employees around the globe. The goal is to increase awareness of our business ethics throughout the company globally.

Our goal for 2017 is to roll out annual anti-corruption training for all employees and to conduct a risk assessment to identify gaps in our compliance programme.



IN PRACTICE



Anti-corruption training in Sales' Backbone Programme



We have a training module which explains first-hand knowledge on how to prevent corruption.

We believe that our greatest asset and the key to our success lies in our people. With that in mind, a programme called Sales' Backbone – mandatory certification and on-line training for all employees in the organisation working within sales and service – is being rolled out, in which anti-corruption training is a part of the course. “We have a training module which explains first-hand knowledge on how to prevent corruption, which is entirely prohibited in Grundfos,” says Lene B. Lauridsen, Senior Technical Advisor of Grundfos. “The goal of Sales' Backbone is to strengthen the technical and application knowledge, which also includes a legal scope of integrity and legislation. The module is highly supplemented with the revised Grundfos Code of Conduct and its

training. It is therefore in our best interests to create awareness and educate our employees with the knowledge of anti-corruption and thereby live out this core value of the company,” adds Astrid Nørgaard Friis, Head of Legal IPR, Lit & Compliance of Grundfos.

The Sales' Backbone programme was first launched in June 2016 and is being rolled out gradually based on regions. In 2016, 748 of our sales and service persons in Europe, Middle-East and Africa (EMEA) were certified, while the training in Asia Pacific Regions (APREG) certified 391 employees. The training is currently ongoing and the goal is to reach 1,000 sales and service staff based in America and China by 2018.



Indicator summary

	2008	2015	2016
SUSTAINABILITY IS OUR BUSINESS			
PRODUCTS			
Investment in new products (% of turnover)	5.6%	4.5%	4.7%
High efficiency circulator pumps – energy saved (billion kWh annually)		4.5	5.5
PRODUCTION			
Co ₂ (metric tonnes)*	132,603	99,627	92,518
Energy consumption (MWh)*	347,207	305,657	299,533
Water usage (m ³)*	655,136	440,271	417,891
Non-hazardous waste (kg per million working hours)*	228,000	101,000	99,000
Hazardous waste (kg per million working hours)*	94,000	54,000	50,000
Returned pumps from partners (kg)	N.A.	6,057	7,908
ISO 14001-certified production companies (%)	84	92	92
Injuries (per million working hours)	10.21	4.83	3.27
Lost working hours due to injuries** (per thousand working hours)	0.96	0.68	0.39
OHSAS 18001 production companies (%)	68	83	83
SOCIAL RESPONSIBILITY IS OUR COMMITMENT			
PERFORMANCE DEVELOPMENT DIALOGUE***			
Blue collar		47%	80%
White collar		70%	86%
DIVERSITY			
Female leaders		20%	20%
Non-Danes in key positions		40%	40%
Employees with reduced work capacity in Denmark****		4.0%	3.8%
Employees with reduced work capacity globally		-	2.2%
ETHICS & INTEGRITY ARE OUR FOUNDATION			
GRUNDFOS CODE OF CONDUCT			
Claims		13	13
Breaches		1	1
Compliance workshops		2	1
Group entities audited		20	21
Actions in response to corruption		3	0
SUPPLIER CODE OF CONDUCT			
Sustainability audits (third party auditors)		3	15
System and process audits (Grundfos auditors)		42	53

* Comparison figures adjusted since first reported.
Waste figures for 2015 are approximate.

** Lost time injuries (LTI).

*** Based on registrations in the PDD system.

**** 2015 not comparable to 2016

SAVINGS:

5.5 billion

kWh per year equal to electricity consumption by 3.4 million inhabitants in EU or 1,200,000 households.

Indicator definitions



SUSTAINABILITY IS OUR BUSINESS

Electricity savings

Electricity savings are calculated as the energy savings by all Grundfos high efficiency circulator pumps sold in the EU between 2005 and 2016. The estimate is based on the actual sales figures for the year and assumptions about which previous models the pumps sold had replaced. The figure is calculated as energy savings in kWh per year.

Carbon emissions and energy consumption

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

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

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

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

The data provides no reporting on scope 3 emissions. Our data measurement techniques rely on the total energy consumption related to corporate operations. The carbon footprint gives a general overview of the company's CO₂ emissions and is based on reported data from the reporting entities. CO₂ emissions are measured in metric tonnes. Emissions are calculated for all activities in Grundfos companies which are included in the reporting scope.

The baseline year for carbon emissions and energy consumption is 2008. For electricity, we use local factors whenever available, if not available we use country specific factors from the IEA (International Energy Agency).

For heat and steam, we use local factors whenever available, if not available then we use the factor from the largest Danish production company ("GBJ"). This CO₂ factor for heat and steam is close to the global average.

Please note that due to an enhanced data collection process, comparison figures have had minor adjustments since first reported. The adjustments are not material.

Waste and water

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

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

Some of our (smaller) companies have no information available on water and energy consumption, as this is included in the rent and not measured. The same challenge applies to non-hazardous waste from some offices. The water consumption has been estimated, either by the local company or by Group EHS.

Please note that due to an enhanced data collection process, comparison figures have had minor adjustments since first reported. The adjustments are not material.

ISO certification

The number shows the percentage of Grundfos production companies certified according to ISO 14001 and OHSAS 18001.

Investment in the development of new products

The investment in development of new products is defined as expenses or activities related to research, development and the

launch of new products. This is indexed in relation to the annual turn-over.

Number of injuries per million working hours

Injuries are measured as lost time injuries, which have 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.

Please note that due to an enhanced data collection process, comparison figures have had minor adjustments since first reported. The adjustments are material for 2015 figures.

Working hours lost due to lost time injuries

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

Absence within the reporting year, that occurred from LTIs from previous years, is included.



SOCIAL RESPONSIBILITY IS OUR COMMITMENT

Workforce size

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

Female leaders (%)

Leaders are defined as having staff responsibility, i.e. they have people reporting to them.

Non-Danes in Group positions (%)

Executive positions are defined as Mercer band level 1 to 4, corresponding approximately to “top 100” leaders in Grundfos (these positions were previously referred to as key group positions).

Employees with reduced work capacity (%)

The indicator is calculated as the number of employees working in the company on a valid Grundfos contract who have reduced working capacity due to a permanent health issue rooted in physical, mental or social challenges or disabilities.

In cases where a Grundfos employee has reduced work capacity, work requirements can be amended or adjusted accordingly. This can include the working hours, flexibility or mobility that are expected of them, and by adjusting the content of the job and nature of the work. The purpose is to enable the employee to continue working despite the reduced working capacity.

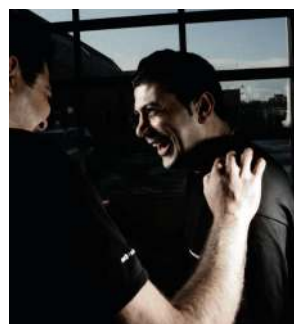
Performance Development Dialogue (PDD)

The Performance and Development Dialogue (PDD) is a formal dialogue conducted in the first quarter of each year between a manager and an employee. The purpose of the PDD is to create meaningful and motivational direction in the core areas for any Grundfos employee: performance and development.

The objectives of PDD are:

- To discuss, agree, finalise and document the goals for the year in three categories: incentivised, non-incentivised and development
- To discuss, agree, finalise and document the competencies required for performance and development
- To discuss, agree and document other areas relating to the employee's work life, such as general reflections and career aspirations

A global system called Success Factors supports the process. The figures in the report are based on registrations in the system.



ETHICS & INTEGRITY ARE OUR FOUNDATION

Compliance workshops

During 2016, one compliance workshop was arranged, which was a part of the new Finance Managers workshop. The concept was



launched in 2009, and Grundfos Corporate Internal Control (CIC) executed many workshops in order to educate the whole organisation. Workshops are now mainly conducted for new finance managers. This means that CIC expects to conduct one or two workshops each year.

Group entities audited, Grundfos Code of Conduct

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

The numbers of Internal Control visits performed by CIC during 2015 and 2016 were lower than in previous years because a number of Group wide processes were established. They support the improvement of internal control environment across some Grundfos organisations by performing Internal Control reviews of Group wide processes thus, indirectly covering internal control environment in a number of Grundfos companies.

Actions taken in response to incidents of corruption

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

System and process audits

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

Sustainability audits

Through Grundfos' Suppliers Code of Conduct we communicate to our suppliers that we expect them to operate in accordance with local and international standards in regards to human rights, labour rights, the environment and anti-corruption. In order to assess to what extent Grundfos' Suppliers Code of Conduct is embedded in suppliers' operations, sustainability audits are performed on selected suppliers. The scope of these audits is Grundfos' Suppliers Code of Conduct, and they are performed by an experienced third party selected by Grundfos.

“Sustainability and responsibility are not a department or a report. They are the very essence in every company that wants to think ahead and accomplish something greater than just creating short-term profit.”

*Mads Nipper, Grundfos CEO,
speaking at The UN Global Compact Leaders' Summit in New York City.*