



# 2020 Sustainability Report

be  
think  
innovate

**GRUNDFOS** 

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This year, we celebrated our 75<sup>th</sup> anniversary

### ON THE COVER

Children of Palos Blancos, Honduras. From the donations that our employee-initiated programme Water2Life collected, we repaired and upgraded the community's water system and provided them with access to basic water. [More on page 45.](#)



### OUR PURPOSE

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

This year's report is structured around the three core pillars of our purpose and the main changes we want to drive as a business: Water, Climate and People.

# We are Grundfos

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Two of our employees in Grundfos Singapore

**Karthik Balasubramanian,**  
Technician, Service/Specialist, Systems

**Randall Ang,**  
Engineer, Service

# CEO letter

Through a tough and demanding year, we continue in pursuit of delivering on our purpose.

Across the world, the COVID-19 pandemic has had the dramatic effect of exposing both strengths and weaknesses in our societies. As the situation has progressed, it has also highlighted the importance of the role that companies play, beyond their products, solutions and services, in the communities they serve. Innovation and agility are crucial in responding to societal issues, and I am proud to share some of our most important achievements of 2020 in this report.

As my grandfather, namesake and founder of the company, Poul Due Jensen, once said: "The world is full of problems that can be solved in a better way." This statement has always been a guiding light for us, inextricably linked to our purpose and our commitment to uphold the United Nations (UN) Global Compact.

Sustainability is at the heart of Grundfos' entire value chain, and has been from

our foundation some 75 years ago. In active collaboration with our customers, suppliers, and other partners, we are constantly striving to find new, innovative and sustainable solutions.

In 2020, Grundfos continued to enable our customers to save energy and water by introducing new technologies and business models. While many of our core products were enhanced and improved, our newly released Grundfos MG90 standard motor stands out, the re-design of which has resulted in a reduction of 20% in material usage without compromising efficiency. We are also delighted by the launch of Grundfos MIXIT, Grundfos PowerAdapt and Grundfos Smart Filtration Suite, which through real-time analytics, provide savings on water, energy, and chemicals and ensures reduced downtime of filtration systems in wastewater treatment facilities.

2020 is also the year in which we piloted a performance-based business model, Grundfos Energy Earnings. A key component of this model is Grundfos BuildingConnect, an intelligent solution which optimises a building's energy usage. Offering our customers a free energy refurbishment of their buildings in return for a share of the value of the resulting savings, is a mark of the confidence we have in the positive impact of our solutions.

As a company, we are constantly looking for new ways to improve and progress, and we are well on the way to achieving our 2025 targets to reduce our own CO<sub>2</sub> emissions and water withdrawal. In 2020, we reassessed our goals concerning climate and water, which gave us new and valuable insights into our strengths, capabilities, and limitations. As a result, we are refining our objectives, making them more precise and transparent.

We look forward to sharing more about this in 2021, including a detailed road map for each of these ambitions.

I always say Grundfos is its people. I am immensely proud by the increase we have realised in the proportion of women in the company's leadership. Having said that, there is always room for improvement. Looking ahead, we are ramping up our ambitions and building a new plan which will be implemented during 2021, covering a broader range of diversity parameters.

It was an honour to have been chosen as CEO in October 2020. Since then, I have

felt an ever-increasing sense of pride, not just in the purpose of our company, but in the contributions all Grundfos' employees make every day to solve the world's water and climate challenges and improve the quality of life for people.

I hope you will find this report enjoyable and inspirational in equal measure.

Sincerely,



**Poul Due Jensen**  
CEO and Group President



# Where we make a difference

Our solutions may not be visible in plain sight, but we are everywhere.

From providing drinking water for the smallest village to treating wastewater and bringing heat – or cooling – to skyscrapers in megacities, we provide sustainable water services every day of the year.

Grundfos iSOLUTIONS combines intelligent pumps, cloud connectivity and digital services. Together they enable real-time monitoring, remote control, fault prediction and system optimisation to reach a new level of performance. Here are some of our solutions in action in 2020.

[Explore more of our solutions.](#)



# Highlights



## WATER

### Our solutions

The pumps that we sold in 2020 have enabled our end-users to **reuse over 1.5 billion m<sup>3</sup> water per year** (the equivalent to approx. 600,000 Olympic size pools)

Through Grundfos SafeWater, we have achieved our goal to **provide basic water access for one million people** in 2020 thanks to great collaboration with our key partners, local governments, local NGOs and local humanitarian aid organisations <sup>1</sup>

### Our operations

Meeting our goal to halve our water withdrawal by 2025 with a **51% reduction** compared with 2008 baseline

### Our partnerships

Our partnership with **C40**, an organisation created and led by megacities, continues to provide a strong foundation for cities to tackle drought and flooding issues due to climate change

<sup>1</sup> Based on the JMP Ladder for Drinking Water, basic water is drinking water from an improved source, provided collection time is not more than 30 minutes for a roundtrip including queuing



## CLIMATE

### Our solutions

Our high-efficiency circulator pumps in the European Union have enabled our customers to save an estimated **10 billion kWh** (the equivalent annual electricity consumption of **6.2 million** European citizens) <sup>1</sup>

Combining solar power supply with a back-up energy source for non-stop performance, Grundfos PowerAdapt is helping to supply **140,000 people** with basic water in Nyarugusu Refugee Camp in Tanzania

### Our operations

A reduction of **36%** in our own CO<sub>2</sub> emissions compared with 2008 baseline <sup>2</sup>

**35% reduction** in our waste to landfill compared to 2019

### Our partnerships

Signed a long-term strategic partnership agreement with our partner, **Augury** to commercialise smart diagnostics solutions and services, aimed at durability and energy savings

<sup>1</sup> Annual savings from our high-efficiency circulator pumps sold in the European Union between 2005 and 2020

<sup>2</sup> Compared with 2008 baseline, including our own vehicles

# Highlights

## PEOPLE

### Our solutions

Started the **Ghana Water Initiative** to provide access to basic water and improve quality of life in communities in Ghana, by creating jobs and building competencies around water stations

### Our partnerships

Our employee engagement programme, Water2Life, celebrates its **10<sup>th</sup> anniversary**. Since the programme started, it has been providing basic water access to about **60,000** people in Kenya, Vietnam and Honduras

### Our operations

Our lost time injuries per million working hours **dropped 28%** compared with 2019

**94.4% of our employees** return to work after 14 consecutive days of sick leave, an increase of **2.2%** compared with 2019

**3.1% of our employees globally** are in reduced work capacity employment. The goal is to reach **5%** by 2025

## GRUNDFOS IN NUMBERS

**19,221**

Full-time employees (FTE)

**34**

Grundfos plants

**59**

Countries

**17**

Other brand plants<sup>1</sup>

**2.6**

Billion DKK in EBIT

**15**

Assembly sites

**4.5%**

of turnover invested in new products and solutions

<sup>1</sup> Other brand plants produce non-Grundfos-branded products, such as DAB and Biral pumps



Founder of Grundfos, Poul Due Jensen in 1971 with the Grundfos SP pump

# 75 years towards sustainability

Since the very beginning, Grundfos has attached great importance to developing sustainable solutions and initiatives for the benefit of humankind and the environment.

It was in Bjerringbro, Denmark, in 1945 that artisan-toolmaker Poul Due Jensen — founder of Grundfos — designed and built a pump to solve a local farmer’s problem to get access to clean water. Since then, we have strived to develop innovative pumps that are increasingly effective and energy-efficient and deliver innovative solutions to our customers.

The company expanded from producing 500 pumps in 1947 to 50,000 in 1959, and has since become one of the world’s leading providers of pump solutions with annual production standing at more than 16 million units. Important milestones include the development of a solar-powered submersible pump in 1982 and later, a solar-powered system and a payment solution, Grundfos Lifelink.

Our commitment to a responsible business ethos was clearly demonstrated in 1968 when Grundfos became the first Danish industrial company to open a sheltered workshop for people with reduced work capabilities.

Over the years, social responsibility has also been expressed through activities such as collections for regions hit by natural disasters and support for activities in local communities.

The launch of Strategy 2025 marks the start of an even more ambitious chapter in our drive to deepen and expand the positive contribution we make to the world around us.

## OUR VALUES



SUSTAINABLE



OPEN AND TRUSTWORTHY



RELENTLESSLY AMBITIOUS



FOCUSED ON PEOPLE



INDEPENDENT



PARTNERSHIP

## CODE OF CONDUCT

Grundfos Code of Conduct (CoC) is our commitment to conducting business based on honesty and integrity. It details our core values and sets out behavioural guidelines for good business ethics.



# Selected highlights of our sustainability journey



**1945**

Poul Due Jensen produces his first pump for a local farmer's water system



**1968**

The first flex-workshop is created



**1975**

The Poul Due Jensen Foundation is established



**1982**

The first solar-powered submersible pump is launched



**1991**

Introduction of the world's first intelligent pump with inbuilt microfrequency converter



**2005**

The Alpha Pro is launched, our first A-labelled, energy-saving, high-efficiency circulator pump



**2009**

The launch of Grundfos Lifelink



**2015**

Grundfos wins the UN's Momentum for Change Lighthouse Activity Award in the ICT category for Grundfos Lifelink water solutions



**2019**

The launch of our Strategy 2025 and our redefined purpose



**2020**

The Grundfos Harassment Prevention Policy is published

## Sustainability commitments

Read more about our commitments throughout the report.



# Strategy 2025: Our ambitions

After we introduced our Strategy 2025, we spent this year understanding what it will take to achieve our ambitions, which led to some refinements.

We transform our business by accelerating water and digital solutions



Sustainability is an integral part of who we are and how we do business, so it is naturally at the core of Strategy 2025. The strategy is built on our fundamental desire to support our purpose.

The overall Strategy 2025 focuses on:

- Significant transformations in our business to accelerate water and digital solutions — we believe these are the areas in which we can make a substantial difference to the world. With digitalisation and strategic partnerships as the key drivers, we are positioning ourselves as a global water company
- The business fundamentals of striving to be market leaders by differentiating ourselves through innovation. Through operational experience, we constantly strive to do things better, faster and simpler.

We measure success based on what we can bring to all our main stakeholders. We use both financial and non-financial parameters, including customer and employee satisfaction and the Sustainability Index, which is an

internal tool to evaluate sustainability performance and is tied to executive compensation.

### AMBITIONS AND THE SDGS

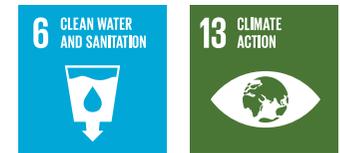
Our ambitions connect with the UN's Sustainable Development Goals (the SDGs), highlighting SDG #6: Clean Water and Sanitation and SDG #13: Climate Action as the two where we can genuinely contribute the most.

For SDG #6, our current ambitions are:

- We will halve our own water withdrawal by 2025, compared to the 2008 baseline
- By 2030, we will have contributed to providing safely managed drinking water to 300 million people in need
- Through water efficiency and water treatment, we will have saved the consumption of 50 billion m<sup>3</sup> of fresh water.

For SDG #13, our current ambitions are:

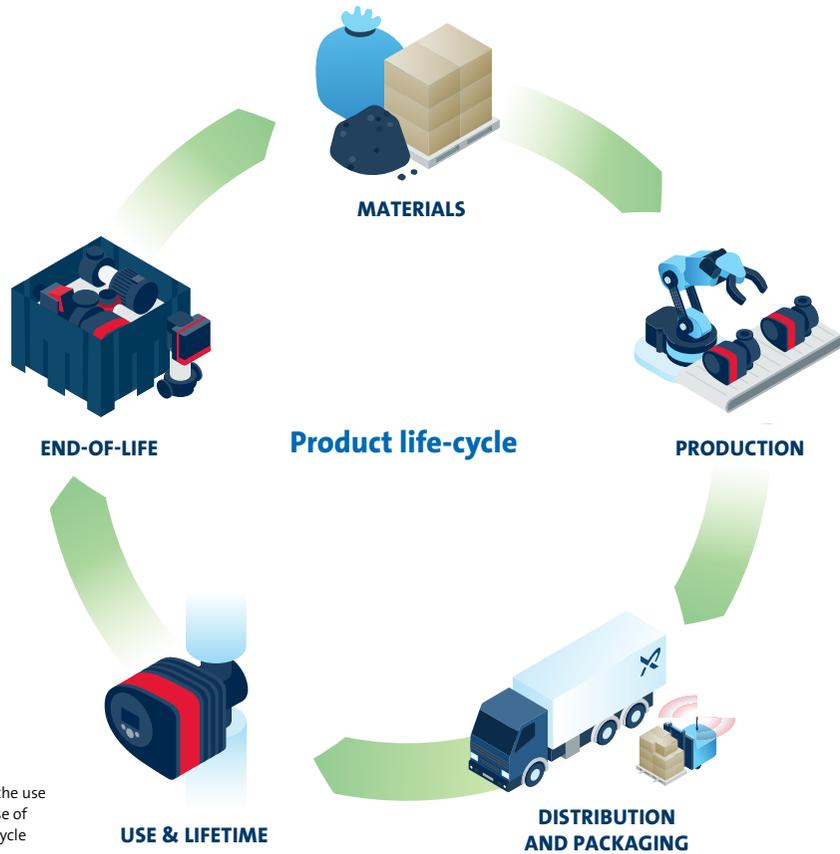
- We will halve our own CO<sub>2</sub> emissions by 2025 compared to 2008 baseline
- By 2030, we aspire towards being “climate-positive”.



### INNOVATION AND THE SDGS

We focus on working with the SDGs through innovation. We combine our core capabilities with radical new ideas and create synergies between our expertise and that of our strategic partners. We also see the SDGs as an excellent basis for partnerships. Fruitful collaboration is accelerated when our partners share the same fundamental goals and ambitions as us.

This year, for instance, we identified global cooling as a pressing area where we can play a role ([more on page 28](#)). Building on our abilities and new collaborations, we will accelerate innovation and make a significant impact beyond business.



98% of our CO<sub>2</sub> emissions are in the use and lifetime phase of our product life-cycle

**REFINING OUR AMBITIONS**

In 2020 we dived further into our Strategy 2025 ambitions and the development of a road map that will lead us towards our goals. In this process, we learnt more about our own strengths, capabilities and limitations. We worked towards setting science-based targets

with Business for Social Responsibility (BSR). One of our learnings was the need to prioritise reducing our overall footprint, including our end-users emissions while using our own products and solutions. We have also worked with internal and external stakeholders to further our ambition of contributing to

safely managed drinking water. We have become wiser in how we can define contribution in a meaningful way and what our main contributions are. Meanwhile, the sustainability agenda has also moved rapidly and we find ourselves in the process of a significant organisational change.

This has a great impact on our water and climate ambitions. We are currently revising them to be more precise and transparent and in clear alignment with our new organisation. Our revised ambitions will be presented during 2021, when we will also introduce our road map for each of them.

**GOALS FOR 2025 AS A STEP TOWARDS 2030**

While we are revisiting our ambitions for 2030, we are ambitiously working to accomplish our short-term goals and acting now to implement our 2025 strategy. The knowledge and insights we gain as we strive for immediate impact and results will guide our longer-term programme.

On an even shorter time frame, we worked this year to fully understand our impact throughout the value chain and started several key initiatives to address the issues we identified. With regards to reducing our scope 1 and 2 CO<sub>2</sub> emissions within our operations (own emissions - see [page 25 for the calculation](#)), we have drafted a clear roadmap towards 2025, and are confident we will attain our goals. We are both investing heavily in energy efficiency and gearing up to shift our entire energy consumption to renewable sources by 2030. This will continue to be a focus for us in the coming years.

We have been working with external advisers to assess CO<sub>2</sub> emissions throughout our entire value chain. Our upstream CO<sub>2</sub> emissions figure is around two million tonnes a year, which is about 20 times higher than “own emissions”. We are well aware that we need to address this uncompromisingly. We established the Green Supply Chain Management Programme, that involves various initiatives and focuses mainly on reducing our upstream climate impact ([more on page 31](#)).

We identified that 98% of our CO<sub>2</sub> emissions can be attributed to scope 3 downstream activities, particularly the use phase of our products and solutions. This confirms that the best way we can help with climate change is to forge ahead with increasing the energy efficiency of our products and solutions and developing digital solutions. This way, our customers use less power and emissions are reduced.

Reducing our CO<sub>2</sub> emissions downstream is a considerable challenge for us, considering the sizeable impact it inevitably has. Our products and solutions consume energy once they are placed in use. We also expect our business to grow, so we will be looking further into how to accomplish downstream emission reductions in the years ahead.

# Leveraging materiality to guide our future course

In Grundfos, our sustainability efforts are based on our purpose, which spells out the positive impacts we want to drive.

## ENGAGING WITH STAKEHOLDERS FOR PARTNERSHIP AND LEADERSHIP

In 2019, we conducted a materiality assessment to understand the expectations of our stakeholders, so we could deliver on the issues that are most important to them and identify ways to improve our strategic approach.

In 2020, we took a step further towards systematising how we incorporate stakeholder inputs into our internal decision-making process and overall sustainability compass. The purpose is to identify which topics are most important to our stakeholders and define flagship initiatives.

We short-listed the 38 topics that matter the most to us and our stakeholders. Afterwards, we conducted interviews

and self-service surveys with more than 100 internal and external stakeholders.

We validated the results with additional data sets such as investment bank's materiality assessments and NGO publications on sustainability issues.

We also carried out research studies in Denmark, Germany, the USA, Russia, India and China. The studies consisted of four main categories: two online forums, each with customers and employees, telephone interviews with partners and an online survey that canvassed the views of 2,362 respondents from the general public.

Our studies showed that sustainability means different things to different people. For instance, in Denmark, Germany and India, people think of it

mainly in terms of products, energy efficiency, affordability and circularity. In Russia, the focus is on the need for consistent financial growth of their enterprise. In China, Denmark and the USA, the focus is on the role that people play in sustainability.

Of the four categories of people canvassed by the research, respondents from the general public group placed the most importance on social issues such as human rights and diversity. This group also regarded acting on climate change and wise use of water as priorities, a view that aligned with the



Materiality is about knowing what is important to our stakeholders

main results of our in-depth interviews with selected internal and external stakeholders. The preliminary results of the materiality analysis, together with additional data sets, trend analysis and issue benchmarks, have been a major influence in our choices about what to focus on in this report and in our sustainability work in the future.

The 2020 materiality assessment's final results will be published in 2021 and will feed into an updated roadmap that will steer Grundfos' future narrative, investments, and decisions on sustainability.

# Our response to COVID-19

The COVID-19 pandemic continues to impact all aspects of our lives. Actions have been taken to protect our employees, customers, and suppliers as well as to help society through the crisis.

Actions have been taken to protect our employees' health and safety



Early on in the outbreak, we established a local response team in China, but as the crisis deepened this evolved into a COVID-19 global response team consisting of top management and national-level response teams.

Our global response team took a proactive approach to the situation. It established global guidelines, which in many cases were stricter than the local restrictions. Internal risk levels were set, with clear criteria to determine a particular country's risk status. We have now written comprehensive procedures

that lay out best practices based on what we learnt from the experience.

As the pandemic evolves, we see our people continue to stand side by side, making immediate and crucial decisions to secure employee health and safety and keep the business running.

We also want to protect our people and save jobs within the company, and this was communicated to all senior leaders. The Human Resources department made all possible efforts to realise this.

## BETTER TOGETHER

Despite a few temporary shutdowns of our production facilities, we have kept our global supply chain operational and have continued to serve our customers.

We emphasised virtual collaborations, for instance, by using HoloLens or beam robots. These technologies allow us to interact without being physically present. Employees were able to enter the factory virtually when their assistance was needed.

*“Our strong Grundfos DNA has helped us throughout the COVID-19 crisis. We maintain business integrity and continue serving our customers. Nevertheless, we ensure people come first.”*

### Lone Tvis

Group Executive Vice President, CHRO



Grundfos India distributed 1,000 food kits to the underprivileged near its facility in Chennai

*“Leveraging our size and financial strength, we wanted to support critically important suppliers and small, local suppliers to continue their businesses.”*

**Silvio Vanzo**

Group Senior Vice President,  
Group Purchasing

Due to the pandemic, many small businesses had to cease operating, while others have been forced to slow down activities significantly. We kept in close contact with our suppliers to ensure we were aware of how the pandemic was affecting them. We provided financial support for selected small, local suppliers by improving payment terms and focusing on immediate payments.

**HEALTH AND MENTAL WELL-BEING**

Starting in April, we conducted a 10-week survey to assess employees' health and mental well-being. The overall result showed that 84% of respondents felt “okay” or “better than okay”. We followed up with the COVID-19 Challenge survey to understand how the pandemic affected our employees' work and life.

More than 2,500 employees in more than 40 countries replied, and we identified that “worries and fear for the future” as well as “lack of social interactions” were the major concerns. The dramatic change in the way we work — many people had to start working exclusively from home — has led us to initiate an internal study into how our ways of working will change in the future.

**SUPPORTING SOCIETY**

Many of our companies and employees also engaged in supporting their local communities. Employees in Hungary donated a dosing pump and two ventilators to two hospitals in Tatabánya and Székesfehérvár. Grundfos Ukraine donated infrared thermometers and medical devices requested by the healthcare staff at two local hospitals. Our production plant in Bjerringbro produced up to 5,000 face shields a day for Danish health services and also sent them to France, where they were distributed to hospitals, care centres for the elderly and ambulance services.

As the pandemic continues to challenge globally into 2021 we will continue to monitor the situation closely. We will follow national guidelines as a minimum and will continue to support our employees, customers, suppliers, and communities.

[More about our continuous efforts and progress related to COVID-19.](#)

**COMMUNITY GRANT TO FIGHT THE PANDEMIC**

The Poul Due Jensen Foundation started a Community Grant to support Grundfos companies in their collaboration with local NGOs, institutions, and authorities in activities and initiatives that benefit local communities.

For 2020, the Foundation allocated a total of DKK 20 million as a community grant reserved for COVID-related local outreach.

Two examples are:

- Grundfos Philippines partnered with the Asia Society for Social Improvement & Sustainable Transformation (ASSIST) in the Baseco compound, Manila, to provide access to clean water for about 5,000 people a day plus a separate WASH training project that reached 60,000 people with WASH and disease-prevention information
- Grundfos Italy partnered with the voluntary organisation Aleimar OdV in a pilot project to test collaborations between schools and the NGO.

# Water

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Our Grundfos AQtap water ATMs deliver basic water in 39 villages covering about **45,000 people** in Uganda.

[More on this story](#)

# Two sides of water

The global situation today is one in which countries face a highly challenging outlook (COVID-19, climate change, scarcity of resources, etc), but at the same time have arguably more opportunities than ever before.



**By: Kalanithy Vairavamoorthy**

Executive Director,  
International Water Association (IWA)

Kala Vairavamoorthy is an internationally recognised water resource management expert, with a particular interest in urban water issues. He combines a strong engineering background with practical international experience. He has published extensively and has worked closely with organisations such as the World Bank, UNESCO and the EU. Currently, he is working for [IWA](#).

*“Clearly the greatest challenges are faced by those in developing countries, where even basic provision of water and sanitation services is by no means guaranteed.*

*However, no country is immune to the challenges of providing secure and safe water and sanitation services to their population. We have, for example, seen significant issues such as flooding and droughts recently in many places, including the USA and Australia.*

*While in some ways these challenges can appear insurmountable at times, the development of new technology and innovative solutions is the pathway to improved service provision and outcomes.*

*For example, digitalisation of the water sector has the potential to completely revolutionise how we address and solve problems such as the continuity and efficacy of supply. While taking a 'circular economy' approach to sanitation can make waste products a resource, rather than a burden.*

*The international consensus on climate change, which led to the 2015 Paris Agreement, shows that the scale of the challenge is now being recognised.*

*The water sector firstly needs to do more to project ourselves as a key component in international efforts to mitigate against climate change, and then to build a global consensus on what is needed to support and revolutionise our sector.”*

**In Grundfos**, digital technologies play a big role in helping to address some of the world's global water crisis.

For example, in water and wastewater utilities, we use digital technology and artificial intelligence in remote sensing, asset management, predictive analytics and more to improve efficiency, sustainability and to save costs.

The same applies to Grundfos AQTap system, an intelligent water ATM that addresses some of the main challenges of providing reliable and sustainable water supply in the developing world.

# Our solutions

We are transforming ourselves from being a pump company to being a provider of wider solutions for every aspect of water use. Moving and preserving water in an energy-efficient way is our business; this is where we can make a positive difference.

Water reuse turns wastewater into resource at our plant, Bjerringbro.  
[More on this story](#)



## Treating and reusing water in industry

Agriculture, industry and human consumption account for most of the world's fresh water usage. All three categories are expanding, which means, the global water deficit will inevitably widen. We play our part in addressing this challenge by focusing on several areas where we can create impact. Our main focus is on water treatment and reuse in industry.

We have set ourselves the goal of enabling our end-users to save 50 billion m<sup>3</sup> of water by 2030 through water efficiency and water reuse. We want to provide solutions that allow them to move away from the unnecessary use of clean, potable water for industrial purposes so that such water can be made available for drinking. We do this by building on the foundation we already have: quality pumps that are used in industrial water treatment systems. Through the pumps that we sold in 2020, we have enabled our end-users to reuse over 1.5 billion m<sup>3</sup> water per year.

Take brewing companies, for instance. Water is essential in brewing companies as it is a vital element both as an ingredient and for cleaning during the brewing process. At its brewery in

Fredericia, Denmark, Carlsberg Group has started installing water recycling technology where our solutions can support the brewery to reuse 90% of their process wastewater. Scheduled to be fully operational in 2021, it will be the world's first brewery to virtually eliminate water waste, cutting the amount of water used to produce beer from 2.9 per hectolitre to 1.4 per hectolitre.

Another example of how our solutions enable our end-users to reuse water is in cooling towers, which is an important but water-intensive part of many industrial processes and temperature-control systems. Generally speaking, about 30% of the water used is lost to evaporation, drip loss, leakage, and discharge. The amount of water lost in these towers can be cut by one-fifth through reuse. However, one of the main challenges in reusing cooling tower water is the growth of algae, which can impair the system's efficiency and pose health risks.

[Grundfos' dosing and disinfecting](#) offerings can minimise and support our customers in terms of compliance and water conservation. "The global market for these systems is growing, driven by regulation and human behavioural changes. In optimal cases, such a system can result in up to 60% of the wastewater being suitable for reuse.

### EUROWATER ACQUISITION

In November, we welcomed new employees as a result of the acquisition of the water treatment company Eurowater. Eurowater offers water treatment solutions that provide customers with a safe, daily supply of water of the desired quality and quantity – drinking water, softened water, demineralised water, and ultrapure water. More on this acquisition in our [Annual Report 2020](#).

Constant development of our pumps and intelligent pump solutions is a priority. We are also focusing on developing our capacities to deliver increased value directly to our end-use customers,” says Michael Skovgaard, Senior Director, Business Development, Water Treatment.

Another solution to improve water efficiency is [Grundfos Demand Driven Distribution \(DDD\)](#); patented by Grundfos for the intelligent management of the pumping systems, capable of adapting to the actual requirements of water networks. In 2020, we helped a water supply plant in Persiceto, Italy, managed by Gruppo HERA, supplying 289.3 million m<sup>3</sup> of potable water to 3.6 million citizens in 330 cities across four Italian regions to optimise a smaller subnet. Through this project they managed to save 58,000 m<sup>3</sup> of water with an annual energy saving of around 110,000 kWh.

### OUR 2020 INNOVATIONS

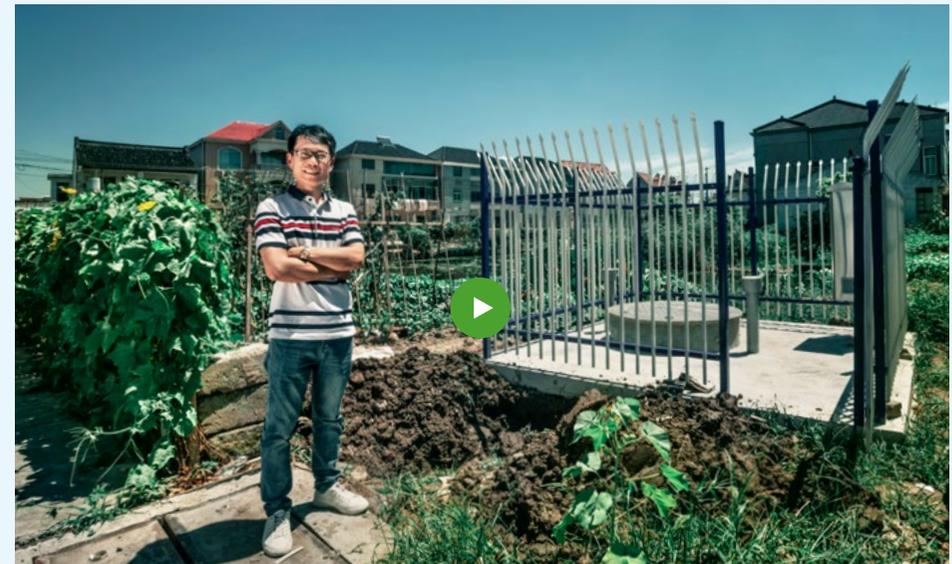
This year, we introduced the [Grundfos Smart Filtration Suite \(SFS\)](#), which through real-time analytics, optimises filtration systems to operate in the most cost-efficient and sustainable way, providing savings on water, energy and chemicals and ensuring reduced downtime of filtration systems in wastewater treatment facilities.

Our Grundfos DynaFilter, also launched this year, is a dynamic membrane and separation technology for industrial process water treatment such as process wastewater treatment for water reuse, automotive parts washing, electronic industry parts washing and more. By de-oiling, including emulsions, of process water, it minimises the need for cleaning. It saves costs for chemicals and labour, reduces production equipment downtime, and also saves heating energy for the wash solution by extending the wash bath lifetime.

### Grundfos SafeWater

According to the World Health Organization (WHO), between 2000-2017, 1.8 billion people have gained access to basic drinking water services, but nearly 800 million people worldwide still lack access to basic water services. One-third of the world’s population does not have access to safely managed water.

We are pushing the envelope of commercial viability so we can place our



### IN PRACTICE:

## Improving wastewater collection in Pudong

In Pudong New Area, Shanghai, China, the local government launched a programme to expand wastewater treatment to the entire district.

We supported this programme by providing 163 [Grundfos Prefabricated Pumping Stations \(PPS\)](#). This flexible, smart, and environment-friendly solution has contributed to a more

liveable environment for about 920,000 villagers. Thanks to its integrated, underground design, it offers the significant advantage of not occupying land needed for other purposes.

Ye Xin, the head of the rural wastewater improvement project in Datuan Town, Pudong, says, “Now the overall wastewater collection rate can exceed 95%, with some areas achieving 100%. The proper collection and treatment of wastewater will help build a more beautiful and liveable environment and countryside, leading to a happier life for villagers.”

More functions can be added to PPS, such as water level control, water quality and flow monitoring



#### IN PRACTICE:

### Reaching milestones in Sub-Saharan Africa

In 2016, together with World Vision, we undertook to provide basic water for two million people in Sub-Saharan Africa within five years and we have managed to exceed our goal.

More than 2.4 million people in the region now have access to basic water.

A total of more than 1,000 solar-powered Grundfos pumps have been installed in villages. “We are truly excited about reaching this milestone in our partnership with World Vision. We are proud that our solutions, combining innovation with robustness, make water available to people in need,” says Pia Yasuko Rask, Director of Grundfos SafeWater.

Aiming higher, the next ambition from this partnership is to reach another four million people by 2024. [More on the story.](#)

More than 2.4 million people in the Sub-Saharan Africa now have access to basic water

experience at the service of the world's most water-poor communities. But how do we reach millions of people with robust, lasting water solutions, when the end-user cannot afford to pay? This is what our new business unit Grundfos SafeWater is trying to figure out. The aim for 2020 was to improve basic water access for one million people. By 2025, we aim to reach 10 million people per year – totalling about 25 million people in this five-year period.

Based on our partners' calculations, we have reached 1,002,687 people globally, which means that we have exceeded our goal of reaching one million people this year. It is a result of great collaboration with our key partners, local governments, local NGOs and local humanitarian aid organisations.

#### ABILITY TO ADAPT DURING THE PANDEMIC

Despite our good results, the COVID-19 pandemic has been a spoke in the wheel. While the new reality has complicated life for Adventist Development & Relief Agency (ADRA), one of our closest partners, it has helped ADRA to take advantage of the work-from-home dispensation.

“We have had to develop new skills and procedures that are not dependent on our physical presence. One example is new remote training approaches. This has required some new tools and a period of time for users to learn them and adapt

their workflow,” says Jason Brooks, senior technical adviser in ADRA. ADRA's ability to adapt has proven invaluable. “The pandemic has increased the global focus on the importance of access to basic water. We have experienced an increase in demand from our customers and we expect that to continue,” adds Hanne Jørgensen, Global Key Account Manager, Grundfos SafeWater.

#### ACCESS TO BASIC WATER IN THE GATSIBO DISTRICT, RWANDA

Many villagers depended on rivers and streams for water, which they had to share with their livestock. They had to carry 20-litre jerrycans up a narrow hillside path to get water to their villages. Due to bad water quality, there was an increase in water-borne diseases and deaths, especially among children. Medical bills skyrocketed and productivity declined. It started a spiral of poverty.

The Gatsibo District and World Vision teamed up with Water and Sanitation Cooperation in Rwanda (WASAC) to construct a new water supply system. World Vision Rwanda reached out to Grundfos, and we supplied the solution Grundfos CR pumps and [Grundfos Renewable Solar Inverter \(RSI\)](#) were installed. As a result, the system now provides basic water 24 hours a day directly to the village, and medical bills have been reduced by 75%.

# Our operations

We are continually improving our ways to reduce our own footprint with main impacts related to fresh water withdrawal and wastewater discharge.

## Water withdrawal

Our operations account for more than 80% of our water-related impacts.

In 2020 we used the World Resources Institute water risk map to chart all of our sites, using the findings to draw up a five-year plan to address the challenges that were identified. The initiative found that 44 of our sites are located in water-stress areas.

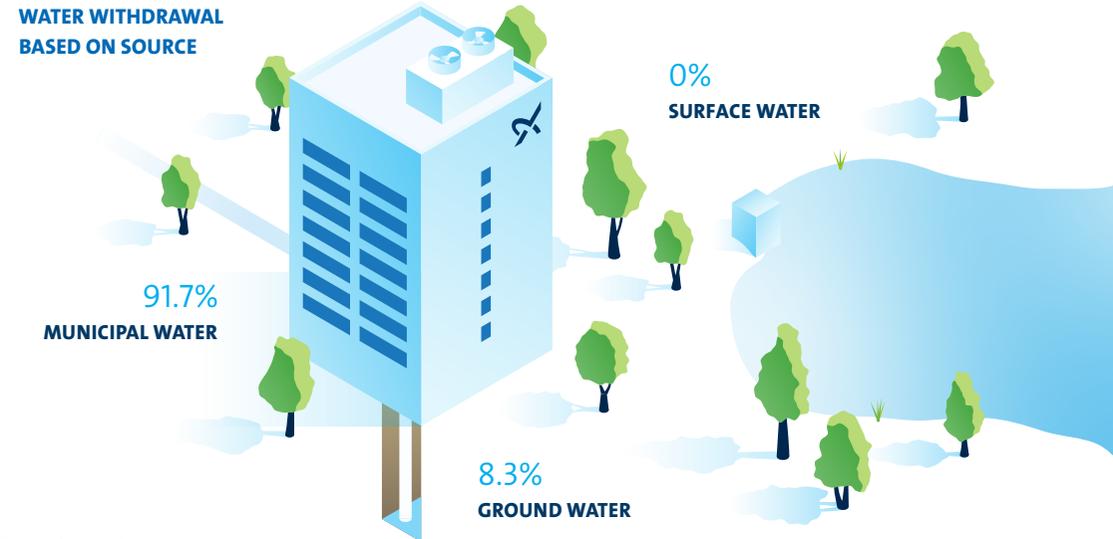
We will focus our efforts to mitigate risks at those locations where we have the largest negative impact. We are considering the advisability of setting context-based water targets in the future, but we need to further assess the maturity and applicability of the methodology.

In 2020, we withdrew 318,469 m<sup>3</sup> of water, 67,591 m<sup>3</sup> less than in 2019, and a 51% reduction compared with 2008. The figures suggest that we have reached our 2025 goal to halve our water withdrawal against the 2008 baseline. However, this was partly influenced by the lower activity level due to the COVID-19 pandemic and not only conservation measures. We foresee that in 2021 our water withdrawal will rise again. Nevertheless, it does not change the fact that we are well on the way to reaching our 2025 goal ahead of time. We are currently looking into what we will do next.

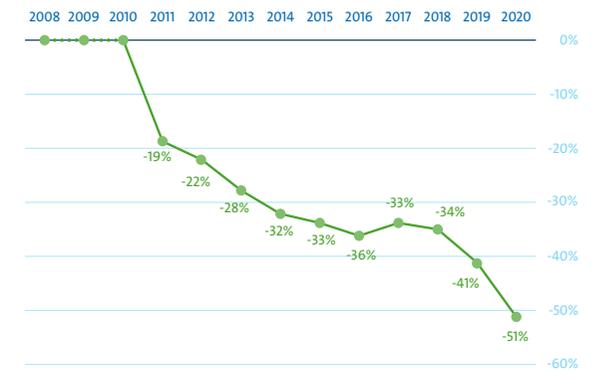
This year, we invested around DKK 4.7 million in water-efficiency and recycling projects. Our plant in Wuxi, China

introduced electrolytic equipment to treat wastewater from painting processes so it can be reused. This solution not only achieves water savings but also significantly cuts the generation of hazardous wastewater. Together with a local rainwater collection project, this solution has won the Wuxi government award as a Model Project of Water Savings.

Water discharge is an area where we track our own performance, ensuring that our sites operate in line with the requirements of local legislation. We have set a goal of 2030 for net-zero discharge. We are in the process of creating a robust methodology, a roadmap, and KPIs to reach that goal and track the progress.



## REDUCTION OF WATER WITHDRAWAL\* (m<sup>3</sup>)



\*Baseline year is 2008. Dotted lines indicate insufficient data.

# Our partnerships

By strengthening our network of global partners, we can achieve our ambition of providing a safe, reliable and sustainable supply of water to the world.



## WATER AGENDA IN C40

In many cases, the governors or mayors of cities play a vital role in addressing climate and water challenges. Our partnership continues with C40, an organisation created and led by megacities working together to tackle climate change. As part of the City Advisory Group, we see our role as promoting the water agenda, particularly in terms of how cities adapt to climate change events such as flooding.

In 2019 the Poul Due Jensen Foundation and C40 decided to collaborate on the project “Water Safe Cities of the Future” as a way of building the group’s knowledge base on water-related climate risk and of raising the profile of water on the C40 agenda.

The project kicked off in March 2020 and the first research phase, identification of the major climate-related risks facing the urban water sector, has now been finalised. The research findings will support the key C40 agenda as set out in the Leadership Standards, and will boost urban resilience by providing a stronger foundation for cities to tackle drought and flooding issues. This work will become increasingly important as cities, countries and populations around the world experience the effects of the climate crisis. “Cities are experiencing drought and

floodings right now as the impacts of the climate crisis hit. Grundfos’ partnership with C40 is crucial to supporting our cities to be more water resilient,” says Mark Watts, Executive Director C40.

In addition, the C40 has set new Leadership Standards, mandatory membership criteria that set a new global benchmark for climate ambition including adaptation and climate resilience. [More about the partnership.](#)

## SUPPORTING THE EU’S WATER FRAMEWORK DIRECTIVE

Grundfos joins a global group of leading businesses in advocating that the EU’s Water Framework Directive, which sets world-leading standards, be maintained as it is. “The Water Framework Directive is vital in preserving and protecting water resources within the EU. It puts the EU countries in the front regarding

*“The C40 project on ‘Water Safe Cities for the Future’ is already delivering remarkable results that will pave the way for mayors to deal with their climate-related water risk in the future.”*

**Poul Due Jensen**, CEO

water preservation and access to clean water, which is indispensable from both a humanitarian and an economic perspective. We want to keep it that way,” says Peter Trillingsgaard, Group Vice President, Sustainability, Communication and Public Affairs.

According to State of Green, a non-profit public-private partnership between the Danish Government and Denmark’s business associations, non-revenue water, which is water that has been produced but “lost” before reaching the customer, is a major challenge. Around 25%-50% of all distributed water globally is lost due to illegal connections, inaccurate metering, physical leakages, and other reasons. Recent legislation requiring EU countries to reduce non-revenue water levels by 2030 has highlighted the issue. [More about The Water Framework Directive.](#)

### SHIFTING PRIORITY

Together with South African NGO Save our Schools (SOS), we were closely involved in planning for the inaugural W12 Congress in Cape Town.

The intention of the congress was to bring together influential people from major cities that are likely to face extreme water challenges similar to the drought Cape Town endured in 2017.

The in-person congress, which had been scheduled for mid-May 2020, was postponed due to COVID-19. Together with the NGO, we shifted our priority towards fighting COVID-19, and carried out an emergency water and sanitation project in the Bloekombos community in Cape Town.

It is one of the fastest growing informal settlements in the city, housing around 50,000 people. Lack of infrastructure means they have to use communal toilets and do not have adequate access to water. Local schools have to pack more than 60 children into a classroom.

The project involved the installation of community hand-washing stations to provide better access to water and sanitation. With a donation from the Poul Due Jensen Foundation via our Community Grant initiative, a total of 14 washing stations – each can store 5,000 litres of water – and liquid soap dispensers were installed and are fully operational.

Annaikeni pond is estimated to cater to the needs of around 8,000 to 10,000 individuals (within its one-km radius)

### IN PRACTICE:

## Restoring lakes in Chennai

Climate change has had a severe impact on Chennai, India. Grundfos India plays its role by restoring lakes in the area.



The first project began two years ago at a 2.5-acre temple pond, Gangai Amman Koil Kulam in Injambakkam.

Together with Hand in Hand India, we cleared the pond's bed, strengthened the bund, and built fences and plantations around the water body. About 100 trees were planted and 4,000 fingerlings were released into the lake to balance the eco-system.

“By restoring these water bodies, we are not only strengthening the eco-systems and indigenous habitat, but also their connection to people,”

says Mahathi Parashuram, Regional Head, Public Affairs, Communications & Engagement, Grundfos Asia Pacific Region.

The second project, in partnership with the Environmentalist Foundation of India (EFI), involved the rehabilitation of Annaikeni pond in Sholinganallur, Chennai. Completed in November, the work included excavation of the water holding area to increase capacity by 18%-20%, strengthening the surrounding embankment, fencing, and the planting of indigenous species around the pond. “We realised the

importance of partnering with the local community to ensure the long-term maintenance of the pond. We have set up a committee comprising those who have been closely involved in the project through their volunteering efforts,” adds Mahathi.

Grundfos is now partnering with Cognizant, The Nature Conservancy, Care Earth Trust, and the Indian Institute of Technology Madras in a project to restore the 100-acre Sembakkam lake, which is expected to be completed in 2021.

# Climate

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Our employees in  
Service & Solutions

# Our climate emergency

Human-induced climate change is not only happening, it's also accelerating and so are its impacts.



**By: Wayne Visser**  
Professor, PhD

Prof. Visser is a "pracademic" writer, speaker and poet. He is a Fellow, Head Tutor and Lecturer at the University of Cambridge Institute for Sustainability Leadership. He is Professor of Integrated Value and holds the Chair in Sustainable Transformation at Antwerp Management School, supported by BASF, Port of Antwerp and Randstad. He is the Founder of CSR International and Director of the think-tank Kaleidoscope Futures Lab. [www.waynevisser.com](http://www.waynevisser.com)

*"The past ten years has been the hottest decade ever experienced globally, and 2020 shared with 2016 the dubious honour of being the hottest year on record. But referring to global warming – such as the fact that global average temperatures have increased 1.1°C compared to pre-industrial levels – risks missing the point that a hotter world is also a much more volatile world.*

*The effects of climate warming are that we experience more extremes in weather: more severe storms, more devastating floods, more crippling droughts. We are already beginning to see the human and economic impacts. In 2020, natural disasters claimed some 8,200 lives, with*

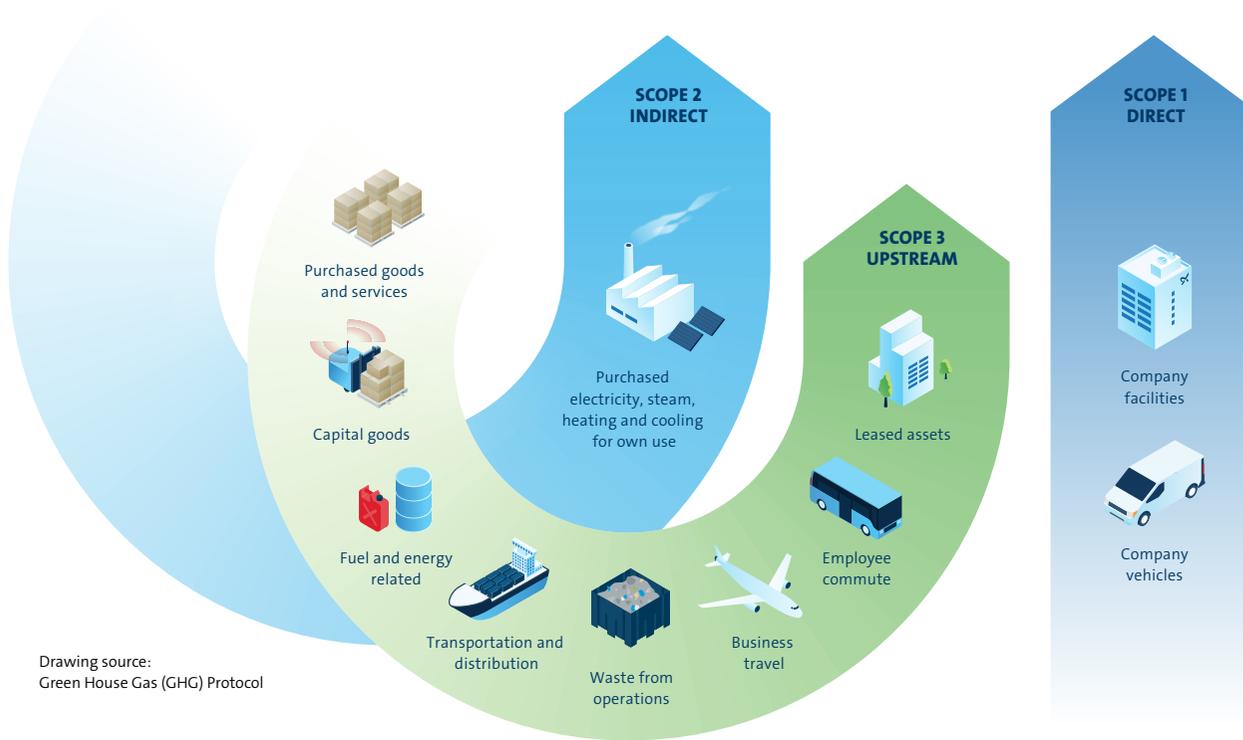
*global losses of USD 210 billion, of which only USD 82 billion (60%) of these were insured. Both overall losses and insured losses were significantly higher than in the previous year, which recorded USD 166 billion in losses with USD 57 billion insured.*

*These should be reasons enough to treat climate change as an emergency. But they are not the whole story. If we do not act boldly in the next 10 years to reduce carbon emissions by at least 50%, there is a danger that we will tip into a 'runaway climate change' scenario, where reinforcing feedback loops in the climate system cause temperature increases of up to 6°C.*

*By contrast, the 'safe' level is 1.5°C, which is the goal of the Paris Climate Agreement. This is why, today, if any company is not adopting science-based targets for reaching carbon neutrality by 2050 or earlier, it should not claim to be responsible or sustainable."*

**In Grundfos**, we believe that everyone needs to play an active role and join in a concerted, ambitious effort to build a net-zero carbon economy. That is one of the reasons we have committed to Business Ambition for 1.5°C based on the criteria of the Science-Based Target initiative (SBTi).

## Moving forward on science-based targets

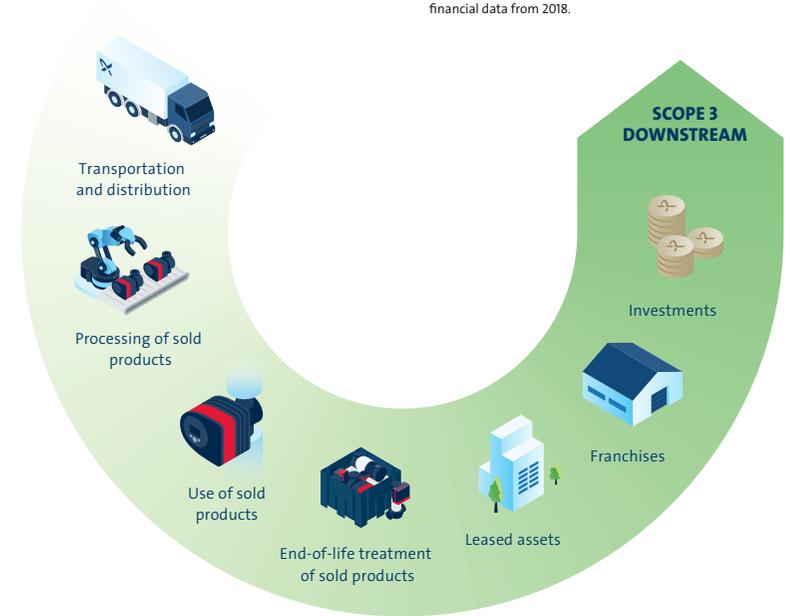


Drawing source: Green House Gas (GHG) Protocol

## GRUNDFOS CARBON FOOTPRINT

Scope 1 and 2	<b>0.095 CO<sub>2</sub></b>
Scope 3 upstream	<b>2 CO<sub>2</sub></b>
Scope 3 downstream	<b>114 CO<sub>2</sub></b>

In Megatonnes. Estimated based on financial data from 2018.



As part of this effort, we have been working with external advisers to assess CO<sub>2</sub> emissions throughout our entire value chain. We have used Life Cycle Assessment (LCA) data to translate our financial spend for different material categories into CO<sub>2</sub> emissions. Our scope 3 CO<sub>2</sub> emissions in the upstream portion are estimated based on financial spend split into different material categories.

Our downstream scope 3 CO<sub>2</sub> emissions are calculated based on product data and assumptions regarding running hours and expected lifetime emissions, based on products sold in 2018.

While we have set 2025 targets for accelerating sales of energy-efficient products, growth in sales and projected changes in our product mix mean that

will have to revisit our targets for specific “high-impact” product categories and set even more ambitious goals if we are to comply with the Paris Agreement. We are committed to doing so and will work further on this in 2021.

We have therefore postponed our initial plan to report our targets for validation by the SBTi in 2020 and will do it in 2021.

SCOPE 1 AND 2 OUR OWN EMISSIONS	SCOPE 3 UPSTREAM	SCOPE 3 DOWNSTREAM
<ul style="list-style-type: none"> <li>Actual annual emissions based on monthly and annual reporting of electricity, gas and emissions</li> <li>Includes own vehicles</li> </ul>	<ul style="list-style-type: none"> <li>Around 20 times higher than our own emissions</li> <li>Estimated based on financial data from 2018 using the tool Quantis to estimate CO<sub>2</sub> equivalents</li> <li>Including both direct and indirect spend</li> <li>CO<sub>2</sub> logistics: Around 0.083 megatonnes CO<sub>2</sub></li> <li>Actual monitoring and reporting of CO<sub>2</sub> focus on the 30 suppliers with the highest impact</li> </ul>	<ul style="list-style-type: none"> <li>Comprising about 98% of our total CO<sub>2</sub> emissions</li> <li>Estimated based on sales figures from 2018 and by estimating lifetime emissions from our products</li> <li>Based on an average lifetime of 10 years</li> <li>Includes all Grundfos-branded products, excluding DAB and Biral</li> </ul>

# Our solutions

Continuously pushing the boundaries of innovation and digitalisation, our most prominent contribution to tackling climate change are our energy-efficient products and solutions.

## PRODUCT LIFE-CYCLE

### An essential part of the design phase

An essential prerequisite for reducing our negative impact is that we work systematically with sustainability all through our value chain, including the very early design phase of our products, long before those products reach our customers.

To aid us in this, we integrated the Sustainable Product Solutions (SPS) Toolbox, an internally developed eco-design tool, into our strategic planning, frontloading and product development processes starting in 2018. The SPS Toolbox aims to help us set specific targets for reducing the impact of our products throughout their life-cycle and it is now mandatory for all product development projects to work with the SPS Toolbox.

Since its introduction, we have been testing the SPS Toolbox, focusing on eco-efficiency and aiming to embed circular economy principles. During this time, we have realised that our focus should rather be on making the current version work better, before trying to add more elements to it.

Therefore, this year, we have started collaborating with our business segments to better understand market needs in terms of more sustainable products. These insights will provide us with product sustainability strategies; making the process of setting expectations, aims and targets and of improving products more effective, as well as ensuring that environmental sustainability is an integral part of the project portfolio.



The new Xi'an Jiaotong University has welcomed its first batch of students in 2020

## IN PRACTICE:

### Green energy fuels smart campus in China

Between Xi'an and Xiangyang, in western China lies iHarbour, where the new Xi'an Jiaotong University, which is constructed according to green-building concepts, is located.

Jointly constructed by the university and the Xixian New Development Zone, iHarbour covers about 1,750 acres and includes 52 building units, from research institutions to a student living area. "If we compare it with a residential compound with an average living space of 20-30 m<sup>3</sup> per person, the scale of iHarbour is equivalent to a community of 60,000 people," said Cao Qiankun, the technical lead of iHarbour from the Shaanxi Construction Engineering

Installation Group. The water supply and drainage systems for all building units use Grundfos solutions.

"The iHarbour project is a significant milestone for scientific and technological innovation in western China. We installed high-quality equipment during the construction process, and completed the construction of what became an award-winning project," adds Qiankun.

*“We must keep innovating and continue to make bold choices to bring even more energy-efficient solutions to the market.”*

**Ulrik Gernow**

Group Executive Vice President, CCO

## Energy-efficient products and solutions

We ensure that innovation adds value for our customers and our business and enhances sustainability. We see this as an invigorating process that inspires bold initiatives. This year, we invested 4.5% of our profit to invest in new products and constantly explored the benefits of new technology to enhance our products' performance and raise efficiency levels.

For instance, the newly released **Grundfos MG90** standard motor in the power range 1.5-2.2kW, which has a vital role in **Grundfos centrifugal (CR)** and **Grundfos centrifugal modular (CM)** pumps. With Simulation-Driven Development (SDD), we simulate

the design and optimise the motors' magnetic circuit. Without compromising its efficiency, the motor now uses less materials by 20%.

Enabling our customers to reduce their CO<sub>2</sub> emissions is one of our main priorities. Since 2005, we have been calculating the electricity savings attributed to our **high-efficiency circulator pumps** sold in EU. The savings from these pumps in 2020 were about 10 billion kWh of electricity, which is equivalent to 6.2 million EU residents' annual electricity consumption.

### ENERGY SAVINGS IN HEATING AND COOLING

Climate change has also been high in some countries' agenda. China commits to achieve carbon neutrality by 2060. EU leaders also have an ambitious 10-year target of cutting greenhouse gas emissions by 55% from the 1990 level.

Since heating and cooling constitute around half of the EU's final energy consumption, it shows that the heating and cooling sector has a crucial role to play to reach the ambition.

In late 2020 we have launched **Grundfos MIXIT**, an all-in-one mixing loop solution designed for heating and cooling systems. Despite the compact design and simplicity, the integrated design of Grundfos MIXIT features functionalities such as temperature controls, eco functions and power/energy monitoring

which enable energy savings and real-time off-site optimisation. We are looking forward to unlock the potential of benefits of Grundfos MIXIT together with our customers.

Cooling is an area where we can help end-users to save energy. With our **Grundfos Energy Check Advanced** and **Grundfos iSOLUTIONS** package, we support a chemical manufacturer to annually save its energy for more than 50%. Before the upgrade, the cooling tower pumps and cooling fan consumed 78 kW. After the retrofit, the peak consumption is 35 kW.

In heating, we have **Grundfos iGRID**, a demand-driven district heating solution that divides district heating grids into smaller low-temperature zones. It leads to a differentiated setup based on the actual building demands. To reduce heat loss in the grid as much as possible, temperatures are optimised based on real-time data. The data is used to adjust temperatures to exactly the required level.

By having low temperature zones in the grid, it will be possible to use heat pumps much more effectively. This in turn allows the use of more carbon neutral energy sources.

PowerAdapt helps to supply around 140,000 refugees in Nyarugusu Camp, Tanzania with basic water





After Grundfos Energy Earnings stepped in, the Ramayana Waterpark in Thailand, pay for themselves with about 30% energy savings

We currently have 400 connected devices which have been rolled out in Denmark, Poland, France, and Finland. During the coming years, it will be available in all European countries with significant district heating infrastructure. “Through data handling agreements, we can access heat meters in buildings and identify poorly performing buildings. Our energy technicians will optimise and lower the return temperature, thus improving product efficiency,” says Carsten Østergård Pedersen, Business Development Director, District Energy.

#### REDEFINING SOLAR WATER SOLUTION

**Grundfos PowerAdapt** is a new Grundfos product that makes it easier to use solar

power for water supplies that require a reliable and constant energy input to operate 24 hours a day. This plug-and-play solution allows a pump to draw power it needs from a back-up source, such as a grid or generator, during the hours of darkness.

“We expect this product will help to expand our solar water solutions, because it overcomes what is a key obstacle for many customers in using solar power as their primary energy source,” explains Product Engineer, Tobias Malik Vermehren.

The solution is now fully operational in Nyarugusu refugee camp in Tanzania,

where it supplies about 140,000 people with water from a series of boreholes equipped with Grundfos submersible pumps. “The drinking water is safe and that translates directly into improved health and saving lives,” says Will Furlong, Water Mission’s Regional Director in Tanzania. This is a result of ongoing cooperation between Water Mission, the Poul Due Jensen Foundation, the camp authorities (UNHCR and Norwegian Refugee Council in particular), and the Tanzanian government.

#### A WIN-WIN BUSINESS MODEL

The **Grundfos Energy Earnings (GEE)** business model is rooted in our research to establish where the most powerful pumps are used and where most energy is consumed. Especially in regions with warm climates, we can optimise the cooling systems, in commercial buildings, such as hotels, if we take responsibility for the whole system, not only the pumps. By doing so, energy usage can be reduced while ensuring a positive financial impact.

The key success factor is **Grundfos BuildingConnect** using the GEE model: our process of understanding buildings as a whole and providing intelligent solutions to achieve maximum system performance. Although it is still in its infancy, we have piloted these installations on four hotels in Denmark and the early results are encouraging. The energy savings are clear.

#### HOW GRUNDFOS ENERGY EARNINGS (GEE) WORKS

We engage in long-term strategic partnerships with customers, leading to both sides benefiting financially from minimising energy usage. In terms of the performance-based contract we sign with customers, we provide them with a free energy refurbishment of their buildings, and in return, both sides share the value of the energy savings. After seven years, the customer can buy the equipment for DKK 1.

In five other hotels in Thailand and Vietnam we are using our knowledge in HVAC systems to increase their energy savings. The model’s precise impact will become clear once we can measure the long-term energy savings.

“We are the first-movers in the market, and we see this as a high-potential offering for which there is huge demand,” says Nicolai Thrane, Regional Service Director, Asia-Pacific region.

Ramzi Nassif, Head of Global Service Sales Commercial and Domestic Buildings adds, “We believe that this holistic approach will help companies that are looking to improve their environmental footprint through energy optimisation to reach their sustainability goals.”



The goal of our take-back programme is to collect up to 500 tonnes of end-of-use circulators by 2025

# Our operations

We strive to integrate sustainability into every part of our value chain and commit to push ourselves even harder to reduce our environmental footprint.

## Circular economy

We aim to shift from a linear mindset towards a circular paradigm, where supply chain, products, manufacturing, and distribution are designed for circularity and resource recovery. This will allow us to achieve sustainable growth. Key initiatives include the take-back programme, exploring circular business models/market offerings, resource recovery throughout the supply chain, circularity in design and disassembly and remanufacturing, and finally reduction of waste to landfill.

### THE TAKE-BACK PROGRAMME

Our take-back programme allows us to improve the water and climate impact through reuse, remanufacturing and recycling of materials and components. "The strategy is to refurbish and remanufacture to keep materials in the loop, thus they will not disappear in waste and landfill and be burned. The

smaller the loop, the less climate impact and water we use," says Joost Maarse, Lead Project Manager, Circular Economy.

The ambition is to collect the equivalent of 500 tonnes by 2025. This year, in collaboration with key customers in Denmark, Argentina, the Netherlands and the UK, we collected 14,665 kg, an increase of 22% compared with 2019. Despite difficulties in collecting the products caused by the global pandemic, we managed to retrieve an amount relatively close to our 2020 target.

We have also begun building capacity within the company for the disassembly, requalification or remanufacturing of the various materials and components retrieved in the take-back programme.

We recently joined a four-year project led by Aalborg University into potential uses for recycled plastics.

### REDUCTION OF CO<sub>2</sub> EMISSIONS\* (%)



### REDUCTION OF ENERGY CONSUMPTION\* (%)



\* Baseline year is 2008. Dotted lines indicate insufficient data. In 2020, we enlarge our scope and include own vehicles consumption, indicated in blue.

The focus now is on polyamide, material used to make housings for our OEM circulator pumps. “The goal is to have concrete clarification showing that plastic recycling can bring us an environmental benefit in practice – and not just in theory,” says Allan Hjarbæk Holm, Chief Specialist in Mechanics and Materials.

#### WASTE AND RESOURCE RECOVERY

Waste and hazardous waste are our second and third most important environmental impact aspects. We aim to reduce 50% of our waste to landfill by 2025 against the 2018 baseline. We are doing this by generating less waste and moving the remaining waste up the waste hierarchy, by promoting reuse, repair, remanufacturing, and recycling.

This year, we disposed 1,426.2 tonnes of waste to landfills, with a breakdown of 202.3 tonnes in hazardous waste and 1,224 tonnes in non-hazardous waste. This represents a reduction of 35% compared to 2019, due to our resource recovery initiatives as well as few shutdowns at our plants caused by COVID-19 pandemic.

We continually encouraged local companies to move waste up the hierarchy by partnering with local waste handlers, optimising sorting and recycling. We developed a virtual alternative to on-site screening, which allowed us to reach large regions at once, and it allowed the individual plants to learn from each other's initiatives.

“Online knowledge sharing created learning and inspiration and proved to be a great way to further improve our colleagues’ sustainability awareness,” says Jun Song, Environment, Health and Safety (EHS) Manager of China ETO plant. In Grundfos China, the new method has led to less plastic packaging and in the entire Asian region, wooden pallets are being reused.

The Grundfos operation in Brookshire, USA, is an example of a local initiative to reduce the burden on landfill sites — it partnered with a local mulching company to repurpose about 282 tonnes of wooden crates per year, which have bolts, screws, and metal bracing to hold them together. We grind up such

crates, remove the metal fastening items using a powerful magnet, and break the packing crates down into fragments and mix them with soil to create a biodegradable, water-retentive decorative mulch for use in flowerbeds and gardens.

### Own footprint: Energy and CO<sub>2</sub>

Energy consumption, which is our main contributor to CO<sub>2</sub> emissions, is our largest environmental aspect. The goal is to halve our own CO<sub>2</sub> emissions by 2025 against the 2008 baseline. This will require a continued focus and investments in energy-efficiency as well as renewable energy. To improve our data quality and strive for a more complete picture of our carbon emissions, starting this year, we enlarged the scope and included CO<sub>2</sub> emissions from our own company vehicles.

In 2020, we consumed 310.6 GWh of energy including from own company vehicles. Our total scope 1 and 2 CO<sub>2</sub> emissions were 84,814 tonnes CO<sub>2</sub> with a breakdown of 25,229 tonnes CO<sub>2</sub> in scope 1 and 59,585 tonnes CO<sub>2</sub> in scope 2.

As we extended the scope and include CO<sub>2</sub> emissions from own vehicles, this data is not comparable to 2019 figures. The year-on-year reduction was about 10%, which was mainly due to reduction initiatives.

We also invested around DKK 25 million in energy-efficient and renewable energy initiatives, such as heat recovery, energy-efficient Grundfos motors, PV solar, and multiple building upgrades. These will roughly reduce our energy consumption by around 8GWh, taking us one step closer to realising our ambition of using 100% renewable energy by 2030.

As an example, our assembly centre in Monterey, Mexico, has been equipped with solar cells this year. In Monterey, they will deliver about 205,000 kWh a year in green power, reducing CO<sub>2</sub> emissions by approximately 109 tonnes or around 60%.

In regards to our own-vehicle initiative, we are moving towards transitioning our vehicle fleet to battery electric vehicles (BEV) globally. The ambition is that by 2025, every single one of our vehicles should be BEVs. The conversion will lead to an estimated 54% reduction in CO<sub>2</sub> emissions, taking the carbon footprint of the national power grid into account. We are preparing the ground by setting up charging stations at several Grundfos locations in European countries where there is the most progressive in implementation of BEVs infrastructure.

Although the conversion had a slower start than we had anticipated due to organisational challenges and the impact of COVID-19, the ambition remains unchanged. In 2021 we will accelerate efforts towards our EV100 commitment.

### ENVIRONMENTAL MANAGEMENT SYSTEMS

In 2020 we continued our work on certifying plants according to ISO 14001 and ISO 50001. The main effort in 2020 focused on the latter, and Sintex A/S obtained its first ISO 50001 Certificate. Our production plants in China are also in the process of implementing ISO 50001 and expect to be ready for certification in the first half of 2021.

### Green supply chain management

Based on LCA calculations, our upstream climate impact is around 20 times higher than our “own emissions”. We estimate that our supply chain is responsible for CO<sub>2</sub> emissions of about two million tonnes. Based on this knowledge, we launched the Green Supply Chain Management Programme. This is a cross-functional initiative within the four workstreams – logistics, packaging, purchasing and global manufacturing – collaborating to reduce our upstream climate impact. “These teams are working together to identify, pilot test and globally scale solutions that will reduce the climate impact of our supply chain,” says Majken Haakonsen, Senior Project Manager, Environment Center of Excellence.



Our building in Chennai, India is now LEED Platinum Certified

### IN PRACTICE: Green energy buildings

We are accelerating a massive investment in energy efficiency and renewable energy in our facilities.

One way of documenting the sustainability of our buildings is to have them certified – for example, in accordance with the rating system of the non-profit U.S. Green Buildings Council, known as Leadership in Energy & Environmental Design (LEED).

During 2020, our buildings in Dubai, United Arab Emirates, and Chennai, India, have been LEED Platinum certified, which the highest rating for green buildings.

According to Lead Project Manager Klaus E. Christensen, Group EHS, the LEED rating is not necessarily used for all Grundfos structures in all countries. He says, “We let our buildings certify where it makes the most sense. We are excited that the local companies are taking the lead in the green transitioning to solar energy.”

Lead Project Manager Lars Oest Jacobsen, Group Facility, explains: “Our buildings are built according to the level of the LEED certification, regardless of whether we choose to obtain the certification itself. In some places, it may make more sense to choose a standard that is more well known locally.”

Using solar energy alone means that CO<sub>2</sub> emissions from our buildings in 2020 have been cut by about 5% from last year.



In 2020 we continued our work on certifying plants according to ISO 14001 and ISO 50001

*“Our sustainability ambitions are fully anchored across our value chain. We collaborate closely with our suppliers and logistics providers to enable them to contribute to our sustainability goals. We remain committed to reducing our own CO<sub>2</sub> emission and water withdrawal with 50% by 2025.”*

**Stéphane Simonetta**

Group Executive Vice President, COO

The programme focuses on:

- Creating baselines and KPIs to support the reduction of climate impact
- Introducing minimum environmental requirements
- Identifying hot spots in our supply chain and pilot activities in these areas
- Working together with the suppliers that have the biggest environmental impact
- Initiating analysis of what sustainable packaging is in a Grundfos context
- Testing low-carbon-emission solutions in transportation.

#### **DECARBONISING TRANSPORTATION**

When it comes to transportation of our products, the most environmentally friendly option is sea freight, followed by rail, road and, last of all, air.

When speed is of the essence, we offer air freight as an upgrade, but it is the method that causes most harm to the environment. Therefore, this year we implemented a premium freight authorisation process that enabled us to conduct root-cause analysis of requests for air delivery. This has resulted in fewer such requests being approved, which has reduced our transport-related CO<sub>2</sub> emissions. We still recommend ocean shipping as first choice, with rail as the second option, and air freight only as a last resort.

We also took steps this year to introduce rail freight in both directions between Europe and China, between countries

neighbouring to China, as an alternative to air freight.

We started an analysis and preparation process for direct shipments from Serbia to several original equipment manufacturers (OEMs). The first pilot shipments will take place early in 2021. This will mean better utilisation of OEM trucks and will reduce the distance Grundfos products are transported.

As for downstream transportation, we are currently monitoring the CO<sub>2</sub> emissions from our downstream logistic providers and exploring different ways to tackle this. As an example, we signed up to Maersk Eco Delivery, an initiative by the shipping company to decarbonise ocean transport by using biofuel in their vessels. Grundfos sent about 300 containers via this initiative, which resulted in about 250 tonnes reduction in CO<sub>2</sub> emissions. After the test phase in 2020, we decided to continue the initiative and ramp up the number of lanes in 2021.

We have also been preparing some pilots for the road and air transportation, continuing our journey to transport our products sustainably. We are also pushing the general demand for decarbonising transportation and we are now looking into scaling the solution.

Looking ahead, we will increase the use of biofuels from our other logistics operations.

# Our partnerships

We can do great business while doing right by society, and having a positive impact on climate goals at the same time. However, this can only be done through collaboration with every stakeholder.

Grundfos Machine Health provides visibility into machine health and critical assets



## GRUNDFOS STRATEGIC PARTNERS

For us, a strategic partnership is one with a partner in the digital sphere that allows us to complement and leverage each other's market knowledge and technical expertise so we can give our customers the most relevant and sustainable solutions possible.

### AI-driven intelligence with Augury

Enhancing the durability of our products reduces the environmental impact that would occur if the asset breaks down and needs to be replaced. Furthermore, ensuring the most efficient way to run a pump leads to significant energy savings.

Our partnership with Augury, a fast-growing data analytics company and leading digital machine-health solution provider, strengthens our ability to bring continuous diagnostics to our current and future customers. We have been working together for several years testing new products and service offerings, such as the [Grundfos Machine Health](#), across several markets and industries. This solution provides enhanced visibility into machine health and critical assets; making machines more reliable.

This year, we took the next step and signed a long-term Strategic Partnership agreement with them to develop smart diagnostics solutions and services.

The combination of Augury's artificial intelligence (AI) solutions and our deep applications knowledge has the potential to change water delivery and services as we know them.

“By adding an AI-driven intelligence layer on top of existing assets, we can automatically collect mechanical and operational data, providing actionable machine-health insights and diagnostics to our customers and service organisation,” says Tommy Due Høy, Group Vice President, Global Service & Solutions, Grundfos.

### Smart cities with Siemens

We are also forming partnerships where we share our expertise to create “smart digital ecosystems”, for example Smart Cities. Our strategic partnership with Siemens, a Smart City enabler, focuses on solutions for water and energy efficiency problems within smart buildings, smart industry and smart water networks.

In 2020, our joint projects on Pressure Management on Water Networks and Condition Monitoring left the drawing board and entered service in the form of three pilot programmes, with 10 customers signing up. These pilots will provide the joint team with many technical and commercial learnings to act on in 2021.

**SOLAR IN INDIA PROJECT**

The global pandemic spoiled many of the initiatives related to our Solar in India project, a collaboration with the Indian Government that aims to provide small farmers with solar pumping equipment in areas without electrification. The plan of installing 185,000 new solar-powered pump sets in 2020 through the KUSUM - Phase 1 scheme was halved.

However, our objective of bringing solar irrigation water to 2.5 million farmers and saving 4.1 million tonnes of CO<sub>2</sub> over the next five years remains. In 2020, Grundfos India supplied 7,156 solar-powered pump sets to Maharashtra Government. With these installations, more than 7,000 farms receive irrigation water which has saved 21,310 tonnes of CO<sub>2</sub> emissions.

**BUILDING A SECTOR ROADMAP AND SHARING KNOWLEDGE**

Back in 2019, the Danish government set ambitious goals for reducing the country’s greenhouse gas emissions by 70% by 2030, compared with 1990 levels. A climate partnership for production companies was launched to help create a roadmap for reaching the sector’s goals. We were appointed as Chairman of the Climate Partnership for the manufacturing industry, which includes more than 12,000 companies, accounting for more than 40% of Denmark’s total exports of goods.

“With our deep knowledge on solutions for a net-zero transition and our many years of experience with public-private partnerships, it was obvious for us to take the role as advisor to the Danish government on how to reach a net-zero future in the most efficient way”, says Emil Svaneborg, Director of Public Affairs.

During the first half of 2020, we worked on a sector roadmap that includes an ambition to be net-zero in scope 1 and 2 by 2030. Intensive engagement with all types of business stakeholders ensured that the roadmap reflects a shared vision and common language within our industry – a vision that has since, to a large degree, been adopted in an historically ambitious Danish climate agreement.

However, a net-zero future requires a global approach. During the second half of this year, we focused on engaging the rest of the world in these efforts, and sharing our learnings from Denmark through [the Mission Possible platform](#), an effort driven by the World Economic Forum.

In 2020, Grundfos became a member of the [WEF Alliance of CEO Climate Leaders](#), which is a network of 80 global companies dedicated to taking leadership on the global climate agenda, and is an ideal platform to share knowledge.



**GRUNDFOS MACHINE HEALTH PROVIDES VISIBILITY INTO MACHINE HEALTH AND CRITICAL ASSETS**

*“Partnership and cooperation in ecosystems accelerate innovation and technology for the benefit of our end-users. It is what makes the most significant impact on the world – teaming up and working together.”*

**Markus Brandstetter**  
Group Executive Vice President, CTO

# People

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3.1% of our workforce are employees with reduced work capacity

# The diversity challenge

This past tumultuous year, from the COVID-19 pandemic to global racial injustice protests, has exposed the fractures in our social fabric and the heightened disparities faced by the most vulnerable communities.



**By: Aditi Mohapatra**  
Managing Director with BSR

**Business for Social Responsibility (BSR)** is a global nonprofit organisation that works to advance a more just and sustainable world. In her role, Aditi works with global companies across sectors to help them improve and advance their sustainability strategies. She leads BSR's global portfolio of work on diversity, equity and inclusion, and women's empowerment, across consulting, collaboration, and research.

*“These events have also affirmed the urgency to deliver on the promise of the 2030 UN Sustainable Development Agenda and build more resilient societies and inclusive economies. To meet this moment, companies will need to take actions that both tackle systemic inequalities and address the stark realities laid bare by the events of the past year.*

*This will mean, building new stakeholder relationships and integrating the considerations and voices of vulnerable populations into strategy development and workplace cultures, extending into all aspects of a company's operations from its supply chain to community engagement and product development.*

*The challenges in reaching gender equality can feel overwhelming as there is not a single country that has reached gender parity as of today. There is a greater awareness, however, of the barriers women face—the #metoo movement shined a light on the pervasiveness of sexual harassment across workplaces, and increased disclosures related to representation and pay show how slow progress has been for women in reaching equality.*

*The speed and scope of changes affecting business today are unprecedented. This is leading to all sorts of new realities,*

*some of which have the potential to accelerate progress and others where inequalities could be further exacerbated. For companies, this is the moment to demonstrate values-based leadership and take action to build a more equitable and inclusive society.*

*These corporate efforts are necessary steps to ensure we are not only able to recover from recent events but also are on the path towards creating equitable opportunities and a new social contract among society's stakeholders, where business can truly contribute to realising a sustainable future.”*

**This year**, Grundfos established the Ghana Water Initiative to provide communities with a stable water supply at a fair price and to create jobs and build competencies around the water stations.

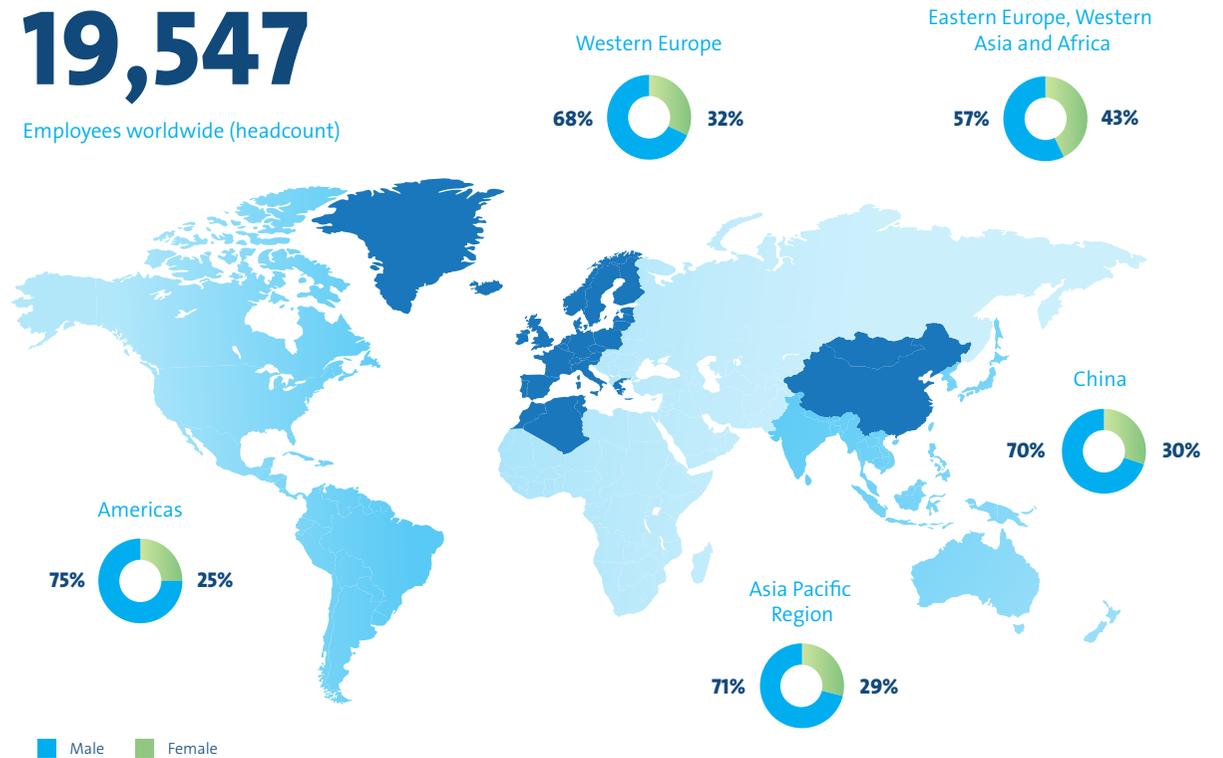
Grundfos also took action to address issues of diversity and inclusion with an increased focus on gender diversity and inclusive employment with workers at reduced work capacity, and also by launching of a bespoke corporate Harassment Prevention Policy, aligned with the International Labour Organization (ILO) 190 Convention.

# Our people

Grundfos is its people. We strive to create a workplace that promotes diversity and inclusion, and play an active role in society.

# 19,547

Employees worldwide (headcount)



## PERFORMANCE DEVELOPMENT DIALOGUES (PDDs)

# 17,412

PDDs received by employees in 2020

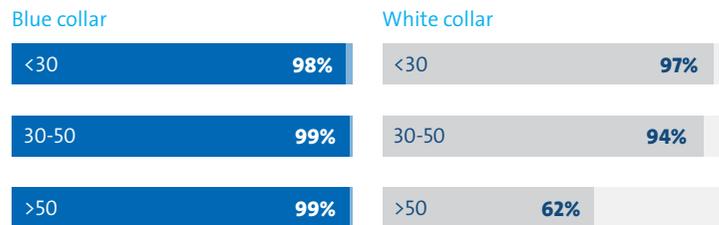
### GENDER



### JOB CATEGORY



### AGE GROUP



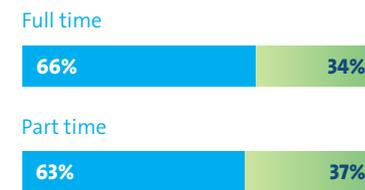
### GENDER



### CONTRACT TYPE



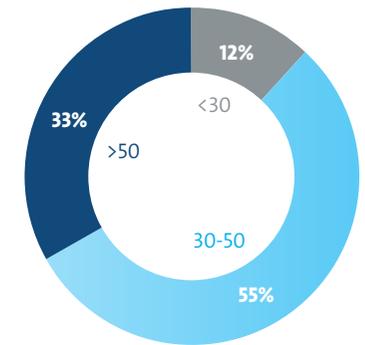
### EMPLOYMENT TYPE



### JOB CATEGORY



### AGE GROUP



# Our solutions

Water serves as the link between the climate and human society. Our solutions can improve quality of life, paving the way for faster development and beneficial social changes.

## Doing good and doing business in Ghana

In Ghana, around three million of the country's 30 million people do not have access to basic water. We serve our West African Partners out of our regional Ghana office with several strategic initiatives, anchored locally.

### FROM HANDPUMP TO A MECHANISED SOLAR WATER SYSTEM

Thanks to several initiatives driven by Grundfos SafeWater, we have provided access to basic water for about 17,000 Ghanaians this year. We take the time to explore and thoroughly understand the particular challenges and opportunities in each community where we bring our technical know-how to bear on providing a robust, dependable water system.

In the farming community in Obengkrom, in Western Ghana, people's access to water relied on handpumps that were often breaking down. This resulted in long walks to fetch water from elsewhere.

After researching the water needs in the community of more than 1,100 people, we installed an appropriately sized solar pump linked to storage tanks. The tanks mean people have water 24/7 and are less likely to ever run out of water.

### PUBLIC-PRIVATE PARTNERSHIP TO DELIVER WATER

In 2019 we began the Ghana Water Initiative in a public-private partnership with local water authorities to pilot water system business models for small towns, a programme that could be extended to other countries.



Morten Thougard Nielsen (left) with the Ghana Water Initiative team and local community

*“With this project we aim for social impact: to both improve quality of life of the communities and create competencies and jobs around water stations. Creating jobs is a way to ensure that the stations keep running and water is always available.”*

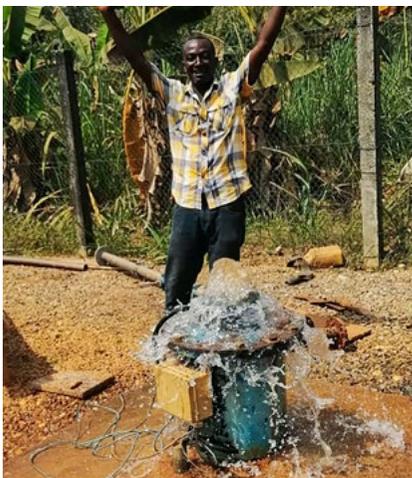
#### Morten Thougard Nielsen

Lead Project Manager, Ghana Water Initiative

As the first site, we will serve the town of Abomosu. We have finalised the first stage of the project, which was the complete rehabilitation of the existing water system, and more than 3,400 m<sup>3</sup> of water has been delivered to date. The system includes everything from pumps to water treatment and Grundfos AQtaps, the Grundfos water ATM solution. Pre-paid household meters will be installed in 2021.

Further strengthening our collaboration with the local government, we renewed our 2017 MoU with the Ghanaian Ministry of Sanitation and Water Resources. This three-year renewal of the MoU will continue to further develop our firm collaboration with the government,

Our local operator, Prince Oteng Kyei in Abomosu, where the old borehole works again



according to Noah Tumfo, Chief Director of the Ministry of Sanitation and Water Resources. “We see Grundfos as a trusted provider, and we look forward to being able to rely on Grundfos to aid us in reaching our goal to provide water for all by 2025,” Tumfo says.

In November we also signed an agreement with the Community Water and Sanitation Agency in Ghana, the government entity responsible for supplying water to small towns and rural communities.

The agreement provides a structure to ensure sustainability through high water quality and effective revenue collection, as well as reinvestment in service, maintenance and expansion. It is based on the pilot project in Abomosu and will lay a foundation for future deals in the region.

#### PILOTING OUR SOCIAL IMPACT TOOL IN GHANA

Measuring impact is a continuous challenge. With our Grundfos SafeWater initiatives, we aim to do good and are working on systematic assessments of social impact. This is as challenging as it is important.

This year, we introduced a social impact tool, developed by BSR. The tool is intended to provide insights on specific projects, looking into a community's needs and developmental potential, as well as flagging potential negative

human rights impacts. It will allow us to start tracking the impact that we are making in different areas.

We piloted the tool in Ghana, assessing our activities in Abomosu where we installed the water system. We found that in the future we will need a more structured approach to community

engagement and we need to strengthen the management of working conditions for those involved in installing such a system. These insights have resulted in an action plan for the first quarter of 2021, and more importantly, we now have the opportunity to use it going forward in similar projects under the Grundfos SafeWater umbrella.



# Our operations

## Health and safety

As a company that focuses on people, we take full responsibility for ensuring a safe and healthy workplace, emphasising the identification of potential hazards before they pose any real threat.

Our overall ambition for 2025 is to achieve a lost-time injuries ratio of 1.5. This year, the lost-time injuries per million working hours rate dropped 28% to 1.81 from 2.52 in 2019. This is by far the lowest lost-time injury ratio we have ever had. We see this result as both the consequence of continued efforts to prevent injuries and the activity changes during the COVID-19 pandemic. We did not record any high-consequence injuries during 2020.

Related to our service offerings, there is a potential of new health and safety related risks for our employees that work in that area, which we need to take into consideration, such as work in confined spaces and with electricity. To

address this, we began standardising risk assessments for our service employees in 2020 and will further strengthen procedures in 2021.

Several of our safety initiatives had to be suspended due to COVID-19. The annual group-wide Safety Week was cancelled, but many of our companies conducted local Safety Weeks, promoting health and safety among their colleagues to keep risk awareness high.

A Back to Work campaign was conducted during 2020 to raise awareness of the need for efficient safety routines and to help people realign expectations and priorities when returning to the workplace after vacation, work-from-home stints or furlough.

Our production sites are certified according to ISO 45001. In 2020 focus had been on transferring from OHSAS 18001 to the replacement Standard ISO 45001, applying renewed effort to strengthen

Our overall ambition for 2025 is to achieve a lost-time injuries ratio of 1.5



alignment with our strategies, promote strong safety leadership and identify opportunities in addition to health and safety risks.

### ERGONOMICS SIMULATION FOR CURRENT AND FUTURE PLANNING

For the past couple of years, about 10% of all reported injuries globally have been related to ergonomics. To become even

better at ensuring our workplaces do not harm employee health, we introduced a new digital simulation tool to study ergonomic impacts.

The tool uses 3D geometries, the human anatomy and specifications of work tasks to create an ergonomic risk assessment. In some cases motion-capture sensors are also used.

The data generated is compared with global ISO standards and limits to determine potential ergonomic issues and investigate ways of optimising the tasks our employees perform. "Identifying and dealing with ergonomic challenges before we build anything will save time and money. We expect LTIs can be cut by up to 10%, if simulation is applied to all new and appointed existing

workstations,” says Lead Health and Safety Professional Lisbet Valsgaard, the driver behind the project.

**MENTAL WELL-BEING**

In the first quarter of 2020, we have launched new e-learning tools that address stress prevention and mitigation. Our top priority is to ensure that managers are trained and equipped to create a team environment that is conducive to well-being and prevents stress from occurring in the first place.

This year, we developed six e-learning tutorials, available in nine languages, some for managers and employees. Each of the courses comes with a workbook, that includes practical guides, tools and ideas to work with the specific topic. The tutorial provides basic knowledge about mental well-being and how to identify stress; it includes understanding what stress is, managing work demand, and strategies for creating a sense of calm and ease. Some training was also conducted, including in Grundfos Hungary, Russia and France.

“These tools are very useful, especially in the context of COVID-19, which has created additional pressures because of all the new requirements and demands stemming from our surroundings,” says Michael Møller Petersen, Senior Social Responsibility Specialist, who is responsible for developing the materials and working with mental well-being.

Our ambition is to be a benchmark company in this area by 2025. That means reducing the percentage of staff reporting stress from 20% to 10%. “Additionally, we are shifting the focus to mental energy management, as opposed to time management, as we believe it will lead to a more effective work environment,” he adds.

**BACK TO WORK AFTER LONG TERM SICK LEAVE**

We have developed global processes and tools to align the approach for following up on employees on long-term sick leave.

We track how many employees return to work after being absent for more than 14 days due to illness or injury. In 2020, there were 1,759 cases globally. 1,660 returned to work at Grundfos, a return to work rate of 94.4%, an increase of 2.2% compared to 2019.

*“We continuously take actions to improve mental well-being and prevent negative stress. We strive to treat mental health equally important to physical safety.”*

**Teija Elina Saari**  
Head of Organisational Development and Social Responsibility



VR training in health and safety ensures a safe environment to learn



**IN PRACTICE:**  
**The virtual is now a reality**

New virtual reality (VR) training in health and safety ensures a safe environment in which employees can experiment, enabling them to learn faster.

On average during 2016-2019, we have more than 100 lost-time injuries a year globally. Our ambition is to at least halve this number by 2025. To do so, we need to think and act beyond our current activities.

This year, we released Risk Awareness VR Training, aimed at new and experienced

shop floor employees. Users can experience a range of scenarios that were developed from actual cases reported in previous years. “This style of training raises awareness and improves skill in risk assessment. I think this will be beneficial for reducing injuries,” says Rebecca Zhang, EHS Manager in Grundfos China.



Grundfos Hungary took home the Social Responsibility Award from the Business Council for Sustainable Development

## Diversity and inclusion

### GENDER DIVERSITY IN LEADERSHIP

This year, our Gender Diversity in Leadership 2018-2020 programme came to an end. We completed several successful initiatives, including bias training, recruitment policy reform, and mentorships. General awareness of bias and the need for diversity has increased, and the improvement in numbers has been tracked. We have, however, not fulfilled the 2018-2020 ambition fully.

We are proud that in our full leadership population, the proportion of women rose and came really close to our target. We made substantial progress in graduate recruitment, but did not manage to reach our ambition of women in senior leadership (ELT). See results in Gender Diversity in Leadership table.

We executed good, relevant initiatives and succeeded in creating awareness. The main takeaway is that we need to anchor the Diversity and Inclusion ambitions better within Grundfos, from the bottom of the organisation all the way to the top.

Looking ahead, we are ramping up our ambitions within the area of Diversity, Equity and Inclusion. We are currently building the new plan which will be implemented in 2021.

As of 31 December 2020, the Grundfos Holding A/S Board of Directors has eight members, three of them elected by employees. Of the remaining board members, four are male and one is female.

From 2021, we expect the Grundfos Holding A/S Board of Directors will have nine members. We also expect three Board of Directors members to be female (including one elected by employees). We should thereby achieve our goal set for 2020 of having two female members not including the ones elected by employees on our board.

*“Grundfos is our people and we see diversity, equity and inclusion as a competitive advantage.”*

**Poul Due Jensen, CEO**

### INCLUSIVE WORKFORCE

We want to achieve a work environment where all employees are treated fairly and respectfully, have equal access to opportunities and resources, and can contribute fully to our success.

Our focus is on preventing people from being excluded from the job market by improving employment rates for workers with reduced work capacity and marginalised groups.

Currently, 3.1% of our workforce are employees with reduced work capacity. Our goal is to reach 5% by 2025. To

achieve this, we need to ensure not only that we employ people with reduced work capacity but that they are represented across a broad range of Grundfos organisations. We have already defined the 2025 targets for each functional area and are working on building material as inspiration for relevant tasks in all parts of our organisation.

Grundfos France established a flex department in late 2019, which includes people who are categorised as disabled under the official French definition. Tasks for these employees now focus on

### GENDER DIVERSITY IN LEADERSHIP

GROUP	BASELINE 2017	STATUS END OF 2020	TARGET END OF 2020
Extended leadership team (ELT)	♀ 0% / 100% ♂	♀ 6% / 94% ♂	♀ 15% / 85% ♂
Full leadership population	♀ 20% / 80% ♂	♀ 24% / 76% ♂	♀ 25% / 75% ♂
Graduates	♀ 12% / 88% ♂	♀ 39% / 61% ♂	♀ 50% / 50% ♂

pump housing repacking and packaging. “Moving forward, we are exploring the possibility of expanding into other areas, such as administrative duties and in the canteen,” says Alexandre Estreich, Manager, Assembly, Grundfos France.

### INCLUSION IN INDIA

In a collaboration with Swabodhini, a school that caters for young people with mental disabilities, Grundfos India offers employment for individuals with special needs after graduation.

In 2020, Grundfos India funded speech therapy for 65 autistic children at Swabodhini School for Special Children. All students benefited from the interventions with improvements in their behaviour, cognitive skills, linguistic skills and pragmatic skills.

Grundfos India has also employed students from Swabodhini in the past at its factory. “They are given special training so that they can work on the shop floor, and the colleagues working directly with them receive sensitivity training. It makes a great difference for them and their parents that they are contributing to their family and society,” says N. K. Ranganath, former Managing Director, Grundfos India, who started the initiative (currently works as Grundfos Water Ambassador).

One of the graduates hired as part of this initiative is C.R. Balaji, who has intellectual disabilities with features of

autism. He joined the company around 10 years ago, and today he can support himself and his parents. “Everyone was happy when I got the job. I started with doing wiring, but step by step I learned more and now I do more difficult tasks,” said Balaji.

## Learning and development

Fast, agile and timely development of our employees' knowledge, skills and talents is crucial to helping Grundfos achieve its strategies. Going forward, our focus is to establish the best conditions for our employees to learn and grow.

We aim to greatly improve the level of engagement and motivation within the company and are building on last year's initiatives, such as G-Learn learning platform and Global Learning Partner Network. We are taking a highly decentralised learner-centric approach.

The “new normal” that emerged as the pandemic spread meant we had to be creative with training activities. Our Leading People and Leading Managers programmes were partly converted into virtual training, and some sessions were cancelled. The final phase of introducing the Global Graduates into the organisation, which is usually an in-person event, had to be done differently. The 19 Global Graduates involved were given VR devices instead.



C.R. Balaji has been working in Grundfos India for 10 years

Some of this year's highlights:

- 283 managers were trained by an external vendor in the Leader Led Change Programme, enabling leaders to lead change in the organisation
- Our internal talent programme, Power UP Grundfos, had three running and three completed programmes, involving 32 active talents and 39 graduated talents representing 25 nationalities, of which 26 women and 45 men
- The quality training programme for Service Technicians was converted into a digital offering of 10 e-learnings with a total duration of 3.5 hours.

## Employee motivation and satisfaction

The Grundfos Employee Motivation and Satisfaction (EMS) survey provides employees with the opportunity to voice opinions, concerns, and feedback on important issues. Like the previous year, employee participation in 2020 was about 95%.

“The EMS survey this year was conducted under very special circumstances: The COVID-19 pandemic that has impacted our lives and the big

transformational change in the organisation,” said Lone Tvis, Group Executive Vice President, CHRO.

The overall satisfaction and improvement score is 77, rising two points compared to 2019. Six in 10 managers (62% of the population) are rated to be strong leaders. We also see continued positive progress in three key behaviours: accountability, collaboration and customer-centricity.

In the EMS, we also asked our employees to rate their stress level. The result

showed that 20% of them experienced stress in the workplace. One in five managers reported difficulty in coping with change.

Going forward we will focus on lowering stress levels by doing whatever possible to support employees' mental health and well-being and we will continue to build strong change-leadership skills. A new set of questions related to our decision-

making indicated that this was an area for improvement, especially in terms of speed and simplicity.

## Human rights and forced labour

The primary focus of our human rights due diligence programme is to prevent our operations from giving rise to rights violations, whether we cause

them ourselves, contribute to them, or are linked to them in any way. As an additional dimension, we look for opportunities to ease people's access to such things as water and sanitation, and to encourage employment of categories of people who normally have limited access to jobs.

In 2017 we committed to conducting five impact assessments by 2020: China (2017), India (2018), Serbia (2018), Mexico (2019), and, from 2019 to 2020, Ghana. The assessment in Ghana included elements of a human rights impact assessment and a social impact assessment.

Once the HRIAs are complete, action plans focused on prevention and remediation are drawn up to address all the issues identified. We will formally re-evaluate our approach in 2021, when all the results of the first five HRIAs will be in, and when we will be able to see more clearly how to manage the trends that have emerged. Based on this, we will see if adjustments are needed to our human rights due diligence programme and define the way forward.

More about our [Human Rights journey](#) and [Prevention of Modern Slavery Progress Report](#).

The Danish Institute for Human Rights (DIHR) published a report on Denmark's 20 biggest companies, ranking them according to the Corporate Human

### HARASSMENT PREVENTION POLICY

This year, we published a [Grundfos Prevention Harassment Policy](#), supported by BSR. We have a whistleblower hotline where instances of harassment can be reported, anonymously if necessary. These reports are then handled by the Grundfos Ethics Committee.

Rights Benchmark. We rank 5<sup>th</sup> on the list, and we acknowledge that although we are moving in the right direction, we still have work to do.

### APPROACH TO PREVENTING HARASSMENT

In light of global awareness about sexual harassment in the workplace, we have reflected on what we can do better to ensure that our values and policies are always observed and that our colleagues have clear guidelines and all the necessary support.

As a result of this review, we have decided to strengthen our efforts to prevent and address harassment in the workplace. We published Grundfos Harassment Prevention Policy and in 2021 we will launch practical guidelines and training, starting with people managers.

We will focus on lowering stress levels by doing whatever possible to support employees' mental health and well-being



# Our partnerships

It is through the hands of our employees we can realise our full potential to support local communities wherever we are in the world.

## WATER2LIFE

This year, our global employee-initiated and employee-driven programme [Water2Life](#) celebrated its 10<sup>th</sup> anniversary, providing basic water infrastructure for those in need in Kenya, Vietnam, and Honduras. While the programme has a focus on helping people in need, it indirectly strengthens our organisational culture by allowing employees to participate and support our values in action.

Donations come from employees, but the final amount is matched by both Grundfos and participating NGOs, so that every amount an employee donates is quadrupled. Since the programme started, a total of just over DKK 4.9 million has been raised to bring basic water to communities in the developing world, providing basic water to around 60,000 people.

Our new goal is to fund and deliver basic water for an additional 100,000 people by 2030.

Since 2017, we have been engaged in projects in Honduras with Water Mission. Our first project was at San Isidro Hospital in Tocoa, Colón, and the second was at Froylan Turcios High School, also in Colón. This year, we are wrapping up our projects in Honduras and donating DKK 221,000 to Palos Blancos, a small farming community close to the city San Pedro Sula where the water system was failing. We repaired and upgraded the system, adding new solar-powered pumps and water tanks and installing new pipes to connect every household, effectively delivering basic water to about 800 people.

Our next project will be with NGOs Medicins Sans Frontieres and Hand in



The Palos Blancos community now has access to basic water

Hand for projects in three different countries: India, Venezuela and Zimbabwe.

## WAYS TO DONATE FOR WATER

### Climbing Mount Kilimanjaro

Grundfos Norway imitated the route in Tanzania on Norwegian soil by participating in various activities such as running and walking in local mountains. By the end of it, they had nearly covered the equivalent of the steps they would have had to take to climb the real Kilimanjaro and donated around EUR 1,000 (about DKK 7,400) to Water2Life.

*“We are filled with joy from the support that has been shown and are extremely grateful for everyone’s help, time and commitment.”*

### Jackie Gazzola

Volunteer project lead for the committee, Walk for Water



Ruth Kerschhaggl, Specialist in EHS and her colleagues in Wahlstedt, Germany have been trained in beekeeping

### Big buzz in Germany

Our production company in Wahlstedt, Germany has adopted around 100,000 honey bees and has started the conversion of grassland on the Grundfos site to flower meadows, creating a safe and nourishing refuge for the bees, and encouraging biodiversity. Once the honey is ready, it will be available at the Grundfos guesthouse Waldhof, and for our employees. Proceeds from the sale of the honey will go directly to Water2Life.

### Walk for Water, remotely

Walk for Water, an annual event that started in the USA and has been taken up in other parts of the world, is a reminder of the millions of people who undertake a similar journey each and every day.

Due to the pandemic, this year the event was reinvented as a single, global, virtual walk. Altogether, more than 600 walkers participated and more than USD 175,000 was raised to support our partner Water Mission in bringing water where it is needed.

### GLOBAL ENGAGEMENT

As a company with a global presence, we want to track the various ways in which we engage with local communities and measure the impact, where possible.

To do this, we recently launched a community engagement platform to measure and record the time and money that employees allocate to helping their local communities.

They can use the platform to find inspiration, look for existing initiatives or propose new ones, register for events, and log their impact. Some of these initiatives include:

Employees in the UK raised the equivalent of more than DKK 309,000 through various fundraising events as part of the Grundfos Gives Back campaign, which offers assistance to a range of projects, clubs, and research.

In the USA, our employees traditionally host fundraising activities to benefit Camp Riley, a summer camp for children with disabilities. The efforts have been going on for the past 20 years, resulting this year in an award as an appreciation for being a USD 1 million donor. “To see

children do things that they are normally not capable of is just amazing,” says Nicole Franklin, Cost Analyst in the Peerless Pump Company (PPU).

In Serbia, Fruška Gora is one of the country’s oldest and most famous national parks with an extensive network of hiking trails. Employees in Serbia decided to organise clean-up crews and collected more than five tonnes of trash in 650 garbage bags.

“Many of our employees have seen how the national park was overwhelmed with trash. This was an opportunity for us to do something good for our community and the environment,” says Mirjana Barićak, Assistant Supplier Quality Management, Grundfos Serbia.

Clean-up in Fruška Gora collected more than five tonnes of trash



# Accountability

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Safety risk assessments are required on all our products to ensure they are safe

# Compliance

We believe that we can thrive only by dedicating ourselves to sustainable business practices.

## LEGAL COMPLIANCE

### Anti-corruption

We have a zero-tolerance approach to corruption and our [Code of Conduct](#) (CoC) details our commitment to this.

In some countries where we operate, cultural norms prevail that we would regard as corruption. We mitigate the risks in such jurisdictions by adhering to our anti-corruption compliance programme, based on the rules of the UK Bribery Act and the Foreign Corrupt Practices Act in the USA.

We use and maintain a Response and Activity Plan to cover and coordinate activities for three to four years. The current plan was updated in 2020 to reflect ongoing activities, focusing on third-party business partner due diligence procedures, and drafting the risk assessment.

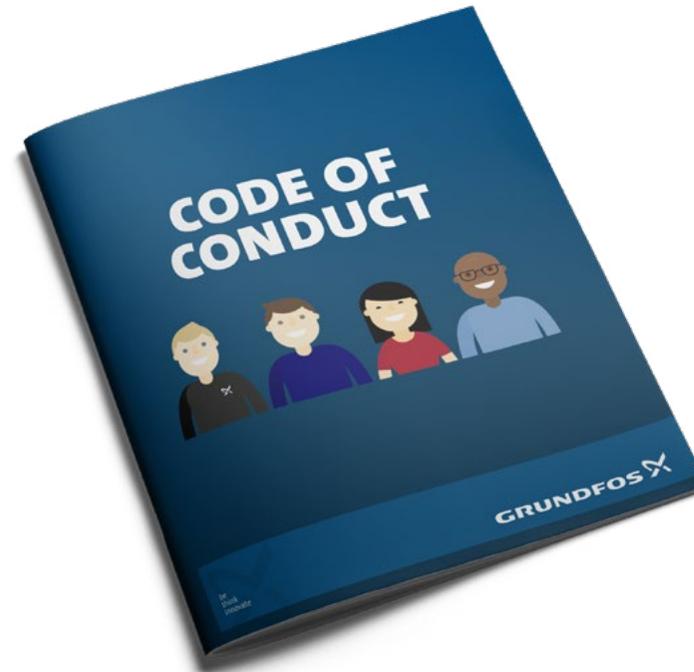
The Response and Activity Plan is approved by relevant stakeholders to ensure commitment and implementation.

In accordance with this plan, we conduct risk assessments every two years. The 2020 assessment consisted of a country-sensitivity analysis which included a questionnaire sent to a statistically representative global population within the company. Interviews will follow in 2021 to confirm results where necessary.

Consisting of 15 chapters and available in 22 languages, the CoC details our core values and sets out behavioural guidelines for good business ethics. The annual CoC training 2020 was rolled out end of November and will complete in 2021. Our blue-collar employees are trained every second year and will have the training in 2021.

### Towards fair and legal competition in all markets

We are committed to the highest standards of honesty and integrity and believe in the benefits of open and fair competition. In 2020, our work has focused on developing training programmes tailored towards countries/regions outside Europe, and in 2021 this work will continue. Together with commercial stakeholders, we have initiated a project to review a sample of EU-based distribution agreements for competition-law compliance. Our internal group legal department reviews major contracts on an ongoing basis.



In 2020 Grundfos Ukraine together with 11 dealers was fined EUR 82,000 (around DKK 610,000) for resale price maintenance. Grundfos made a voluntary self-disclosure to the Ukrainian Anti-Monopoly Committee in 2018 when the case surfaced. All local distribution agreement were compliance reviewed and the local office has been compliance trained.

### Whistleblower system

We have a third party-managed [whistleblower system](#), which is available in all countries where we operate, allowing both employees and partners to use it, anonymously if required.

In 2020, Grundfos Ethics Committee received 39 complaints, including complaints received via the whistleblower systems. Of these, one was considered a breach of the Code of Conduct in the area of conflict of interests. Nine complaints are still being investigated, and the rest were closed with no documented breach of CoC.

### Data and customer privacy

We are committed to ensuring compliance with applicable data privacy laws, including the General Data Protection Regulation (GDPR) in the EU, the Cyber Security Law (CSL) in China



One of our main priorities is our customers' health and safety

and the California Consumer Privacy Act (CCPA) in the USA. Compliance is a business necessity and at the same time, ensuring our offerings are compliant with data privacy laws is a value proposition for our customers.

Awareness of data privacy issues was increased during 2019, and this focus was maintained in 2020. Work has continued in respect of internal compliance initiatives within Grundfos, including a six-month GDPR project, and this will continue in 2021. In China,

CSL compliance initiatives have been undertaken. Data privacy compliance is a part of the mandatory annual and biannual CoC training.

In 2020, the Grundfos Data Privacy team did not receive any complaints regarding breaches of customer privacy. There was one minor breach experienced by a data processor, which had a limited impact. There was no reason to think that third parties obtained any data. No personal data breaches were reported to protection authorities.

## PRODUCT COMPLIANCE

### Customer health and safety

One of our main priorities is our customers' health and safety. Safety risk assessments are required on all our products to ensure they are safe for their intended use. These are tested/verified for compliance with applicable international safety standards. In many cases, this verification is performed by independent third parties (approval agencies), leading to certification. However, for CE marking of many of our larger (industrial application) products, self-declaration and self-certification are often used instead of third-party involvement.

We communicate the compliance, performance, and end-of-life handling of our products to our customers through product marking, technical documentation (installation and operation manuals), and our website.

Documentation and communication in respect of compliance and performance help to ensure the correct and safe use of products. Labeling and documentation on end-of-life handling such as the Waste Electrical and Electronic Equipment (WEEE) means our products are properly disposed of.

In 2020, we had two instances of potential safety issues stemming from use of Grundfos products against Grundfos' installation and operation manuals (misuse). In both instances the

potential risk was mitigated by market information and by design changes to lower the risk of misuse.

## ENVIRONMENTAL COMPLIANCE

### Environmental laws and regulations

We want to conduct our business and be compliant with all relevant environmental legislations. We are accountable for all Grundfos activities in this respect.

In 2019 we had seven cases of environmental non-compliance across the Group related to emissions and multiple cases were related to wastewater. End of 2020, three of these cases were still open, waiting for the result of the wastewater analysis, and the rest were resolved. No cases were reported for 2020.

We engage in an open and transparent dialogue with relevant parties to deal with the issues and mitigation efforts, which are underway and have our highest priorities. All of these cases are unacceptable and are being monitored closely to ensure the implementation of countermeasures to meet legal requirements.

# Sustainable purchasing

We see collaboration with our suppliers as an integral element in developing more sustainable business practices.

Just as we stipulate standards of ethical practice for ourselves in our CoC, we have a [Supplier Code of Conduct \(SCoC\)](#) that establishes related requirements for all our suppliers and covers such sustainability issues as environmental impact, health and safety and corporate ethics.

In 2020, we conducted 124 sustainability audits. There were 51 suppliers rated C or D, which means they are red-flagged for negative social impacts, such as making employees work excessive hours or failing to provide adequate emergency exits. 15 of these suppliers made improvement actions and were upgraded to A and B. However, 36 suppliers kept their C or D rating. Five of the 36 potentially posed a risk of minor harm to the environment.

Suppliers that are found to violate social impact standards, or that pose a significant potential risk in this area, are provided with an action plan to remedy the problems.

This year we also worked with vendors who were rated C and D in the 2019 supplier audits. Out of 34 vendors, 29 of them were upgraded to A and B.

Through surprise audits, we assess previously audited suppliers to check if the improvement action(s) are sustained. We randomly choose these suppliers and audit them several months or even a year after the audit were closed. This year, we reaudited eight suppliers and we did not identify any new findings and improvements are well-implemented.

In the past four years, we conducted a total of 338 sustainability audits. The compliance rate has increased from 17% in 2017 to 87% in 2020. We are pleased with the improvement because it means our influence and partnership has resulted in our suppliers moving away from unsustainable ways of working.

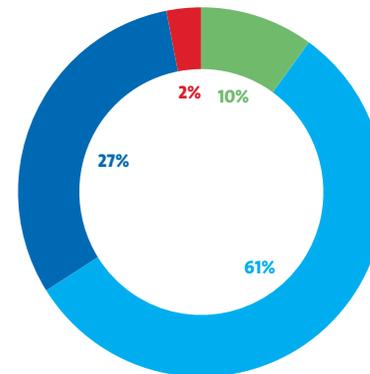
“By highlighting the supplier’s improvement areas, we make our supply

chain more sustainable and stable on the market,” adds Zorán Kohuth, Senior Purchasing Excellence Manager.

We introduced EcoVadis as a supplier-assessment platform in 2019, and this effort is continually expanding. Using this platform, suppliers (both direct and indirect) are assessed in various areas, from the environment to ethics.

In 2020 we have collected data regarding the CO<sub>2</sub> emissions and water consumption of 24 of our key suppliers in the three most climate-impacting categories: metals, electronics, and castings. Our ambition for 2021 is to start monitoring our top 100 most polluting vendors.

**SUSTAINABILITY AUDITS RATING IN 2020**



- A:** No issues  
 No action required
- B:** Minor issues or practices that are not properly formalised  
 Action plan was agreed within three months
- C:** Non-compliance with the law  
 Action plan was agreed within three months
- D:** Life-threatening issues and/or severe reputational damage  
 A corrective action plan was agreed within a maximum of one week

## TOWARD A TRANSPARENT AND SUSTAINABLE RARE-EARTH INDUSTRY

Raw materials – including the rare earth elements used for the digitalisation and electrification of our society – play a fundamental role in achieving the SDGs. At the same time, mining and processing of these materials can also have negative societal, environmental and supply chain impacts.

We have a great focus on rare earth and raw materials. In 2020, we developed a global overview of the quantified sustainability impact of

these materials in our own supply chain from mine to magnet to product; become one of the first in our industry. Besides getting the overview of the indirect CO<sub>2</sub> emissions consequences of our own production, it also enabled us to pay a premium to sustainable suppliers to help build a business case for a sustainable supply chain. As a result of this work, we became founding partners of the newly created [European Raw Material Alliance \(ERMA\)](#) to create a sustainable and transparent EU supply chain of raw materials, and especially rare earths minerals.

# Stakeholder engagement

We cannot achieve our goals and ambitions without the engagement of our many partners.

From customers and employees to local communities, suppliers, NGOs, development banks, advocacy organisations, and governmental stakeholders, all our partners are critical in helping us accomplish our purpose in the world.

Together, we collaborate to share perspectives, find ways of reaching our goals, and drive change. When

considering the most appropriate way of engaging with our stakeholders, we consider a number of criteria, including:

- Shared values and goals
- Network and advocacy opportunities
- Opportunities for collective action, sharing and learning best practices
- Awareness of material topics

We continually aim to strengthen relationships with all of our stakeholders.

One of the primary ways we do this is through a third-party materiality assessment every two years.

The findings of our most recent assessment were validated with selected stakeholders to ensure that we are listening to their priorities and understand their concerns, even as we identify our own. More on our materiality assessment on [page 12](#).

STAKEHOLDER GROUP	Customers	Employees	Suppliers	Global and local partners	Local communities	NGOs	Development banks and advocacy organisations	Government and policy makers
ENGAGEMENT METHODS	Consumer survey, websites, product websites, e-learning (Grundfos for installers), online tool for wholesalers (MyGrundfos), social media, direct contact through sales, customer meetings, industry trade group meetings, awards (Customer Satisfaction Survey)	EMS (Employee Motivation Survey), Intranet, town hall meetings, training and learning warehouse, whistleblower system, safety week, Water2Life	Direct purchase, supplier awards, Supplier Code of Conduct awareness, meetings, audits, trainings, conferences	For Memorandum of Understanding (MoU) partners we have key account managers who hold regular meetings with them every year	Direct local engagement, employee volunteers, collaborative partnerships, sponsorships	Governmental affairs liaisons, direct engagement, meetings, advocacy, dialogue	Direct engagement, meetings, advocacy, dialogue	Governmental affairs liaisons, direct engagement, meetings, advocacy, dialogue
TOPICS	All issues related to products and solutions including innovation, ethical business conduct, pricing, manufacturing processes and impact	Ethical business conduct, business performance, sustainable innovation and production, EHS, human rights, diversity and inclusion	Impact of SDGs, human rights, ethical business conduct	Provision of water and social impact	Impact of SDGs, ethical business conduct, human rights, environmental issues, volunteering	Impact of SDGs, ethical business conduct, human rights, environmental and water-related issues	Impact of SDGs, finance, policy positions	Ethical business conduct, legal compliance, research and development, policy positions, SDGs

# Mitigating risks and challenges

ISSUE AREA	POTENTIAL RISK	CORE ELEMENTS OF OUR MANAGEMENT APPROACH
<p><b>Corruption</b></p>	<p>We have zero tolerance for bribery and any form of corruption. Among other things, corruption stifles the business climate and sustainable economic growth; it means a company loses the respect and trust of customers, it fuels the growth of criminal activities and inhibits democracy.</p> <p>Breaches can mean we have to expend substantial resources on getting a situation under control, and they can lead to fines and reputational damage.</p> <p>However, we operate in markets where corruption has been common for decades; in these markets it is seen as an acceptable cultural norm, but we do not see it this way. Given the large number of employees and countries in which we operate, we acknowledge that we cannot fully prevent breaches of anti-corruption rules, regulations, and legislation.</p>	<ul style="list-style-type: none"> <li>• Code of Conduct including anti-corruption</li> <li>• Guiding principles</li> <li>• Supplier Code of Conduct/training</li> <li>• Anti-corruption compliance programme (following the rules of the UK Bribery Act and the USA FCPA)</li> <li>• Anti-corruption risk assessments</li> <li>• Group Internal Control audits</li> <li>• Response and Activity Plan</li> <li>• Compliance screening</li> <li>• Supplier CSR audits</li> <li>• Competition law training</li> <li>• Whistleblower system</li> </ul> <ul style="list-style-type: none"> <li>• Grundfos Compliance framework</li> <li>• IMS/QMS</li> <li>• Sales Certified ISO 9001 Quality Management System</li> <li>• Day to day process to mitigate corruption (mandatory four-eye principle for all transactions, all transactions are tracked in our internal system, Delegation of Authorities and Signature at group and local levels, screening of all business partners against sanctioned-party lists and other international watch-lists)</li> <li>• Guidelines on embargoed countries and anti-money laundering</li> <li>• Contract templates with strict anti-corruption clauses</li> </ul>
<p><b>Acquisitions</b></p>	<p>We see acquisitions as a growth strategy, an opportunity to strengthen our position as a water solution company. In assessing a prospective acquisition, we need to ensure that the transaction will create synergies and that the company will adhere to our purpose and values; it may not be fully transparent about its ability and willingness to do so.</p>	<ul style="list-style-type: none"> <li>• A full risk assessment, including such aspects as tax/ treasury compliance when incorporating entities in new geographical areas, or if activities within a new business area are initiated.</li> <li>• Pre-approval can only be obtained if the required due diligence has been conducted.</li> </ul> <ul style="list-style-type: none"> <li>• Final approval by the Board of Directors of the ultimate holding company in the Grundfos Group.</li> <li>• Annual risk assessment exercise by local managers and top leaders to identify current top risks at enterprise level.</li> </ul>
<p><b>Environment</b></p>	<p>We realise various negative environmental impacts occur during different stages of our value chain: extraction of raw materials; processing, manufacturing and transport of materials and components by upstream suppliers; use of packaging materials; our own manufacturing and transport processes; energy consumption during the use phase and in connection with maintenance and repairs; and the end-of-life phase, when impacts include demolition and processing of waste or recyclable materials.</p> <p>Our lack of knowledge on full supply chain, which means there is a risk of employing sub-suppliers that cause negative impacts (including environmental pollution and human rights issues); and we lack knowledge about the use of various materials/components (such as electronics, special steel grades, chemical substances), and of process chemicals that can contaminate soil and water, among other things.</p> <p>We consume raw materials (some of which are limited/ scarce) to make our physical products, which can result in a broad range of environmental impacts, and various process chemicals are consumed during the processing of materials throughout the supply chain.</p>	<ul style="list-style-type: none"> <li>• ISO 14001</li> <li>• ISO 14001 environmental management system</li> <li>• Annual ISO 14001 audit of our Environmental Management System in product development</li> <li>• Environmental Health and Safety policy</li> <li>• Design for sustainability (Life Cycle Assessment, Sustainable Product Solutions toolbox)</li> <li>• Energy-efficient solutions and energy-optimising services</li> <li>• Resource management in own operations</li> <li>• Science-based targets</li> <li>• Sustainability index</li> <li>• Leadership on climate action</li> <li>• Partnerships for innovation and impact acceleration</li> <li>• Public policy engagement</li> <li>• Code of Conduct training</li> </ul> <ul style="list-style-type: none"> <li>• Sustainable supply chain</li> <li>• EV100</li> <li>• A Performance management on energy consumption (monthly tracking and evaluation)</li> <li>• Third party audits, monthly operations review meetings, Management review</li> <li>• External and internal ISO audits, Grundfos Product System assessments</li> <li>• The European Union's Waste Electrical and Electronic Equipment (WEEE) directive</li> <li>• Group Standards for Chemical Management and in our Product Compliance Management process</li> <li>• Sustainable supply chain</li> <li>• Monitor international regulations, market trends and customer needs</li> </ul>

# Mitigating risks and challenges

ISSUE AREA	POTENTIAL RISK	CORE ELEMENTS OF OUR MANAGEMENT APPROACH
<p><b>Customer health and safety, documents and labeling</b></p>	<p>Our offerings could impact the health and safety of our customers if not managed responsibly: Product safety related to electrical and mechanical safety, radiated energy, explosive atmospheres, personal data and cyber security.</p> <p>There is a risk that suppliers do not live up to their contractual obligations in regards to complying with the Grundfos Focus List.</p> <p>Contact with materials/substances used in our products through skin contact or consumption. Our customers primarily come into contact with our products during the installation, use and disposal stages of the product life-cycle.</p>	<ul style="list-style-type: none"> <li>Follow international standards, set clear goals, and delegate specific tasks to specific specialists in each area</li> <li>Significant product and service categories for which health and safety impacts are assessed for improvement</li> <li>The health and safety impacts of all Grundfos Group products are assessed using a Safety Risk Assessment (e.g. electric safety)</li> <li>Compliance to Grundfos Focus List</li> <li>The Product Compliance Management process</li> <li>Product &amp; Offering Compliance Process</li> <li>Chemical Management - Grundfos Standard &amp; related documents</li> <li>Product Chemical Compliance (procedure)</li> <li>Product Approvals - Grundfos Standard &amp; related documents</li> <li>CE-marking - Grundfos Standard &amp; related documents</li> <li>IEC CB on all products (oneworld certificate for safety)</li> <li>Technical Construction File on all products</li> <li>Collection scheme for most product types</li> <li>Supplier Code of Conduct</li> <li>Supplier audits (Tier 1) of process and product chemicals</li> </ul>
<p><b>Health &amp; safety</b></p>	<p>Grundfos is a socially responsible employer and ensuring a safe and healthy workplace is in line with our key value: "focused on people".</p> <p>There are a number of risks associated with producing, assembling and servicing pumps, such as work-related injuries and musculoskeletal system disorders.</p>	<ul style="list-style-type: none"> <li>Occupation health and safety management system according to OHSAS 18001/ISO 45001 (the scope is described in our internal Standard)</li> <li>Group procedure in Health and Safety Hazard Identification and Risk Assessment and Health and safety incident investigation and knowledge sharing</li> <li>Safety Incident Management System (SIMS) to report work related hazards and to registered work-related incidents</li> <li>Grundfos Production System (GPS) assessments and Safety Climate assessments</li> <li>Health &amp; Safety targets for all Grundfos sites</li> <li>Continuous global &amp; local trainings (including that link to local laws and regulations)</li> <li>Last Minute Risk Assessment card</li> <li>Incident investigation/root cause analysis</li> <li>Plan, do, check, act (PDCA) approach</li> <li>Defined in IMS and Group policies</li> <li>Sustainability Index</li> <li>Safety leadership, capacity building and knowledge</li> </ul>
<p><b>Labour and human rights</b></p>	<p>Protecting the working conditions, human rights, safety and well-being of people throughout our operations and supply chain is a primary concern and material risk.</p> <p>We work hard to manage these risks and ensure that we are able to attract and retain a skilled workforce and to avoid potential fines and reputational damage.</p> <p>We recognise that certain parts of our supply chain represent increased sources of risk, and that enforcing Grundfos policies can be particularly challenging in unstable regions with limited legislation.</p>	<ul style="list-style-type: none"> <li>Human Resources policies</li> <li>Human Rights policies</li> <li>Product safety &amp; compliance initiatives</li> <li>Occupational health &amp; safety</li> <li>Code of Conduct training</li> <li>Safety Incident Management System (SIMS) app</li> <li>Supplier Code of Conduct training</li> <li>Supplier CSR audits</li> <li>Workplace safety, health &amp; well-being</li> <li>Employee motivation and satisfaction (EMS)</li> <li>Group Learning &amp; Development</li> <li>Human rights due diligence programme</li> <li>Bias training</li> <li>Diverse and inclusive workforce</li> <li>Flex Workshop</li> <li>Extended Leadership Team mentoring</li> <li>GDPR training</li> <li>Personal data protection</li> <li>Sustainability index</li> <li>Whistleblower system</li> <li>Anti-harassment policy</li> </ul>

# About the report

We strive to be transparent with all of our stakeholders about the progress, even when it is not easy.

This report provides a comprehensive overview of our activities and covers Grundfos Holding A/S and Grundfos Group including all subsidiaries, unless otherwise noted.

We have been publishing sustainability reports since 1999, and this is the latest version, published March 2021.

Together with the Grundfos Annual Report, this constitutes Grundfos' Communication on Progress (COP) under the UN Global Compact and our CEO Water Mandate Report. Both reports ensure compliance with the requirements of Section 99a and b of the Danish Financial Statements Act (Arsregnskabsloven) on corporate social responsibility and reporting on the

gender composition of management (see [page 42](#) for the Grundfos Holding A/S numbers).

Data in this report covers the period between January 1 and December 31, 2020, unless otherwise noted. The report groups topics relevant to our stakeholders into three main areas: water, climate and people. It has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option. Please refer to the [GRI Content Index](#) for a complete listing of GRI disclosures included in this report.

The basis for the restatement of previously reported data, relevant calculation methodologies and data limitations are explained where applicable.

For further information or questions regarding Grundfos Sustainability Report 2020, please contact Janda Campos at [sustainability@grundfos.com](mailto:sustainability@grundfos.com).

For further information about Grundfos and sustainability, visit [www.grundfos.com/sustainability](http://www.grundfos.com/sustainability).



China Business Network (CBN) acknowledged our work in China, and awarded Grundfos China with CSR Environmental Ecological Contribution Award 2020. Read our wastewater solutions in Pudong, China on [page 18](#)



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

# Key performance indicators

Climate and energy	Unit	2020	2019	2018	2017	2016	2008
Total CO <sub>2</sub> emissions <sup>1</sup>	t CO <sub>2</sub>	84,814	80,068	91,166	101,584	91,952	132,603
Scope 1 emissions <sup>1</sup>	t CO <sub>2</sub>	25,229					N/A
Scope 2 emissions	t CO <sub>2</sub>	59,585					N/A
Energy consumption	MWh	310,613	279,471	308,585	316,642	297,937	347,724

Water	Unit	2020	2019	2018	2017	2016	2008
Water withdrawal	m <sup>3</sup>	318,469	386,060	430,947	437,784	422,059	655,136

Waste	Unit	2020	2019	2018	2017	2016	2008
Total waste to landfill	t	1,426.2					N/A
Hazardous waste to landfill	t	202.3					N/A
Non-hazardous waste to landfill	t	1,224					N/A

Products	Unit	2020	2019	2018	2017	2016	2008
Investment in new products	% of turnover	4.5	4.0	4.5	4.5	4.7	5.6
High efficiency circulator pumps – energy saved	million MWh	10	8.9	7.9	6.6	5.5	N/A
Resource recovery through takeback	Kg	≈ 14,665	≈11,977	5,077	6,260	7,908	N/A

Diversity	Unit	2020	2019	2018	2017	2016	2008
Female Board of Directors	%	20					N/A
Female leaders	%	24	24	21	20	20	N/A
Employees with reduced work capacity	%	3.1	3.2	3.1	2.9	2.2	N/A

<sup>1</sup> Starting this year, we enlarged the scope and included CO<sub>2</sub> emissions from our own company vehicles. CO<sub>2</sub> emissions from own vehicles is a relatively new data point, and some uncertainties are expected as this matures across the organisation

# Key performance indicators

## Occupational health & safety

	Unit	2020	2019	2018	2017	2016	2008
Lost Time Injury (LTI) ratio <sup>1</sup>	per million working hours	1.81	2.52 <sup>1</sup>	3.42	4.26	3.30	10.21
Absence ratio	per thousand working hours	0.22	0.36	0.44	0.41	0.39	0.96

## People

	Unit	2020	2019	2018	2017	2016	2008
Return to work rate	%	94.4	92.2	90.4	N/A	N/A	N/A
Performance development dialogues - Blue collar <sup>1</sup>	%	99	83	33	40	80	N/A
Performance development dialogues - White collar <sup>1</sup>	%	84	88	67	60	86	N/A
Employee satisfaction	score	77	75	73	70	70	N/A

<sup>1</sup> Comparison figures adjusted since first reported

<sup>2</sup> Based on registrations in the PDD system

## Supplier Code of Conduct

	Unit	2020	2019	2018	2017	2016	2008
Supplier sustainability audits	number of audits	124	81	91	97	15	N/A
System audits	number of audits	18	31	23	39	25	N/A

*“Our ambition is for our sustainability related data to be as robust, coherent and documented as our financial reporting. We will work towards a reasonable assurance of our Sustainability Report.”*

**Mikael Geday**

Group Executive Vice President, CFO

# Key performance indicators

## Indicator definitions

It is of great importance to Grundfos that all data is complete and as accurate as possible. We use SAP's SuPM software to collect our sustainability performance data and Business Warehouse to report it. All Grundfos production facilities use the system to report their monthly Environment Health and Safety data through Key Performance Indicators.

EHS KPIs are measured on a monthly or yearly basis. The 80 largest companies report sustainability performance monthly, while the remaining smaller companies, where sustainability performance does not fluctuate significantly, report performance data annually.

### HIGH-EFFICIENCY CIRCULATOR PUMPS – ENERGY SAVED

The KPI is calculated as electricity savings in 2020 that can be attributed to all Grundfos high-efficiency circulator pumps sold in the EU between 2005 and 2020.

The estimate is based on actual sales figures and assumptions about which older models were replaced by the new ones. The figure is calculated as energy savings in kWh per year. kWh consumption per pump is based on test reports.

### INVESTMENT IN NEW PRODUCTS

The investment in development of new products is defined as expenses related to research and development. The applicable expenses are expressed as percentage of annual turnover.

### CO<sub>2</sub> EMISSIONS AND ENERGY CONSUMPTION

Our energy consumption arises from the use of natural gas, light fuel oil, diesel, renewable fuel, solar, electricity and heat and steam.

Starting in 2020, we have broadened our reporting scope to collect company cars fuel consumption and the Grundfos jet. Reported consumption is based on meter/manual readings and invoices. For CO<sub>2</sub> emission factors for electricity, we use local factors where available, and if not available we use country-specific factors from the IEA (International Energy Agency).

We use the average of previous years (2020 emission factors are the average of 2015-2016-2017 factors from the IEA). For heat and steam, we use local factors where available, and if not available, we use the factor from the largest Danish production company ('GBJ'). This CO<sub>2</sub> factor for heat and steam is close to the global average. For other energy sources we use standardised factors from DEFRA unless local factors are available.

Using IEA factors is in accordance with the Greenhouse Gas (GHG) Protocol, which categorises direct and indirect emissions into scope 1, 2 and 3.

As in previous years, Grundfos provides reporting on scope 1 and 2 emissions. Our scope 1 emissions arise from the burning of fuels in our own vehicles (compressed and liquified gas, petrol, diesel and jet fuel) and from the usage of light fuel oil, diesel and natural gas in our production activities. Our purchased electricity, heat and steam make up our scope 2 emissions.

Fuel consumption from our own vehicles is included in scope 1 figures starting in 2020.

CO<sub>2</sub> emissions are calculated for all activities in Grundfos companies that are included in the reporting scope. The baseline year for CO<sub>2</sub> emissions and energy consumption is 2008.

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

### WATER WITHDRAWAL

The baseline year for water was established in 2008. Water is reported as total consumption in m<sup>3</sup>. The following base KPIs are added to calculate the total water withdrawal:

- Water delivered by municipality
- Groundwater from own well
- Surface water source.

Rainwater is not included in the total consumption. Reported consumption is based on meter/manual readings and invoices.

### WASTE TO LANDFILL

Waste is measured in kg. The components in this indicator are hazardous and non-hazardous waste disposed of in landfills. As consequence of the occasionally inconsistent reporting of waste disposal in landfills from our waste handling contractors, sometimes estimates are reported by our waste handling experts in our operations. Grundfos is constantly working on achieving the most accurate disposal quantities.

As waste information is only available late during the month, we have established a principle of reporting with one month delay.

### INVESTMENT IN NEW PRODUCTS

The investment in development of new products is defined as expenses related to research and development. The applicable expenses are expressed as percentage of annual turnover.

### RESOURCE RECOVERY THROUGH TAKE BACK

Resource recovery through take back refers to all end-of-life pumps returned to Grundfos through the Take Back programme. The programme was established to ensure that our solutions have as little negative impact on the environment as possible – also after end of use.

Our disassembly facilities collect end-of-use pumps from installers who handle the pumps in their daily work. The pumps are weighed, validated and the data are reported in SAP SuPM and they are validated again at the Group EHS level. The programme was initiated in Denmark in 2014 and it has since been launched in three additional markets, the Netherlands, the United Kingdom, and Argentina.

### FEMALE BOARD OF DIRECTORS

The percentage of females in the Board of Directors is calculated by dividing the number of female Non-Executive Directors elected by the Assembly General to the board (i.e. excluding employee-elected members of the Board of Directors) by the total number of Non-Executive Directors elected by the Assembly General in that fiscal year times 100.

### FEMALE LEADERS

Leaders are defined as employees in Grundfos companies (excluding Board members and separation brands' employees) in band levels 1-9, as defined in Grundfos' Internal Career Level, who

have staff responsibility, i.e. they have employees reporting to them. The final number is as of Q3 2020, when the Gender Diversity in Leadership program was finalized.

Note: in the 2019 Sustainability Report, we mentioned on page 44 the Gender Diversity Ambition 2025. It should have been Gender Diversity Ambition 2020.

### EMPLOYEES WITH REDUCED WORK CAPACITY

The indicator is calculated as the number of employees out of the total headcount who are employed on valid Grundfos contracts and have reduced working capacity due to a permanent health issue or disability rooted in physical, mental or social challenges. In cases where a Grundfos employee has reduced work capacity – such as the working hours, flexibility or mobility expected of them – can be adjusted by changing the content of the job and nature of the work.

The purpose is to enable the employee to continue working despite having reduced working capacity.

### LOST TIME INJURIES (LTI) RATIO

Lost Time Injuries (LTI) ratio is the number of "new" injuries that have led to lost work hours in all areas of Grundfos, such as office, sales, production and warehouse. These are injuries that have prevented an employee from being able to return to work the next day. The focus is on acute injuries. The indicator is indexed as injuries per one million working hours for blue and white collar employees.

**ABSENCE RATIO**

Absence Ratio is measured in hours and the indicator is indexed as working hours lost due to injuries per thousand working hours. Absence during the reporting year that was caused by LTIs that occurred in previous years is included.

**RETURN TO WORK RATE**

Employees returning to work after long-term sickness absence, i.e. more than 14 consecutive calendar days of absence due to illness. The number of employees retained is expressed as a proportion of the total number of all closed cases of sickness absence for more than 14 days. A case can only be closed when it is known whether the employee has been retained or not retained.

**PERFORMANCE DEVELOPMENT DIALOGUE: BLUE COLLAR AND WHITE COLLAR**

The Performance and Development Dialogue (PDD) is the key process and tool that supports performance management in Grundfos. The PDD participation rate is based on total number of employees' headcount. The PDD runs on an annual cycle and the aim is to provide a tool and a platform to support structured dialogues between managers and employees during each performance year (January to December). As a tool, the PDD supports managers and employees in:

- Discussing and agreeing goals and targets (both performance and development)
- Tracking progress, managing feedbacks and following up on actions needed to reach goals and targets
- Evaluating achievements against targets.

All employees, except those who are employed in any of Grundfos' separation brands, are eligible to participate in the PDD process. A global system called Success Factors supports the process. Data from 2012 and 2013 are not comparable with 2014 and 2015 as we changed the data source in 2014.

In 2016, the Employee Development Dialogue (EDD) process was merged with the Employee Performance Dialogue (EPD) and we implemented one Performance & Development Dialogue (PDD) and a new system called Success Factor. In compiling figures for 2017 and 2018, we took the number of employees who actually went through the PDDs, then divided it into blue-collar workers and white-collar workers. We then expressed these

two categories separately as percentages of the total number of employees who were eligible for the PDDs.

In 2016 we used a different methodology — we took the number of white-collar workers who actually participated and expressed it as a percentage of the total number of white-collar workers who were eligible, and we did the same for blue-collar workers. In 2019, we went back to this method.

**EMPLOYEE MOTIVATION AND SATISFACTION**

The Employee Motivation and Satisfaction Survey (EMS) provides an overview of employee satisfaction, motivation and loyalty. It covers all Grundfos companies. Separation brands can choose to participate in the Group EMS.

The EMS is run by Group HR in cooperation with the Danish consultant company Ennova. When Ennova delivers survey data to Grundfos, it ensures the full anonymity of employees. The rules of anonymity are respected; an individual response cannot be identified by comparing different reports or results against each other. Information on age, seniority and gender are only used at an overall level and only if the report contains at least 100 answers. Ennova will not disclose to Grundfos any Grundfos employee's identity together with their reply in any survey.

**SUPPLIER SUSTAINABILITY AUDITS**

Through our Supplier 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 the Grundfos Supplier Code of Conduct is embedded in suppliers' operations, sustainability audits are performed on selected suppliers. The scope of these audits is the Grundfos Supplier Code of Conduct, and they are performed internally and by an experienced third-party selected by Grundfos.

**SYSTEM AUDITS**

System audits are quality audits of potential and existing suppliers. System audits include social and environmental aspects related to the Supplier Code of Conduct. As a standard procedure selected potential suppliers are put through a system audit,

a pre-screening process conducted by our internal team that includes social and environmental elements.

Existing suppliers are also subject to system audits, if and when we plan to expand our framework of cooperation with them. In order to become approved as a new supplier to Grundfos, the system audit must provide evidence for compliance with the requirements mentioned.

# GRI index

GRI STANDARD	DISCLOSURE	PAGE	EXPLANATIONS
<b>GRI 102</b> <b>General Disclosures 2016</b>	102-1 Name of the organisation		Grundfos Holding A/S.
	102-2 Activities, products and services	<b>5, 6, 17-19, 27-28</b>	Grundfos Holding A/S is the Parent Company of the Grundfos Holding A/S Group. The Grundfos Holding A/S Group' primary brands are Grundfos own brands including separation brands YCC, Arnold, Alldos, Peerless, Paco, Vortex and some DAB products.
	102-3 Location of headquarters		Bjerringbro, Denmark.
	102-4 Location of operations	<b>5</b>	
	102-5 Ownership and legal form		Poul Due Jensen Foundation owns 88.2% of the share capital in Grundfos Holding A/S, while the founder's family owns 9.6% and the employees own 2.2%.  This structure enables us to maintain a high degree of independence and a long-term perspective.
	102-6 Markets served	<b>5, 51</b>	We are represented by more than 80 companies in 59 countries. In addition, our products are sold in a large number of countries through local distributors.
	102-7 Scale of the organisation	<b>5</b>	See also About Grundfos. Additional information in Annual Report 2020, page 59.

GRI STANDARD	DISCLOSURE	PAGE	EXPLANATIONS
<b>GRI 102</b> <b>General Disclosures 2016</b>	102-8 Information on employees	<b>37</b>	
	102-9 Supply chain		Grundfos' supply chain is a diverse organisation with main stakeholders located centrally on group level and decentrally in individual production companies. Supply Chain is responsible for all of Grundfos' activities within planning and delivery of Grundfos products including the administrative processes, flow of information and material flow of products, hereunder transportation, warehousing, planning, line feeding and procurement.  Overall Group Supply Chain organisation has been revised to fit the Operations regional structure. The Group function have stepwise taking more responsibility in the execution of processes in the distribution centres and in Sales.  See also Annual Report 2020, page 6.
	102-10 Significant changes to the organisation and its supply chain		Due to restructuring footprints, Grundfos is reorganising its production and distribution setup with e.g. moving of various product lines in France and Denmark to Serbia. Distribution centre in England has been re-established.  Reducing carbon emissions footprint is high on the agenda, together with local market support. This means that new suppliers have been introduced locally, distribution by train, instead of airfreight, between Europe and Asia have been established. Furthermore production in Russia, China, Argentina and Brazil have been strengthened.

GRI STANDARD	DISCLOSURE	PAGE	EXPLANATIONS
<b>GRI 102</b> <b>General Disclosures 2016</b>	102-11 Precautionary principle or approach		<p>Primary instrument across operations is ISO 14001-certification, under which both legal compliance and annual environmental aspect evaluation are included. Our approach towards environmental risk mapping is our “environmental aspect evaluation” which is part of Integrated Management System (IMS).</p> <p>In terms of product development, the main instrument is to ensure compliance with relevant environmental legislation in respective markets. Here we do not have full transparency across the global value chain.</p>
	102-12 External initiatives		UN Global Compact (2002) CEO Water Mandate
	102-13 Membership of associations		<ul style="list-style-type: none"> <li>• ESR</li> <li>• BSR</li> <li>• Business &amp; Sustainable Development Commission</li> <li>• 2030 Water Resources Group</li> <li>• Sustainia</li> <li>• Members of steering committee: USAID - Securing Water for Food Trust Fund</li> <li>• Members of steering committee: UNEP-DHI Fresh Water Resource Management</li> <li>• Confederation of Danish Industries</li> <li>• European Heat and Power</li> </ul> <ul style="list-style-type: none"> <li>• Association of Danish Pump Manufacturers</li> <li>• European Heat Pump Association</li> <li>• European Heating Industry</li> <li>• Danish Environmental Association, WsSTP</li> <li>• EuroACE</li> <li>• Synergi</li> <li>• ACEEE</li> <li>• OFII</li> <li>• Water Europe</li> <li>• GISC</li> </ul>
	102-14 Statement from senior decision-maker	<b>4</b>	
	102-16 values, principles, standards, and norms of behaviour	<b>8</b>	More information: Values and purpose, Code of Conduct
	102-18 Governance structure		We have a board of directors and Group Management run our day-to-day operations. Both bodies work together closely to ensure that we prosper as a company whilst staying true to our core values and beliefs. More on our governance structure.

GRI STANDARD	DISCLOSURE	PAGE	EXPLANATIONS
<b>GRI 102</b> <b>General Disclosures 2016</b>	102-40 List of stakeholder groups	<b>51</b>	
	102-41 Collective bargaining agreements		In all our companies, we respect the employees’ right to organise according to local legislations. The proportion of union members varies from country to country; it is highest in the West European countries where we operate. See also our Code of Conduct chapter 13: Working Environment
	102-42 Identifying and selecting stakeholders	<b>51</b>	
	102-43 Approach to stakeholder engagement	<b>51</b>	
	102-44 Key topics and concerns raised	<b>51</b>	
	102-45 Entities included in the consolidated financial statements		See Annual Report 2020, page 59
	102-46 Defining report content and topic boundaries	<b>10-12</b>	
	102-47 List of material topics	<b>10-12</b>	
	102-48 Restatements of information	<b>54</b>	
	102-49 Changes in reporting		No significant changes from previous reporting periods related to material topics and boundaries.
	102-50 Reporting period	<b>54</b>	We publish our sustainability report annually.
	102-51 Date of most recent report	<b>54</b>	The 2019 Sustainability Report was published on March 2020.
102-52 Reporting cycle	<b>54</b>		

GRI STANDARD	DISCLOSURE	PAGE	EXPLANATIONS
<b>GRI 102</b> <b>General Disclosures 2016</b>	102-53 Contact point for questions regarding the report	<b>54</b>	
	102-54 Claims of reporting in accordance with the GRI standards	<b>54</b>	
	102-55 GRI content index	<b>59</b>	
	102-56 External assurance	<b>65</b>	
<b>GRI 201</b> <b>Economic Performance 2016</b>	201-1 Direct economic value generated and distributed	<b>7, 17-21</b>	Not applicable. Reason: We calculate our direct economic value generated and distributed differently to the way required by the GRI standards. Read our Annual Report 2020 pages 11-38.
	201-2 Financial implications and other risks and opportunities due to climate change		Information unavailable. Reason: We do not collect this information at Group level.
<b>GRI 203</b> <b>Indirect Economic Impacts 2016</b>	203-1 Infrastructure investments and services supported	<b>18-20, 31, 38-39</b>	We believe we can do business while doing good. Our products and solutions have significant impacts on local communities, either directly or indirectly. We are in constant dialogue with local authorities to support the delivery of clean water wherever needed.
<b>GRI 205</b> <b>Anti-corruption 2016</b>	205-1 Operations assessed for risks related to corruption	<b>48, 52</b>	
	205-2 Communication and training about anti-corruption policies and procedures	<b>48</b>	We communicate to all Grundfos employees, including governance body members through, among other things, our Code of Conduct training.

GRI STANDARD	DISCLOSURE	PAGE	EXPLANATIONS
<b>GRI 206</b> <b>Anti-competitive Behaviour 2016</b>	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	<b>48, 52</b>	
	301-2 Recycled input materials used		For the past years, we have increased our digital offerings and services, yet most of our solutions are physical products.  In general, different products are made with different amounts of recycled materials. Typically 100% of the aluminium and approximately 90% of the cast iron used in Grundfos-branded products is derived from recycled materials. About 80% of the stainless steel we source also comes from recycled materials. The proportion for copper is 50% and for polymer materials is 0-10%. Product and transport packaging are predominantly made from renewable resources (paper/cardboard & wood) and from FSC certified wood and paper.
<b>GRI 302</b> <b>Energy 2016</b>	302-1 Energy consumption within the organisation	<b>30, 31, 52</b>	
	302-4 Reduction of energy consumption	<b>31</b>	
	302-5 Reductions in energy requirements of products and services	<b>27</b>	
<b>GRI 303</b> <b>Water &amp; Effluents 2018</b>	303-1 Interactions with water as a shared source	<b>20, 52</b>	
	303-2 Management of water discharge-related impacts	<b>20, 52</b>	
	303-3 Water withdrawal	<b>20, 52</b>	

GRI STANDARD	DISCLOSURE	PAGE	EXPLANATIONS
<b>GRI 305</b> <b>Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	<b>30-31, 52, 55</b>	We collect and report on CO <sub>2</sub> emissions
	305-2 Energy indirect (Scope 2) GHG emissions	<b>30-31, 52, 55</b>	We collect and report on CO <sub>2</sub> emissions
	305-5 Reduction of GHG emissions	<b>30, 31</b>	We collect and report on CO <sub>2</sub> emissions
<b>GRI 306</b> <b>Waste 2020</b>	306-1 Waste generations & significant waste-related impacts	<b>29, 30</b>	
	306-2 Management of significant waste-related impacts	<b>30</b>	
	306-5 Waste directed to disposal	<b>30, 55</b>	
<b>GRI 307</b> <b>Environmental Compliance 2016</b>	307-1 Non-compliance with environmental laws and regulations	<b>49</b>	
<b>GRI 308</b> <b>Supplier Environmental Assessment 2016</b>	308-1 Supplier environmental assessment	<b>50</b>	
	308-2 Negative environment impacts in the supply chain and action taken	<b>50</b>	

GRI STANDARD	DISCLOSURE	PAGE	EXPLANATIONS
<b>GRI 401</b> <b>Employment 2016</b>	401-1 New employee hires and employee turnover		New employee hires in 2020: 7.34% by gender: Male: 67%, Female: 33% by age group: <30: 39%; 30-50: 48%; >50: 12% by region: Western Europe: 37%; Eastern Europe, Western Asia and Africa: 30%; Asia Pacific Region: 13%; Americas: 14%; China: 6%
			Employee turnover in 2020: 10.96% by gender: Male: 66%; Female: 34% by age group <30: 29%; 30-50: 48%; >50: 23% by region: Western Europe: 37%; Eastern Europe, Western Asia and Africa: 30%; Asia Pacific Region: 11%; Americas: 14%; China: 8%
<b>GRI 403</b> <b>Occupational Health and Safety 2018</b>	403-1 Occupational health and safety management system	<b>40, 41, 53</b>	We have a Group EHS policy and a Standard describing scope of management system.
	403-2 Hazard identification, risk assessment, and incident investigation	<b>40, 53</b>	
	403-4 Worker participation, consultation, and communication on occupational health and safety		All ISO 45001 certified companies, G5402A0090 Scope of Grundfos QEHS management systems, has a local process for this.  We do not track this data at Group level.

GRI STANDARD	DISCLOSURE	PAGE	EXPLANATIONS
<b>GRI 403</b> <b>Occupational Health and Safety 2018</b>	403-5 Worker training on occupational health and safety		We do not track this data at Group level. It is anchored locally.
	403-6 Promotion of worker health		We do not track this data at Group level. It is anchored locally.
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	<b>53</b>	
	403-9 Work-related injuries	<b>40-41, 55</b>	
<b>GRI 404</b> <b>Training and education 2016</b>	404-3 Percentage of employees receiving regular performance and career development reviews	<b>37, 56</b>	
<b>GRI 405</b> <b>Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	<b>42, 55</b>	
<b>GRI 406:</b> <b>Non-discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken		Our whistleblower system data reflect no breaches related to discrimination.

GRI STANDARD	DISCLOSURE	PAGE	EXPLANATIONS
<b>GRI 409</b> <b>Forced and Compulsory labour 2016</b>	409-1 Operations and suppliers at significant risk for incidents of forced and compulsory labour	<b>44</b>	
<b>GRI 412</b> <b>Human Rights Assessment 2016</b>	412-1 Operations that have been subject to human rights reviews or impact assessments	<b>44, 53</b>	
	412-2 Employee training on human rights policies or procedures	<b>48</b>	
<b>GRI 413</b> <b>Local Communities 2016</b>	413-1 Operations with local community engagement, impact assessments and development programmes	<b>45, 46</b>	More on Grundfos - People
	413-2 Operations with significant actual and potential negative impacts on local communities		To the best of our knowledge, none of our companies has an actual or potential negative impact on local communities.
<b>GRI 414</b> <b>Supplier Social Assessment 2016</b>	414-2 Negative social impacts in the supply chain and actions taken	<b>50</b>	
<b>GRI 415</b> <b>Public Policy 2016</b>	415-1 Political contributions		In all of our public policy activities we do not, either directly or indirectly, make any monetary or in-kind political contributions.

GRI STANDARD	DISCLOSURE	PAGE	EXPLANATIONS
<b>GRI 416</b> <b>Customer Health and Safety 2016</b>	416-1 Assessment of the health and safety impacts of product and service categories	<b>49</b>	
<b>GRI 417</b> <b>Marketing and Labelling 2016</b>	417-1 Requirements for product and service information and labelling	<b>49</b>	<ol style="list-style-type: none"> <li>1. Grundfos does not communicate sourcing information to the customer</li> <li>2. Grundfos products must comply with the Grundfos Focus List. Documents on Product Chemical Compliance, Export Control, Recycling and Conflict Minerals are available upon request</li> <li>3. Safe use of the product is communicated in the product I&amp;O manual or Safety Manual (IOS) in accordance with legal requirements</li> <li>4. Information regarding the ErP directive and our end-of-life products and solutions We are continually phasing out regulated substances in the materials we use. To date, about 4,000 banned or regulated chemical substances are on the Grundfos Focus List.</li> </ol>
	417-2 Incidents of non-compliance concerning product and service information and labelling	<b>49</b>	
	417-3 Incidents of non-compliance concerning marketing communications	<b>49</b>	
<b>GRI 418</b> <b>Customer Privacy 2016</b>	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	<b>49</b>	

# Auditor's Independent Assurance Report

To the Management and broader stakeholders of Grundfos Holding A/S

We have assessed the Grundfos Sustainability Report 2020 ('the Report') to provide limited assurance that the Report in all material respects has been prepared in accordance with:

- The principles and reporting criteria defined in the Global Reporting Initiative (GRI) Sustainability Reporting Standards (Core);
- The accounting principles on page 57-58;
- The requirements of sections 99a and 99b of the Danish Financial Statements Act (FSA);
- The requirements of the UN Global Compact Communication on Progress Policy.

We express a conclusion providing limited assurance.

The Report covers Grundfos' global activities from 1 January to 31 December 2020.

## MANAGEMENT'S RESPONSIBILITY

The Management of Grundfos is responsible for collecting, analysing, aggregating and presenting the information in the Report, ensuring that the Report is free from material misstatement, whether due to fraud or error. Grundfos' accounting principles contain Management's defined reporting scope for each data type. A

summary of the accounting principles can be found on page 57-58 of the Report.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion based on our engagement with Management and in accordance with the agreed scope of work. We have conducted our work in accordance with 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.

Deloitte Statsautoriseret Revisionspartnerselskab is subject to International Standard on Quality Control (ISQC) 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by FSR - Danish Auditors (Code of Ethics for Professional Accountants), which are based

on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Considering the risk of material misstatement, we planned and performed our work to obtain all information and explanations necessary to support our conclusion.

We performed our work from November 2020 to March 2021. Our work has included:

- Obtaining an understanding of what is material to the entity for reporting purposes and determining a threshold of materiality of misstatement for the different types of information;
- Conducting online interviews with management representatives, key functions and data owners;
- Reviewing the text, making enquiries into a selection of statements and obtaining supporting documentation;

- Assessing processes, tools, systems and controls for gathering, consolidating and aggregating the data at Group level;
- Testing procedures and methods deployed to ensure that the reported data are stated in accordance with the accounting principles;
- Performing analytical review procedures on a sample basis and testing the data against underlying documentation;
- Ensuring that material errors identified in some environmental data sampled at entity-level were corrected and that recalculation of group-level consolidated data was performed;
- Evaluating and giving feedback on the reliability and validity of underlying sources;
- Evaluating the overall presentation of the Report for preparation in accordance with the principles for report content and quality as defined in the GRI Standards.

We have not performed site visits or interviewed external stakeholders, nor have we performed any assurance procedures on baseline data or forward-looking statements such as targets and expectations. Consequently, we draw no conclusion on these statements.

## CONCLUSION

Based on our work, nothing has come to our attention causing us not to believe that, in all material respects, the Report has been prepared in accordance with:

- The principles and reporting criteria defined in the Global Reporting Initiative (GRI) Sustainability Reporting Standards (Core);
- The accounting principles on page 57-58;
- The requirements of sections 99a and 99b of the Danish Financial Statements Act (FSA);
- The requirements of the UN Global Compact Communication on Progress Policy.

Copenhagen, 10 March 2021

## DELOITTE

Statsautoriseret Revisionspartnerselskab  
Business Registration No. 33 96 35 56

**Lars Siggaard Hansen**  
State-Authorised  
Public Accountant  
Identification No  
(MNE) mne32208

**Helena Barton**  
Lead Reviewer

