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About the Report
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 2023.

Together with the Grundfos Annual Report, this report constitutes Grundfos UN Global Compact Communication on Progress (COP) and our CEO Water Mandate Report. Our Sustainability Report and our Annual Report ensure compliance with the requirements of Section 99a and b of the Danish Financial Statements Act (Årsregnskabsloven) on corporate social responsibility and reporting on the gender composition of management. 99b is only reported on Grundfos Holding level (see page 73 for the Grundfos Holding A/S numbers).

Data in this report covers the period between January 1 and December 31, 2022, unless otherwise noted. The report groups topics relevant to our stakeholders into three main areas: environmental, social and governance.

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

We base our reporting on the best available data. Methods and data collection are maturing and improving, which is a development that will continue.

For further information or questions regarding Grundfos Sustainability Report 2022, reach out to us at sustainability@grundfos.com.

For further information about Grundfos and sustainability, visit www.grundfos.com/sustainability.
Introduction

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CEO Letter

A year of pursuing possibilities in the face of adversity.

Pioneering solutions to the world’s water and climate challenges and improving quality of life for people. This is the bedrock of our business. It is our purpose, our inspiration and our guiding star.

2022 was challenging – for businesses, but most importantly for people. The war in Ukraine shocked us all. The situation has urged companies to make tough decisions and we have been no exception. Due to the ongoing conflict, we decided to end our 20+ years of presence in Russia and Belarus.

All the while we were still dealing with COVID-19 and major weather events that continue to accelerate because of climate change. From devastating flooding in Pakistan, drought and power outages in China, to depleting water reliance extending across the US, Europe and Africa – the picture is clear. The time to act is now.

Throughout the year, I was proud to see Grundfos take this responsibility head on while remaining dedicated to our purpose and our commitments. In 2022, we unveiled our new brand promise that reaffirms our optimism and commitment to making the world a better place. Our promise is to respect, protect and advance the flow of water.

A concrete achievement toward achieving this promise was the approval of our near and long-term science-based targets from the Science-Based Targets initiative (SBTi). This target will influence every decision we make from now on. 2022 was also the first year Grundfos published our Scope 3 emissions. By deep diving into this complex data, we are the first company in the water solutions sector to have our ambitious Net-Zero targets approved but we cannot deliver on this future alone.

We must do it through partnerships, advocacy and looking outside our normal sphere of influence. It will take all of us to create the low carbon future our planet needs.

The water-energy intersection is where our potential to change the global climate agenda lies. As the world population grows, so does the need to move and recycle more water – faster, using less energy and providing better access. This is becoming increasingly prevalent across underserved populations who have the lowest water service levels.

Finally, we continued our work helping customers meet their energy and water saving goals with the use of our products and solutions. Our report includes stories about our work and I invite you to explore our website for more examples.

The situation we all find ourselves in is urgent. There is no other way to put it and each of us has a responsibility to act. At Grundfos, we are doing just that – through our actions, commitments and ongoing support of the UN Global Compact.

With the best wishes,

Poul Due Jensen
Group President, CEO
Impacts Along Our Value Chain

Our ambition is to accelerate the energy and water efficiency of our solutions for our end-users, to provide water access to underserved communities and to enable circularity, while respecting human rights throughout our value chain.

1. Design & product development
We focus on developing products and solutions that enable energy and water efficiency. Our aim is to design and develop to enable circularity as well.

2. Purchasing
We strive to reduce negative impacts on people and the planet in close collaboration with our suppliers.

3. Operations
We work continuously to reduce our carbon and water footprint by improving operational efficiencies, whilst ensuring the best conditions for our employees’ health, safety, and wellbeing.

4. Sales
We want to provide customers with transparency about our products and to ensure the best solutions for their needs.

5. Distribution
We engage in collaborative initiatives to minimise the impact of our logistics, including a focus on reusable packaging, reducing resource consumption and CO2 emissions.

6. Use
99% of our emissions come from our products use-phase. We aim to enable our end-users to save energy and water through smarter and more energy and water efficient solutions, while maintaining the highest level of product safety.

7. Service
Through our global service programme, our technological solutions and surveillance systems, we optimise the performance of our products and solutions as well as maintaining and prolonging the life of existing installations.

8. End of life
We collect end-of-life products through our Take Back programme with the ambition of reducing waste through re-manufacturing and reuse.
## 2022 Key Achievements

**Net-Zero Approved**

**SAVING ENERGY**
In 2022, we got our science-based targets for Scope 1, 2 and 3 emissions approved.

**1.8bn m³ water saved**

**SAVING WATER**
The pump solutions we sold in 2022 have enabled our end-users to reuse over 1.8 billion m³ water per year.

**+69%**

**CIRCULAR BUSINESS**
64,288 kg pumps returned for recycle programme in 2022. 69% increase compared to 2021.

**4 million people**

**WATER ACCESS**
We provided basic water access to 4 million people in 2022. 6.6 million since 2020.

**24%**

**DIVERSITY, EQUITY & INCLUSION**
24% percent of our leadership roles are occupied by women, which is a 9% increase from 2021.

**1.2m**

**EMPLOYEE & COMMUNITY ENGAGEMENT IN DKK**
DKK 1.2 million donated by our employees and Grundfos to Water2Life programmes across the world.

**Stronger governance**

**RESPECT FOR HUMAN RIGHTS**
Updated Human Rights Policy launched.

**90.4%**

**SUSTAINABLE SUPPLY CHAIN**
Overall supplier compliance rate of 90.4% of the total number of audits and assessments conducted in 2022. 2.8% improvement from 2021.
We are Grundfos

Our promise is to respect, protect and advance the flow of water. We see possibilities in every drop and this drives us to push boundaries and find the best solutions.

It all started with pumps when Grundfos was founded by Poul Due Jensen in 1945 in Bjerringbro, Denmark. Today, we have expanded our expertise to encompass water treatment solutions and technologies.

Grundfos operates with entities in more than 60 countries, serving a wide range of applications across our four divisions: Commercial Building Services, Domestic Building Services, Industry and Water Utility, that all help us deliver on our promise.
Our Four Divisions

Commercial building services
The Commercial Buildings Services (CBS) Division is headquartered in Singapore, a landmark location for energy-efficient buildings and with a strong local, expert competence environment which CBS wants to utilise and scale globally. CBS has a global footprint, directly present on five continents and serves a multitude of customers within commercial buildings services with reliable and high-technology products and solutions, as well as a range of services, including energy and system optimisation. CBS works dedicatedly to serve all its global customers with a special focus on energy-optimising commercial buildings.

Domestic building services
The Domestic Building Services (DBS) Division is headquartered in Bjerringbro, Denmark and is the Division within Grundfos that serves OEMs, distributors, installers, and homeowners with some of the world’s most energy-efficient pumps and solutions for domestic homes. DBS develops, produces, and sells smaller domestic pumps and solutions for single-family housing and residential buildings, serving six domestic applications in heating, HVAC, CHP, domestic hot water, boosting, drainage, and wastewater. DBS has an opportunity and a responsibility to enable homeowners to reduce their climate impact and increase comfort. DBS aspires to offer homeowners the most attractive choices for sustainable homes and comfortable lives.

Industry
The Industry (IND) Division is headquartered out of Bjerringbro, Denmark and has a global footprint of five continents. IND delivers a wide range of premium quality products, solutions, and services based on pumping and water treatment systems. IND helps industrial customers and end-users globally reach their water and climate ambitions while maximising their output. IND optimises industrial utilities and industrial processes, covering areas such as water treatment or water reuse, system integration, energy and process optimisation, and liquid composition, as well as delivering value-adding digital solutions.

Water utility
The Water Utility (WU) Division is headquartered in Brookshire, Texas, USA, with a global presence throughout all continents. It provides intelligent, sustainable pumping and solar powered solutions aimed at optimising water management in ground water and irrigation, clean water distribution, wastewater collection and transport, as well as water intake. Furthermore, the Division dedicates a specific strategic business unit, SafeWater, to transform underserved communities through commercially viable and sustainable water solutions in close collaboration with strategic partners. Meeting the growing demand for clean and safe water requires a transformation of the way the entire water cycle is managed, from drinking water to wastewater, from communities to irrigation. WU works in close partnership with stakeholders from its entire ecosystem as well as suppliers towards a sustainable water future.
Sustainability has been a part of Grundfos from the beginning. It is still at the centre of our business, forming an integral part of our 2025 business strategy, where sustainability is one of our fundamental drivers.

Grundfos’ sustainability ambitions, targets and actions are aligned with our commitment to the SBTi’s, the UN Global Compact and are our contribution to achieving the UN Sustainable Development Goals and the Paris Agreement.

Sustainability is embedded across our business and is fundamental to our strategy, values and purpose. In our work we innovate to advance sustainability and we use the latest thinking alongside local and international regulations, well regarded frameworks and inspiration from internal and external stakeholders.

Grundfos’ Sustainability Framework
Our Sustainability Framework is the blueprint for how we embed sustainability across all aspects of our business. Split into three distinct categories, the framework outlines our core sustainable priorities.

- **Our Four Ambitions** are the areas where we want to be leaders and where we can have the greatest impact.
- **Our Differentiators** are the areas where we strive to go beyond what is expected of us.
- **Our sustainability Fundamentals** allow us to perform at the highest levels of professional excellence.

Combined, our four ambitions set the direction for Grundfos’ ongoing development of products and solutions ensuring that they have a meaningful impact on climate change and society, our operational development.

The Sustainability Framework is governed by the Sustainability Council.
2022 has been a strong year for Grundfos and we have seen progress across all areas of our Sustainability Framework. Whilst working towards our ambitious goals, we are ensuring that we take the time to build in resilience, ensuring changes are embedded effectively throughout our organisation.

In 2023, we will continue to refine our sustainability roadmap and revise our targets, maintaining our position as a global leader in the pump and water solutions industry.
Grundfos Sustainability Framework

**Four Ambitions**
Where we can have the greatest impact

1. **Saving Energy**
   Through smarter and more efficient pump technology

2. **Saving Water**
   Through the development of water efficient and water reuse solutions

3. **Circular business**
   Embedding circular principles throughout our business

4. **Water access**
   Providing water to people in need

**Differentiators**
Where we go beyond stakeholder expectations

- Operate on **renewable energy**
- Advance a **diverse workforce**, inclusive culture and equal opportunities
- Provides a safe and **healthy workplace**, ensuring staff **well-being**

**Fundamentals**
Where we perform to the highest levels of professional excellence

- Own footprint
- Sustainable supply chain
- Customer engagement, branding and sales
- Human rights due diligence
- Employee motivation and satisfaction
- Community engagement
- Chemical and product compliance
- Customer health and safety, marketing and labelling
- Code of conduct
- Public policy and social economic compliance
- Human development and training
- Sustainability data and reporting
- Governance
Sustainability Governance

Accountability for sustainability lies with all Grundfos’ employees.

Our approach

Our Board of Directors provides oversight for sustainability at Grundfos. Group Management sets the strategic direction, goals and makes key decisions on prioritisation within our Sustainability Framework based on recommendations made by our Sustainability Council.

The members of the Sustainability Council represent our functions and our four divisions: Water Utility, Industry, Commercial Building Service and Domestic Building Service. The responsibility of the council members is to develop and make recommendations on strategic deployment to Group Management, including KPIs and target setting. They also have responsibility for coordinating and aligning sustainability deployment to group functions whilst ensuring progress on our projects and targets.

Group Sustainability lead and advise the Sustainability Council. Updating the Council on key initiatives progress, ensuring that our strategies are effective and have measurable outcomes. They govern the implementation of our Sustainability Framework, Science-Based Targets and sustainability ambitions. They provide support to group functions and divisions on how to plan and execute sustainability roadmaps, initiatives and activities.

Our KPIs are monitored by the Sustainability Council, Group Management and the Board on an ongoing basis.

The Sustainability Council meets every quarter to follow-up on sustainability progress, discuss priorities and make recommendations for Group Management. The meeting agenda covers the full spectrum of sustainability topics from human and labour rights to emissions and compliance.
INTRODUCTION

Sustainability Governance

**Board of Directors**
Audit & Sustainability Committee

**Sustainability oversight**
Oversees Grundfos’ sustainability commitments and monitors Grundfos’ sustainability goals.

**Group Management**

Decides on strategy, goals and initiatives
Sets the direction on strategy, goals and initiatives, makes key decisions of prioritisation, agrees on roadmaps and resources and aligns with the Board of Directors.

**Grundfos Sustainability Council**

**Sustainability Council Chair**
VP Group Sustainability, External Relations and Communications

The Sustainability Council consists of eight Grundfos senior management members across functions and divisions.

**Provides recommendations on sustainability strategy, goals and initiatives to Group Management.**
Ensures coordination and alignment across all areas within sustainability including strategy, direction, KPIs, success criteria and ensures the progress of sustainability strategies, projects and targets.

**Group Sustainability**

Advises the Sustainability Council on sustainability strategy and proposes strategy updates.
Monitors progress on key initiatives and current performance. Designs sustainability processes and implements tools and guidelines.
INTRODUCTION

Our progress

2022 was a year of establishing new processes and structures to ensure alignment between our strategy, our Sustainability Framework, standards, commitments as well as current and upcoming regulations.

We reinforced our sustainability ambitions’ structure and established a Project Management Office dedicated to our ambitions. We have updated our sustainability KPIs to align with global standards, external commitments and recommendations.

Sustainability Learning Platform

In 2022, we launched The Sustainability Toolbox to support the integration of sustainability across our organisation. It is an online, one-stop-shop for sustainability information for all of our employees. Through the Toolbox, our employees have access to the most up-to-date information about Grundfos’ approach to sustainability. The platform offers relevant training and learning content covering crucial topics for Grundfos employees, including how to improve engagement with our customers in this area.

What’s next

Grundfos strives to improve our processes and accountability to ensure we keep pace with the ever-changing world around us.

In 2023, we will strengthen the governance structure for each of our ambitions to ensure effective progress, impact and accountability. We have already started preparing for reporting in line with the EU Taxonomy announced in 2022. Additionally, we will map out all requirements of the European Corporate Sustainability Reporting Directive launching in 2023.

Sustainability has been part of our business since our founding, but processes and accountability are continuously improving as our business develops at the same fast pace as our surroundings.

Selected activities

Revision of sustainability KPIs

In 2022, we revised our most important sustainability KPIs, following benchmarking and external recommendations. Our aim was to tailor our performance tracking and align methodologies with internationally recognised standards and recommendations.

Accountability for sustainability is with all of us

Sustainability has been linked to remuneration on a small scale in our Short-Term Incentive programmes since 2017, using the Grundfos internal Sustainability Index as one KPI for the entire Grundfos Group.

The Index is used to track performance within social and environmental metrics, which are included in our executive remuneration. In 2022, we adopted a new method for linking sustainable performance to simplify and ensure results.

New sustainability scorecard

In 2023, a scorecard is replacing the Sustainability Index for tracking performance. Selected KPIs from the scorecard will replace the Sustainability Index as a Group KPI, linking directly to our Sustainability Framework and our purpose. Selected emissions related KPIs will be included as part of Grundfos’ executive and senior leadership remuneration programme for short-term and long-term incentives.
**Stakeholder Engagement and Materiality**

Our bi-annual materiality assessment guides our efforts in setting the direction and providing relevant communication to all our stakeholders.

**Our progress**

In 2022, we performed a materiality assessment. We selected 30 material issues based on our Sustainability Framework and commitments, trends, academia, peer review and our 2020 materiality assessment results. Following AA1000 guidelines, we reached out to external stakeholders across seven groups: suppliers, regulators, industry associations, customers, NGOs and governments.

We also engaged with employees across organisational band levels and global locations.

Going forward, we will strengthen our materiality assessment further by including local communities.

**Our approach**

Our materiality assessment is a six-step process from identifying the material issues to using the findings in our decision making.

1. **Identifying issues**
   - Based on our purpose, strategy, Sustainability Framework, reporting standards and peer reviews, we identify a list of potential issues.

2. **Shortlisting**
   - Reducing the list of issues and defining the main issues to focus on, based on a review.

3. **Engaging stakeholders**
   - Interviews are performed with internal and external stakeholders to get their input on the selected issues. We also ask the interviewed stakeholders for further input if they have additional material issues to be considered.

4. **Mapping and weighing**
   - The issues are mapped in a matrix based on the importance to stakeholders and the relevance for Grundfos long-term.

5. **Refining based on impact**
   - Refining is based on input from internal senior representatives, the issues’ relevance and impact to Grundfos.

6. **Integration into decision making**
   - The assessment findings inform our priorities and the further development of our sustainability roadmap.

**What’s next**

In 2023 and beyond, we will work further on engaging with local communities in the main locations where we operate and further develop our stakeholder engagement processes, ensuring all our stakeholders are represented.

Going forward we will align our materiality assessment with the double materiality assessment requirements which will be determined with the Corporate Sustainability Reporting Directive (CSRD) and the underlying European Sustainability Reporting Standards (ESRS).
Materiality Matrix 2022

Most material issues based on our materiality assessment

Environmental issues
Our stakeholders found product carbon and water issues to be the most material. Highest ranked by our stakeholders were product energy efficiency, lifetime Greenhouse Gas (GHG) emissions and water stewardship.

Social issues
Stakeholders highlighted internal organisational issues including people development and occupational health and safety programmes.

Governance issues
Highest ranked included supply chain due diligence alongside product quality and the prevention of modern slavery.
Partnerships and Advocacy

Businesses, industries and international organisations must join forces to take bold action to address the world’s water and climate crisis. We must leverage our collective expertise and collaborate with all stakeholders to have a meaningful impact.

Our approach

Partnerships and advocacy support the changes needed for Grundfos to live up to our social and environmental commitments.

Our advocacy approach centres on our ambition to be a part of solving the world’s water and climate challenges by engaging with relevant stakeholders, international organisations and by participating in major events such as Climate Change Conference of the Parties (COP).

Our progress

**Target**

Through partnerships we aim to share our insights and knowhow to positively impact climate, water and other critical topics.

**2022 Actions and challenges**

- We accelerated our advocacy efforts through engagements at key international events, including the IWA World Water Congress & Exhibition, COP27, C40 Mayors Summit and the World Economic Forum.
**Spotlight: Activating Young Water Professionals**

We entered a new partnership with the International Water Association (IWA) Young Water Professionals to mobilise young professionals from around the world and strengthen capacity building in the water sector. Applications opened in 2022. The 12 individuals selected will attend the UN 2023 Water Conference in New York, as well as having the opportunity to participate in the IWA 2023 Water Development Congress in Kigali, Rwanda and visit Grundfos.

**Spotlight: Energy crisis driving energy efficiency in Europe**

The unfolding geopolitical situation in 2022 and resulting energy crisis in Europe called for swift action. We collaborated with Centre for Economics and Business Research (Cebr - an independent London-based economics consultancy) to produce the ‘Powering Energy Efficiency’ report and raise awareness of the savings homes and businesses in the UK and Germany can unlock through better energy efficiency.

**What’s next**

We will continue to focus on activities, events and opportunities that accelerate Grundfos’ sustainability ambitions. These will include continued engagement in global thought leadership platforms, such as WEF and the UN 2023 Water Conference.

As one of the world’s leading pump manufacturers, we believe it is our responsibility to collaborate, share our knowledge and learn from our peers.

Finally, we will continue to monitor the legislative and industry landscape identifying key areas of engagement to drive sustainability, efficiency and water responsible objectives.

**Spotlight: IWA**

Grundfos was the principal sponsor of the 2022 IWA World Water Congress & Exhibition in Copenhagen, attended by over 10,000 delegates, with a theme of ‘Water for Smart Liveable Cities’. Together with many other water professionals, we led discussions on our shared responsibility to create solutions that shape the future of water and improve the quality of life for people.
Partnership Overview

Grundfos engagement

As a company we are aligned with the Paris Agreement to keep temperature rises below 1.5°C compared to pre-industrial levels. The Business Ambition helps us to align with these targets.

Being a member extends our commitment to address global water challenges by supporting a collaborative effort.

Grundfos aims to use our close partnership with C40 funded by Poul Due Jensen Foundation, to put our vast experience of water management into use – helping secure a sustainable and resilient water future for all global citizens.

In 2022, Grundfos participated in C40 Mayors Summit in Buenos Aires where we initiated phase 2 of the project “Water Safe Cities.” We hope our involvement will enable C40 to set an even more ambitious water management agenda for cities, supported with the correct delivery systems and infrastructure models.

As part of EV100 Grundfos is leading the way to a cleaner transport future.

Rare earth raw materials are fundamental to the production of our pumps. In 2020, we developed a global overview of the quantified sustainability impact of these materials throughout our supply chain from mine, to magnet, to product. It allowed us to identify sustainable suppliers. As a result of this work, we became a founding partner of ERMA.
Partnership Overview

**Grundfos engagement**

By joining the pledge, we are prioritising mental health in the workplace.

Being a member aligns our efforts with a global movement whilst benefitting from and contributing to collective action in the areas covered by the UNGC’s 10 principles.

Grundfos joined in 2021. Being part of such a dynamic network allows Grundfos to drive change in the sustainability agenda.

As part of the WEF membership, Poul Due Jensen Foundation is a member of various groups which aim to push the global water agendas, including the Alliance of CEO Climate Leaders, the Family Business Community and the Community of Water Champions.

In 2022, CEO Poul Due Jensen participated in their Annual Meeting. He participated in A Fresh Water Future panel debate together with the CEO of Coca-Cola, James Quincey, the Prime Minister of Holland, Mark Rutte, climate activist and founder of the NGO, Green Generation Initiative, Elizabeth Wathuti and Tharman Shanmugatarn from the Singaporean government. They discussed what concrete initiatives are needed to make progress in line with the water agenda at the 2023 UN Water Conference in New York.

Grundfos and the Coalition will focus on making the reuse and recycling of water the norm in homes, calling for smarter approaches that allow ‘fit-for-purpose’ water use.

Grundfos will work with fellow Coalition members and partners to help identify and scale up new technologies that can transform the way we use water and the energy needed to heat it.
To respect, protect and advance the flow of water
Environmental impact

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Saving Energy - Our Net-Zero Ambition

Climate change is disrupting weather patterns, leading to an increase in extreme weather events, unpredictable water availability, water scarcity and contaminated water supplies. Improving water resilience, requires energy – and a lot of it.1

Alongside population growth, urbanisation and increased cooling needs, global energy use in the water sector is projected to more than double by 2040.2

Effective climate action must include mitigation, adaptation and advocacy. At Grundfos, one of the most important actions we can take is reducing our own and our end-users’ emissions.

Efficient heating and cooling are essential to maintain habitable cities for future generations while water recycling is vital for securing a sustainable water future. Unfortunately, these water handling processes are energy intensive. For example, desalination and water recycling account for 25% of total energy consumption by the water sector.2

We have an important role to play in making these processes more efficient. At the core of our saving energy ambition is our ability to save end-users’ energy through smarter and more energy efficient pumps and water processing solutions.

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2 Page 377 https://iea.blob.core.windows.net/assets/680c05c8-1d6e-42ae-b953-6be0420d46f5/WEO2016.pdf
Our approach

We can achieve the low-carbon water future we are striving for by mitigating and reducing our own greenhouse gas emissions, innovating products within our portfolio to save energy for our end-users, transitioning to low carbon technologies and advocating for legislation supporting the green energy transition.

2022 was a significant year for our energy saving efforts. We were delighted to have our near-term and Net-Zero science-based targets validated. Making us the first water solutions company in the world with validated Net-Zero targets.

Setting Net Zero targets is a significant milestone for us. It concretely translated our commitment to solving the world’s water and climate challenges into a tangible target. Reaching our Net Zero goal will require us to think and conduct our business differently.

This goal will influence every decision we make from now on—especially on our products and business. It is a unique opportunity for Grundfos to make a positive difference for people and the planet. As 99% of our emissions are emitted during the use of our products, our foremost impactful action is enabling our end-users to save energy through smarter and more efficient water solutions.

At the same time, we are continuously reducing our operational Scope 1 and 2 emissions and in 2022 we reduced our own energy consumption by 4.4%. Deep decarbonisation is required across our own operations, product portfolio and throughout our value chain to achieve Net-Zero.

Scope 1 and 2
Reducing direct and indirect emissions from our own operations through:
- Procuring renewable energy sources
- Advancing manufacturing and re-manufacturing activities
- Enabling energy-efficient buildings
- Transitioning to electric vehicles

Scope 3
Reducing indirect emissions from our value chain through:
- Accelerating development by transitioning to a highly efficient product portfolio
- Expanding and enhancing digital solutions
- Applying circular principles across our value chain
- Enabling renewable energy products
- Activating suppliers sustainability strategies
- Optimising our business travel and transportation of goods policies

Beyond Value Chain Mitigation
Accelerating low carbon solutions and services portfolio, including:
- Growing smart system solutions
- Accelerating digital and data-enhanced solutions
- Adapting to an innovative business model
- Expanding climate partnerships
"Water is an essential resource. As the global population grows, so does the need to move more water, faster, but without releasing more carbon emissions."

Geraldine Lin Bagger, Climate Director at Grundfos

ENVIRONMENTAL IMPACT

It’s our responsibility to take on the challenges and seize the opportunity for our business to solve them. It’s who we are and it’s what we are committed to doing.

We are already bringing our Net-Zero goal to life across our Group Functions and Divisions. We know we have a challenging path ahead of us but we are ready.

“Grundfos’ Validated Science-Based Targets

**Overall Net-Zero Target**
• Reach Net-Zero greenhouse gas emissions (GHG) across the value chain by 2050

**Near-Term Targets**
• Reduce absolute Scope 1 and Scope 2 GHG emissions 50% by 2030
• Reduce absolute Scope 3 GHG emissions 25% by 2030

**Long-Term Targets**
• Reduce absolute Scope 1, Scope 2 and Scope 3 GHG emissions 90% by 2050

Our progress

<table>
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<tr>
<th>2025 Targets</th>
<th>2022 Actions and challenges</th>
<th>2022 Progress</th>
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<tbody>
<tr>
<td>We aim to reduce Scope 1 and 2 absolute emissions by 50% by 2030 and by 90% by 2050.</td>
<td>Invested in alternative energy sources in our facilities in Hungary and Serbia in accordance with Gold Leadership in Energy &amp; Environmental Design (LEED) certification in 2022.</td>
<td>• Validated 2030 near-term and 2050 Net-Zero targets from SBTi. • Acquisition of the Mechanical Equipment Company Inc. (MECO) – part of Grundfos’ Group reporting from 2022 – accounts for 1,079 tCO2e. Without that, our Scope 1 and 2 CO2e emissions would be 105,590 tCO2e, resulting in a decrease of 0.3% from 2021 to 2022.</td>
</tr>
<tr>
<td>We aim to reduce Scope 3 absolute emissions by 25% by 2030 and by 90% by 2050.</td>
<td>Validated 2030 near-term and 2050 Net-Zero targets with SBTI. • Established methodology to track and measure avoided emissions. • The measurement process for Scope 3 emissions relating to the use of sold products was a key challenge in 2022. Going forward, we will continue to work with external organisations to improve the methodology for long lifecycle products and align it to a circular business model scenario.</td>
<td>• Developed a methodology and 2020 baseline for reporting Scope 3 emissions from 2023 and onwards. • 2022 is the first year for Grundfos to publish the full Scope 3 emissions which have received limited assurance.</td>
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Other Initiatives and Actions in 2022

Technical insulation
In 2022, our Climate & Water Investment Pool funded more than one million DKK to improve the insulation of pipes and technical equipment, resulting in a significant return of investment.

Upgrade instead of replacing
In our Hungarian plant we retrofitted some of our Air Handling Units (AHUs) instead of replacing them. We plan to expand this project across other plants in the future.

Cabinet cooling
At our German plant we replaced the control cabinet coolers with new hybrid technology production machines. This global best practice change has saved approximately 75% energy compared to the old system.

Minimising idle loss
Reduction in idle loss is a great opportunity for Grundfos to make savings, empower the energy teams locally and support them with funding through our internal climate and water investment pool.

Water and energy investments
We increased the investment in our water and energy related projects, allocating 50 million DKK to the reduction of our water withdrawal and Scope 1 and 2 emissions. Projects included on-site solar installations, remote energy monitoring systems and conversion to electric vehicles, among others.
What’s next

In 2023 and beyond, we are focused on advancing our roadmap to reach our near and long-term science-based targets. For Scope 1 and 2 we will expand our efforts to improve our own production and facilities energy efficiency as well as secure onsite and offsite renewable energy supply.

We are moving toward a more integrated business process for managing Scope 3 emissions. Taskforces across our business divisions are being formed to deploy focused and accelerated actions in key markets to secure an immediate decarbonisation while maturing new technology for future deployment.

Specifically, for 2023 we have planned significant new product and business development initiatives in Commercial Building and Industry divisions to accelerate the reduction of our Scope 3 emissions.

This includes accelerating our transition to performance-regulated, digitally-enabled pump products. To get there, we will empower all Grundfos colleagues to understand their contributions when it comes to achieving our saving energy ambition.

Spotlight: Grundfos Energy Task Force

In response to the increase in focus on energy consumption and rising energy prices, Grundfos established the Energy Task Force to implement ideas from colleagues worldwide to better manage energy resources at work and at home. In November and December two ‘Energy Saving Go Home’ meetings were held to help around 700 Grundfos employees learn tips and tricks for saving energy at home.

Spotlight: Enabling customers to meet climate goals

Grundfos is supporting Arla Foods on its mission to reduce carbon emissions by 63% by 2030. Grundfos was appointed to identify, report and achieve energy reductions across the company’s sites by replacing pumping systems with high efficiency state-of-the-art motors, pumps and controls.
Saving Water

Population growth, human action and climate change will result in a 40% water supply shortfall by 2030 if current trends in water development and management continue3. This means the need to use water more efficiently has never been more important.

Our approach

Our products and solutions are optimised to save this valuable resource for our own business, our end-users and our planet. We apply the reduce-reuse-recycle principle to preserve water at every stage of the water cycle. We aim to be responsible stewards of water from withdrawal and treatment through to replenishment and everywhere in between.

For our products and solutions, our ambition is to enable our customers to save water through water efficiency and water reuse.

We deliver on this by:
- Reducing total water withdrawal.
- Ensuring water efficiency in all product applications.
- Increasing water reuse through advanced water treatment technology.
- Enabling end-users to optimise their water consumption through dedicated support services.
- Advocating for legislation that enables more significant water savings.


Selected activities

In our new Serbian facility, the underground rainwater pond collecting capacity has been extended to 2x100m³, which will allow approximately 3.5 million litres of rainwater annually. The first year of use will provide further insights into the performance of the system.
- All sanitation is now connected to our own water treatment/water reuse facility, which increases the capacity of re-use of water by nearly 50%.
- Process water from production is treated in a dedicated wastewater treatment plant.
- Collected rainwater is used for sanitary purposes (flushing toilets, building cleaning).
Looking to 2023 and beyond, our strategy will address how we advance our water treatment technologies, how we systematically assess water use in our operations and how we better understand water risk in our supply chain.

A key challenge in 2022 was the continued low maturity of our sectoral framework to engage stakeholders in water conservation efforts. Going forward, we will work closely with organisations and industrial partners advancing water sustainability frameworks to enable businesses to set, measure and progress against ambitious targets.

Our progress

2025 Targets

- We aim to reduce our water withdrawal by 50% by 2025 compared to 2008.
- We aim to enable our end-users to save 50 billion m³ water by 2030 measured from 2020.

2022 Actions and challenges

- Deployed water saving initiatives at a new operational site.
- Invested in a xeriscaping project at our Fresno Plant, which needs little or no water beyond what the natural climate provides. The project will reduce the usage of water for irrigation by 77%.
- Recent acquisitions expanded our water footprint resulting in a 7% increase in our own water withdrawal for the year.
- We will revise our approach for calculating this number in the next year.
- Excluding our recent acquisition, our water withdrawal decreased by 4%* compared to 2021.
- 1.8 billion m³ saved through pump solutions sold in 2022.
- Since 2020 we have enabled our end-users to save a total of 5.1 billion m³ water.

2022 Progress

*Footnote for Water withdrawal
Mechanical Equipment Company Inc. (MECO) – part of Grundfos Group reporting from 2022 – accounts for 17,431 m³. Without that the water withdrawal would be 127,075 m³, resulting in a decrease of 4% from 2021 to 2022.
Circular Business

Our circular business ambition is a core facet in how Grundfos can achieve sustainable growth. It allows us to consider and take responsibility for the impact of our products and services throughout our value chain.

Our approach

To create a more circular business model for our products and solutions, we need to prioritise reducing waste, using circular principles thinking when designing products and optimising our take back schemes.

By committing to this ambition, we will be able to reduce the consumption of raw materials, recover waste and extend the life of our products, while also meeting our commitment to the 3Rs (Reduce, Reuse, Recycle).

Our progress

<table>
<thead>
<tr>
<th>2025 Targets</th>
<th>2022 Actions and challenges</th>
<th>2022 Progress</th>
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<tbody>
<tr>
<td>We aim to reduce waste to landfill by 50% based on our 2018 baseline of 1260t.</td>
<td>• Waste optimisation is now a key part of the internal audits of our production facilities, where they are scored based on a waste hierarchy which promotes reduction, re-use and recycling over incineration and landfill. • Continued focus on packaging and pallet re-use, wood mulching and better waste segregation. • Prioritisation of contracts with suppliers who can recycle and re-use rather than landfill. • Maintain structural waste management approach.</td>
<td>• 12% reduction since 2021 and 32% reduction in total waste to landfill since our baseline year 2020, which brings us closer to reaching our 2025 target. • 964,910 kg of total waste to landfill. • 64,015 kg of total hazardous waste to landfill, which is a 49.7% reduction compared to 2021. • 900,895 kg of total non-hazardous waste to landfill, which is a 7.1% reduction compared to 2021.</td>
</tr>
<tr>
<td>We aim to take back 500,000 kgs in circulators.</td>
<td>• Take back returns amplified through new partnerships with customers.</td>
<td>• 64,288 kgs collected from take back - putting us at 27% of 2025 target reached. • A 69% increase compared to 2021. • A 334% increase compared to 2020.</td>
</tr>
</tbody>
</table>
In 2022, we focused our efforts on the reduction of waste to landfill and accelerating our Take Back programme. In both cases we made strong progress, overshooting our targets on waste to landfill by 13 percent and take back by seven percent.

**What’s next**

In 2023, we will focus on shaping our circular business ambition, going beyond our 2025 targets, whilst putting roadmaps in place that will ensure Grundfos’ position as a circular business leader.

- We will continue our efforts within sustainable product development and eliminating waste to landfill.
- We will also be expanding our Take Back programme and exploring opportunities to work with partners already established within recycling management.
- In 2023, we will bring greater focus to product development by updating our tools and ensuring circular principles are included at the design stage.

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**Selected activities**

**Scaling Take Back programme**

In 2022, we partnered with St. Gobain to expand our Take Back programme in France and Sweden. We also launched the first full chain programme in the Netherlands.

- We are exploring the possibilities of buy-back to help our pursuit of the circular agenda and achieve change in larger volumes. In pursuit of this agenda, we continue to seek likeminded partners.

**Partnering to increase recycling**

We partnered with major Danish companies and the Danish Technological Institute in the Circular Industrial Plastics (CIP) project to explore recycling technologies.

- CIP’s ambition is to increase the reuse of Danish industrial plastic 20% by 2025. It also intends to provide Danish companies with a new platform to access knowledge and recycling technologies to increase circularity.

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Our work on improving the strategy and implementation roadmaps for the Grundfos circular ambition will continue into 2023.
There is nothing more powerful than water
Social impact

33 Water Access
38 Diversity, Equity and Inclusion
42 Health, Safety and Well-Being
45 Employee and Community Engagement
47 Learning and Talent Development
49 Human Rights
Water Access

One in every four people on the planet do not have access to clean water and sanitation.

Access to clean water is a basic human right as declared by the UN General Assembly in 2010.

We are committed to doing whatever we can to address this situation and improve the quality of life for underserved communities. Our ambition is to help provide water access by reaching 300 million people in need by 2030. This can only be done by working with committed partners across the world.

This ties in with our purpose to pioneer solutions to the world’s water and climate challenges and improve the quality of life for people. We are well placed to do this thanks to our technology, experience, innovative thinking, the synergies generated by strong partnerships and end-user insights.


Spotlight: Bringing water to rural communities

Through our partnership with Suez Denmark and Building Resources Across Communities (BRAC), one of the world’s largest development organisations, Grundfos established a pilot water treatment system in Sharankola, Bangladesh. A further 10 are in the pipeline. Over the next four years, 200,000 people will have access to clean water because of this project.
Our approach

We work with global and local organisations who share our goal of extending water access to millions of underserved people, from cities and shanty towns to remote subsistence farms and war zones. Partners include non-government institutions, humanitarian organisations, distributors and contractors, state authorities and banks, all of them important players in the process.

The first step is to analyse specific water needs, making sure we are aligned with our partners and then jointly finding and delivering the best solutions.

In 2019, we established Grundfos SafeWater, a Centre of Excellence exclusively dedicated to expanding access to water. We have embedded SafeWater into every area of our business from technical solutions to training and strategy. Doing so allows us to create a shared value that is beneficial to our business, partners, communities and the environment. It’s the key to scaling our solutions, creating jobs and stimulating local economies in a way that leads to resilient and lasting development.

At the same time Grundfos SafeWater is exploring new business models and new markets, which will open the way to further expand the programme. Because ‘business as usual’ will not get us to where we need to go.

In general, the escalating need for access to drinking water and changing market dynamics calls for innovation throughout our company. Grundfos FutureLab is such an example, where dedicated teams focus on how Grundfos can radically rethink the provision of water. They do this by exploring, developing, and providing novel water solutions together with the associated business models and digital enablers needed to create impact.

Our progress

<table>
<thead>
<tr>
<th>2025 Targets</th>
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<tr>
<td></td>
<td>• In 2022, we expanded into new markets such as Togo, enabling us to increase our impact while pioneering new business models. We have strong partnerships with groups including Plan International, the Community Water and Sanitation Agency in Ghana, and the Ethiopian Water Technology Institute.</td>
<td>• <em>4 million people were given access to drinking water in 2022 - reaching 2.5% of our 2030 target.</em></td>
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<td>• To build capacity in the water sector, we ran training programmes at Openo Polytechnic and Hawassa Polytechnic colleges in Ethiopia and St Paul’s Technical Institute in Ghana.</td>
<td>• We are finalising the methodology by which we document our impact and count how many people we have reached. Third-party auditors will validate the methodology.</td>
</tr>
</tbody>
</table>

*We collect data from non-profit organisations, with whom we partnered to bring water solutions to underserved communities. We ask them to report on installed drinking water solutions, how many people these projects reached and in which locations. Occasional large drinking water projects are accounted for based on project data and grounded estimation of the number of people reached.

In order to validate the reported numbers, we consider the number of people living in the reported locations. We use Meta’s High Resolution Population Density Maps with the help of Quantum Geographic Information System (QGIS), and count the number of people living within a reasonable radius around the geocoded villages and cities.

Spotlight: Delivering in drought conditions

In 2019, Grundfos sealed a three-year-agreement to improve water access and mitigate the effects of drought, including famine and waterborne disease in Somaliland. The aim is to deliver pumps to the region, where more than 350,000 people are in urgent need of clean drinking water.

In Uganda, the East African Grain Council, Akvo International, Access2Innovation and Grundfos have joined forces to bring irrigation solutions to rural farmers in Uganda. With funding from Danida, this coalition takes a value-chain approach to increasing food security, from seed to market.
Hand pump retrofit across Africa

Hand pumps, or manually operated pumps, are among the most common ways to access water around the world.

These simple devices are widespread in Africa and other developing regions where millions have already been installed. Given their potential drawbacks, many NGOs and governments prefer using solar-powered pump technology, where possible, as a cost-effective alternative.

One such NGO is World Vision, which has installed more than 5,000 hand pumps in rural Zambia alone. Now, in partnership with Grundfos, they wish to retrofit many of these pumps with smaller solar powered ones, such as the Grundfos SQFlex submersible pump.

The SQFlex pump is a cost-effective, easy to install and use solution, made of materials meeting international drinking water standards. World Vision Zambia calls it a ‘game changer’ in the market.

So far, Grundfos has provided 80 pumps in Zambia, which have benefited over 20,000 people.

One major advantage of solar pumps is the savings of time and effort they offer the women and children who usually collect water. Water collection is now quicker and the physical effort required is significantly reduced.
CASE: GHANA WATER INITIATIVE (GWI)

The first pilot project launched in the village of Abomosu was a public-private partnership with the state Community Water and Sanitation Agency (CWSA).

The project included the installation of seven solar-powered communal AQTaps — the water-supply equivalent of an ATM. These digital, smart water-dispensers give people access to potable water using a prepaid card that can be topped up via a mobile app. In addition, 174 households had smart connections installed. These two methods have given 8,000 people in Abomosu 24-hour access to clean water.

After the successful pilot in Abomosu, the GWI aims to continue the collaboration with CWSA by developing another 12 projects, with the aim of providing clean water to 100,000 Ghanaians by the end of 2023.

In 2022, we established a greenfield water utility in the rural community of Otoase. Prior to the project, the main source of water was untreated surface water, 500mtrs from most households. The new system has the capacity to provide 40m³ of clean drinking water daily to the homes of Otoase’s 4,000 residents. The system includes a refillable bottling plant that will serve 2,000 people a day.

In 2019, SafeWater launched the Ghana Water Initiative (GWI), with the aim of providing underserved communities with drinking water from sustainable and efficiently run sources.
Challenges

Grundfos SafeWater most commonly operates in areas that are remote, lack infrastructure and sometimes racked by armed conflict. 2022 saw several projects delayed due to global supply chain disruptions and the knock-on effects of the war in Ukraine\(^5\). Inflation and currency challenges in several countries also played a role in the delays. For example, our ambition to expand our micro-utility in Ghana was slowed by inflation rates of more than 50% in 2022. All of which highlight the complexity of providing water access to the underserved.

Finding a successful business model that simultaneously caters to the needs of resource-constrained communities is a difficult task. This complexity is compounded by vulnerabilities such as local politics, unpredictable human behaviour and unavoidable global events. To navigate the shifting terrain, we must be flexible and agile in collaborating with our partners to co-create solutions that keep up with the ever-changing circumstances of where we operate.

What’s next

We will continue to develop a better understanding of our markets, alternative business models alongside finding new ways of conducting partnerships and approaching challenges. Having the right technology is a strong start when rolling out water access for underserved areas, but a great deal more is required for scalable success. Gaining deep insight and thorough understanding of the regions where we operate is essential for meeting the water needs of millions of people.

Spotlight: Keeping waterborne diseases at bay with electro-chlorination

The Ninewa Directorate of Water in northern Iraq used to rely on chlorine to treat drinking water in and around the remote town of Sinjar. But budget constraints, security concerns and limited access to chlorine due to the armed conflict led Save the Children to look for alternative solutions to ensure a steady supply of safe water for the 15,000 residents who have returned to Sinjar after years of displacement.

With funding from the Australian government, Save the Children International worked closely with Grundfos and the Directorate of Water in Ninewa to provide safe water to residents. Now, with the help of a Grundfos Selcoperm electro-chlorinator, children and their caregivers are protected from waterborne diseases. Read the full case.

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\(^6\)https://www.gep.com/blog/mind/russia-ukraine-war-logistics-impact
Diversity, Equity and Inclusion

Grundfos is its people, which is why we are committed to improving quality of life by enabling our people to achieve their full potential. Embracing diversity, equity and inclusion (DE&I) means we make our communities, society and Grundfos better.

Our approach

Everyone has the potential and passion to do their best. Differences in backgrounds, mindsets, preferences, traits and skills, are all key advantages for our business. Our people are at the heart of Grundfos’ values.
“DE&I is not a zero-sum game that competes with other business priorities. Rather, DE&I lays the foundation for reaching future business goals.”

Astrid Friis,
General Counsel & Vice President of Legal

Our approach to diversity, equity and inclusion centres on five key themes:

Leadership Commitment: We expect our leaders to ‘live and breathe’ diversity, equity and inclusion, meaning that they must demonstrate inclusive behaviours and mindsets. Our leaders are active role models and ambassadors for our DE&I principles, reflecting this commitment in everything they do - from the decisions they make to ensuring everyone in their team has a voice.

Inclusive Culture: To unlock the potential and power of our diversity we must create an inclusive culture where everyone feels valued and respected for their individuality. This requires building safe spaces at work, where colleagues feel empowered to take risks and bring their full selves to work, without fear of judgment or reprisals.

Advancement and Recruiting of Women: We strive for a better gender distribution throughout Grundfos. As a leader in our industry, we have a responsibility to promote the advancement and recruitment of women, to drive fair and diverse hiring practices.

Early Career Development: We are enthusiastic about fostering the development of the next generation of Grundfos leaders. We recognise the potential for mutual learning when individuals of different ages and experience levels work together. We strive to create a purposeful environment where our younger employees are nurtured and gain the necessary support and experiences to advance their careers.

Special Needs Representation: We consider it our responsibility to offer colleagues with permanent limitations or special needs the tools and support to thrive at Grundfos, whether in our offices or at our production sites. We want Grundfos to be recognised as a champion for creating and nurturing an environment where employees with special needs can be the best version of themselves.
### Our progress

In 2022, we improved DE&I across the organisation. We experienced role modelling from senior leadership and growth in our Employee Resource Groups (ERGs). Furthermore, we have seen a strong increase in local initiatives, including ‘GET Hiring HER’ in India and ‘Break the Bias’ in China, showing how DE&I initiatives are being tailored to local needs. The feedback from the organisation is that working with 12 KPIs is too complicated. So from 2023, we will launch a significantly simplified set of five KPIs, one per key theme.

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<thead>
<tr>
<th>2025 Targets</th>
<th>2022 Actions and challenges</th>
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<tbody>
<tr>
<td><strong>Leadership Commitment</strong></td>
<td>• Launch of Grundfos’ DE&amp;I Position Paper for the organisation.</td>
<td>• 43% say Grundfos is fully ‘committed’ to DE&amp;I, up 3% since 2021.</td>
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<tr>
<td>• 60% say Grundfos is fully ‘committed’ to DE&amp;I.</td>
<td>• Stronger mandate, better anchoring and inclusion of employee elected members onto the DE&amp;I Council.</td>
<td>• 39% say leadership has made a ‘significant difference’ to DE&amp;I, up 2% since 2021.</td>
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<tr>
<td>• 60% say leadership has made a ‘significant difference’ to DE&amp;I.</td>
<td>• Piloted inclusive leadership training.</td>
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<td><strong>Inclusive Culture</strong></td>
<td>• Number of ERG members increased from 344 in 25 countries to 853 in 38 countries.</td>
<td>• 78% say they can be their ‘authentic self’, up 3% since 2021.</td>
</tr>
<tr>
<td>• 80% say they can be their ‘authentic self’.</td>
<td>• Activities run by the ERGs increased, including; Pride flag at Grundfos locations (Pride), Reverse mentoring (Future), Ask-me-Anything (Abilities) and “Take charge of your career” (Women).</td>
<td>• 74% say their perspectives are ‘heard and respected’ at work, down 1% since 2021.</td>
</tr>
<tr>
<td>• 80% say their perspectives are ‘heard and respected’ at work.</td>
<td>• Conducted a pilot on inclusive job ads.</td>
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<tr>
<td><strong>Advancement and Recruiting of Women</strong></td>
<td>• Started capturing gender data during recruitment process.</td>
<td>• 24% women in leadership positions, up 2% since 2021.</td>
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<td>• 27% women in leadership positions.</td>
<td>• #pinkfriday – campaign to support women in business.</td>
<td>• 15% women in senior management, up 2% since 2021.</td>
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<td>• 20% women in senior management.</td>
<td>• Updated recruitment guidelines.</td>
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<tr>
<td><strong>Early Career Development</strong></td>
<td>• Deep dive research on the key reasons for early career employees leaving Grundfos.</td>
<td>• 2.1x attrition rate for early career, office, vs. Grundfos office overall.</td>
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<tr>
<td>• 1.5x attrition rate for early career, office, vs. Grundfos office overall.</td>
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<td>• 3.1x attrition rate for early career, shop floor, vs. Grundfos shop floor overall.</td>
</tr>
<tr>
<td>• 2.5x attrition rate for early career, shop floor, vs. Grundfos shop floor overall.</td>
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<tr>
<td><strong>Special Needs Representation</strong></td>
<td>• Successfully retained all people hired in Grundfos neurodiversity project 2021 in Hungary.</td>
<td>• 3% reduced work capacity in total organisation.</td>
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<td>• 5% reduced work capacity in total organisation.</td>
<td>• Developed neurodiversity hiring process.</td>
<td>• 69% say they are an ‘equal contributor’ in their workplace.</td>
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<tr>
<td>• 73% say they are an ‘equal contributor’ in their workplace.</td>
<td>• Created an interactive map to visualise initiatives and legislation increasing DE&amp;I awareness at a local level.</td>
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<td>• We were the main sponsors for the World Championship in Wheelchair Rugby.</td>
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<td></td>
<td>• Developed inclusive self-reporting for people with special needs.</td>
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<td>• Launched “Grundfos workplace accommodation guidelines.”</td>
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</table>
What’s next

In 2023, we will launch the successful activities piloted in 2022, across the business to reach a larger target audience whilst delivering on our DE&I commitments. These will comprise of inclusive leadership training, reverse mentoring and inclusive job advertisements.

2023, will see us strengthening diversity in our talent management flow and succession planning by further professionalising our DE&I strategy, action planning and communications across Grundfos.

Spotlight: Award winning employee resource groups

Our Employee Resource Groups (ERGs) were established in 2021 to build a more inclusive environment at Grundfos. One year later, they won the Diversity and Inclusion Initiative Award at the Danish Diversity Awards. Our colleagues who run the ERGs work tirelessly, turning their passion into real action to champion inclusivity at Grundfos.
Health, Safety and Well-being

At Grundfos, health and safety is as much about protecting mental health and well-being as it is about physical health and safety in the workplace. As such, Mental Well-being plays an integral part in our global Health, Safety & Well-being (HSW) programme.

Our approach

Our ambition is to drive the HSW of our employees, by providing a safe work environment, preventing injuries, ensuring good physical conditions and psychological balance. We want to transition from a culture where HSW is created by some, to a culture where everybody is motivated to take a joint responsibility. This is reflected in our ambition, “Together we create Health, Safety and Well-being because we care.”

The ambition revolves around three desired behaviours:

- **Be Present**
- **Take Action**
- **Don’t Compromise**

Over the past few years we have experienced stagnation in the number of injuries and higher levels of stress. This is not in line with our values as a company and therefore we are making vital adjustments.

“To guide us all, as individuals, colleagues and managers, we have defined three desired behaviours, which we strive to incorporate in our company culture.”

Karen Touborg,
Group Senior Director EHS
Our progress

**2025 Targets**
- We aim to reduce Lost Time Injury Ratio (LTIR) down to 1.5.

**2022 Actions and challenges**
- Downward trend on LTIR from previous years stagnated, so a new approach was needed.
- Introduced a Safety Excellence Framework, consisting of six strategic principles to lead the way forward to an interdependent safety culture.
- Conducted training and activities during Safety Week with a key focus on embedding the desired behaviour "Don’t compromise.”
- Launched a new protocol ensuring business leaders now receive weekly incident management updates. The objective of this is to share knowledge and maximise learning opportunities.
- Strengthening our approach to risk prevention by introducing an HSW minute in key meetings.

**2022 Progress**
- LTIR reduced from 2.23 in 2021 to 2.06.

**2022 Targets**
- We aim to reduce the level of stress to 12%.

**2022 Actions and challenges**
- During Safety Week we conducted stress prevention activities for people leaders, including energy training and workplace commitment.
- Ran resilience training covering engagement and motivation.
- Undertook a deep dive analysis in the fourth quarter, investigating root causes of stress factors and establishing a 2023-2025 road map.
- On Mental Health Day, launched an employee SharePoint site on mental health and well-being to support employees, leaders and our HR community.

**2022 Progress**
- Stress increased by 1% compared to 2021.

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**Spotlight: Make a safe day**

Our annual Safety Week encourages colleagues to share workplace safety best practices, stories and advice on how to live our HSW ambition. In 2022, we highlighted the desired behaviour 'Don’t Compromise' when it comes to health and safety, but also on Mental Well-being. A key element of the week was on stress and stress prevention, in which we engaged colleagues in activities supporting personal commitment, team energy and other Well-being related topics. A takeaway from the week was that to take care of each other, we must take care of ourselves.

A takeaway from the 2022 Safety Week was that to take care of each other, we must take care of ourselves.
**What’s next**

Employee HSW will continue to be a key differentiator for Grundfos and determine how we engage our colleagues. To build on our safety culture we will strengthen our efforts through improved visible safety leadership.

In well-being, we will focus on improving our understanding of the root causes of stress and stress prevention in the development of our 2023-2025 engagement and well-being roadmap. 2023 will see us focus on simplicity and speed, stress and well-being, global collaboration and communication.
Employee and Community Engagement

When our employees and their communities thrive, so do we, which is why we empower our colleagues to give back to the communities and local organisations they care about the most.

Our approach

Our ambition is to enable communities to thrive and improve quality of life through our employee and community engagement programmes, including Water2Life, employee volunteering and community giving:

- **Water2Life** is our powerful employee-initiated and employee-driven programme that seeks to bring clean water to communities in need.
- **Employee volunteering** in the areas of water, climate and people, which directly relate to our purpose.
- **Community Engagement Grants**, funded by the Poul Due Jensen Foundation, to support employees with projects contributing to social responsibility, inclusion and community engagement.

Our goal is to create a positive, measurable and lasting impact in the communities where we work and operate.

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**Spotlight:**
**Grundfos India Walks for Water**

On World Water Day, Grundfos India partnered with Young Indians (Yi) Chennai Chapter to Walk for Water and raise funds for Water2Life. Grundfos employees and family members, walked 6.5 kilometres to honour the hardship that 771 million people around the world experience every day when fetching water. Water2Life in India was launched in 2021, improving the quality of life for more than 3,600 individuals so far.

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Spotlight: Global Employee Volunteer Policy launched

We encourage Grundfos employees to volunteer and make a difference in their local communities and to fundraising for water, climate and social projects.

Our new Global Volunteering Policy allows our employees to do volunteering activities during the working hours.

What’s next

2022 marked a year of action and progress, with our newly launched employee volunteering policy and expanding engagement with Water2Life.

While we made progress in some areas, we also faced some challenges. In 2022, we experienced a slight drop in our employee motivation and satisfaction scores, moving from 77 in 2021 down to 76 in 2022.

We aim to ensure employee satisfaction and motivation reaches a score of 78 in our annual Employee Motivation Survey (EMS).

We aim to increase employee volunteering participation to 20% by 2025, and 50% by 2030.

We aim to make Water2Life reach 100,000 people with access to drinking water by 2030.

76 is still a high level, however, we feel our 2022 organisational change into our new divisional structure is still causing some confusion in processes and roles and responsibilities, which we are now building into our EMS action plans for 2023.

2025 Targets 2022 Actions and challenges 2022 Progress

We aim to ensure employee satisfaction and motivation reaches a score of 78 in our annual Employee Motivation Survey (EMS).

• Launched the Team Talks tool in 2022, allowing for year round facilitation of talks on satisfaction and motivation and to better measure results.

• EMS employee satisfaction and motivation score decreased to 76 in 2022 from 77 in 2021.

We aim to increase employee volunteering participation to 20% by 2025, and 50% by 2030.

• Launched global employees volunteering policy in Q4 of 2022.

• Continue to track and encourage employee volunteering activities through community engagement portal.

• On track.

We aim to make Water2Life reach 100,000 people with access to drinking water by 2030.

• Launched two new sites in India and one new site in Nigeria, led by Grundfos Norway.

• Continued support in Venezuela.

• Preparation and launch of a new site in China – spearheaded by Grundfos China in collaboration with the NGO Tang Mama. The goal of this well supported project is to fundraise for as many water filtration canisters as possible, thereby supporting families of junior high school students in Huining, Baiyin City, Gansu Province.

• Since 2020 Water2Life projects have reached 65,168 people with access to drinking water, reaching 65% of our target for 2030.

What’s next

2022 marked a year of action and progress, with our newly launched employee volunteering policy and expanding engagement with Water2Life.

In 2023 and beyond, we will amplify our volunteering policy as the golden thread across Water2Life. Walk for Water and Community Engagement Grants. We anticipate that as more employees engage in the volunteering programme, engagement will improve across other areas of the business.

We will also expand our Water2Life projects by working with existing partners and finding new like-minded partners.
Learning and Talent Development

Our aim is to make Grundfos a world class place to work, learn and grow. We want to achieve this by creating a learning culture and providing our employees with the tools, resources and space to make it happen.

Our approach

Grundfos is committed to empowering our employees to take ownership of their own development. To achieve this, we have a people strategy that emphasises the importance of employee learning at every level of the organisation. Our leaders are essential in fostering a learning environment and we are providing them with the necessary tools, platforms and programmes to support a culture of continuous development.

Our progress

In 2022, we expanded our internal learning platform, G-learn, by creating customer segment specific academies with product and application training. We also introduced new leadership training topics including stress management, mental health awareness, unconscious bias, micro-aggressions and anti-harassment.

In 2022, we continued to strengthen, develop and expand our learning and development initiatives to improve the personal and professional growth of employees at all levels, from leadership teams to every level positions.

<table>
<thead>
<tr>
<th>2025 Targets</th>
<th>2022 Actions and challenges</th>
<th>2022 Progress</th>
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<tbody>
<tr>
<td>Our aim is to establish our learning ambition as one of the strategic fundamentals.</td>
<td>• Additional learning resources were added to our platforms, Viva Learning, and deployed across our organisation. • Talent flow dialogues were introduced with senior level managers. • New value-based leadership framework established including the participation of our top 200 leaders in a value behavior learning journey. • Talent Framework developed. • Created and launched ‘High Performing Leadership Teams’ workshops for senior leadership teams, to facilitate organisational change. • 46 senior leaders participated in our ongoing 18-month Senior Leadership Programme.</td>
<td>• Targeted learning resources deployed across Grundfos. • Learning plans and onboarding journeys have been developed and deployed.</td>
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LinkedIn Learning

In 2022, we launched LinkedIn Learning which gives our employees access to over 16,000 online courses on business strategy, creativity, technology, and personal skills taught by industry experts. The aim is to encourage a culture of continuous learning where our people can develop skills at their own pace and in line with their individual career aspirations. Since launching, more than 9,000 employees have accessed the platform.

Global Graduate Program Expansion

We expanded our Global Graduate Program to secure a young and diverse talent pool in various areas and locations. In 2022, the programme intake went from hiring 10 graduates a year in Denmark— to 25 graduates globally in the US, India, China and Denmark.

GEAR – Individual development program

GEAR is a programme where we want to encourage individuals to drive their own learning agenda, supported by their leaders. So far, we have launched the programme in 4 business areas, allowing 57 participants to take part across the globe.

Senior Leadership Academy

Leaders at the highest levels are the target audience for our Senior Leadership Academy. The purpose of the program is to prepare senior leaders for a potential next step in their career. In 2022, the first cohort completed their journey and the second is currently running with 46 participants.

What’s next

Since the beginning of 2022, various initiatives have been launched to drive our learning ambition forward. The next step is to develop a consistent approach across Grundfos, offering a global Learning & Development portfolio, offering programs and learning solutions for our employees in a targeted way.

In previous reports, we have disclosed the number of completed PDDs (Performance & Development Dialogue) with the underlying assumption that a development plan has been established. We will strengthen this measure in 2023 to ensure quality assurance of the PDD data.
**Human Rights**

Respecting the dignity and human rights of all people is an integral part of how we do business.

How we conduct business and our business relationships in our value chain (upstream and downstream) has the potential to both positively and negatively impact society. Through our purpose and values, we are committed to upholding human rights and embedding these principles across our workplace culture, operations, supplier relationships and other partnerships.

**Our approach**

Grundfos is committed to respecting human rights, in line with the UN Guiding Principles on Business and Human Rights (UNGPs) and the UN Global Compact. Our due diligence efforts are based on the OECD and UNGP guidelines and we collaborate with peers, experts and stakeholders to further improve our approach and scope.

At Grundfos, we conduct due diligence to identify, prevent, mitigate and remedy our actual and potential human rights impacts throughout our operations and business relationships.
Our Human Rights Policy developed back in 2014, was updated in 2022, to ensure we are prepared to meet existing and upcoming regulations, as well as meeting stakeholder expectations. It clearly outlines our human rights governance structure and due diligence processes, grievance mechanisms, access to remedy and links to our identified salient human rights issues list.

“As a purpose-driven company, we are strongly committed to respecting human rights across our operations and value chain. With the current geopolitical landscape and increasing external demands, it is more important than ever that we ensure our human rights policy and approaches adapt to the needs and requirements of the world we operate in,” Poul Due Jensen, Group President and CEO.

How we work with human rights:

**Employees**
We ensure a workplace culture where the rights of our employees are respected and valued.

**Suppliers**
We expect suppliers to uphold the same human rights views and actions as we do, as stated in our newly revised Supplier Code of Conduct, which includes a strong focus on human rights.

**Business partners**
We seek to promote responsible business conduct and respect for human rights across the value chain.

**Other stakeholders**
We continuously aim to advance our work on human rights in dialogue with stakeholders and support internationally recognised human rights standards and regulations as stated in our Human Rights Policy.
In cases where we identify human rights impacts caused by, or contributed to by our business activities, Grundfos is committed to remediation any adverse impacts by participating in, or providing access to, legitimate judicial or non-judicial remedies. We expect our suppliers to make the same commitments.

Human rights due diligence is a dynamic, ever-changing process that is embedded into our policies and internal processes across the organisation through our values, group policies and Code of Conduct.

**Spotlight: Human Rights in M&A and prevention of excessive working hours**

In 2022, we integrated human rights and sustainability due diligence into the existing process for Mergers & Acquisitions. As part of this we developed a tool that provides deeper insight into potential Environmental, Social, Governance (ESG) risks, including adverse human rights impacts within our business. To ensure our workforce does not work excessive hours, we implemented a global monitoring system. This is now integrated into Grundfos’ Production System, which represents the way we want to operate our factories in all regions. The system is based on group values, policies and key behaviours and is intended to ensure that every area of our business operates according to the same high standards.

**Spotlight: Engaging in community dialogues in Ghana**

In 2020, we conducted a Social & Human Rights Impact Assessment of the Grundfos Ghana Water Initiative. This year, we followed up on the key learnings with a human rights lens, focusing on community dialogue, local traditions and land use. To ensure that affected communities have accessibility to grievance mechanisms, we established a local process, with a clear governance structure, to facilitate safe avenues for communication or raising of concerns. This is in addition to our whistle-blower process.

Our progress

**2025 Targets**

- Assure our business practices follow the UN Guiding Principles on Business and Human Rights.
- Ensure preparedness for the upcoming EU mandatory Corporate Sustainability Due Diligence legislation.
- Maintain compliance with relevant national and local human rights regulations.

**2022 Actions and challenges**

- Revised and published our Human Rights Policy and Salient Human Rights Issues to further reinforce our commitment and prepare the upcoming European Union Mandatory Corporate Sustainability Due Diligence legislation.
- Revised and published our annual Modern Slavery Act Report in compliance with new UK and Australian regulations.
What’s next

In 2023, we will roll-out our revised Human Rights Policy using training to raise awareness throughout the organisation.

We are looking to accelerate stakeholder engagement with our human rights activities by formalising our approach to integrate human rights due diligence into downstream activities by conducting impact assessments and further engaging in community dialogues to support human rights needs in our higher-risk areas.

The completion of our human rights plan and development of our human rights training were challenged by organisational changes in 2022. We look forward to completing both of these activities in 2023. We also look forward to further raising awareness of both initiatives in 2023.

Human Rights Reporting Compliance

We will publish separate reports in accordance with the reporting requirements of the Norwegian Transparency Act 2022 and modern slavery legislations, including the Australian Modern Slavery Act 2018 and UK Modern Slavery Act 2015. These reports are expected to be available on our website by June 2023.
Governance

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Business Ethics

Concern for our employees, customers, society, stakeholders and the climate, guides us in developing ethical models and practices. These not only guide our employees in their actions, ensuring they prioritise the interests and welfare of those our company serves but also allows us to deliver world-class products and services that hold up against standards of integrity, compliance in relation to laws and regulations, human rights, fair competition, data privacy and innovation.

Our approach

Our Code of Conduct (CoC) provides a blueprint for all employee transactions, interactions and business opportunities, guiding them in situations they face every day.

All directors, managers and employees are required to adhere to the CoC and we maintain a zero-tolerance approach to corruption. If local laws and regulations are more stringent than our CoC, we follow the local laws and regulations.

The Grundfos CoC is available in 22 languages and we assign mandatory CoC training annually to our office-based staff. Our shop-floor staff CoC training takes place every two years – with the exception of 2020 and 2021 due to COVID restrictions.

Our policies

As a company with a global presence, we have global policies and practices.

Code of Conduct
The purpose of the CoC is to set the standards for the business ethics, which all employees in the Grundfos Group must adhere to. The CoC is meant to answer most questions and dilemmas employees of Grundfos may face.

Supplier Code of Conduct
We work with suppliers along the global supply chain to ensure that they comply with our standards.

Our focus is on cooperation, accountability and sustainability audits.

Human Rights Policy
Grundfos is committed to promoting the development of a culture that supports and respects human rights. Consequently, we expect business partners, including suppliers and other parties directly linked to our operations, to adhere to this commitment.
Other internal group policies:

Travel policy
Outlines the rules and considerations for employees to follow when planning travel activities. Among other considerations, the policy addresses carbon emissions and the responsibility of each employee to consider their contribution to emissions where possible.

Purchase policy
The policy lists important factors to account for when purchasing from suppliers. In addition to price, factors including quality, environment, ethics, must be taken into consideration. The policy is linked to our CoC and Supplier CoC.

People policy
The purpose of the policy is to outline how Grundfos must provide an attractive, productive, healthy and safe working culture for employees to fulfil their purpose and business goals.

Quality policy
The purpose of the policy is to drive a focus on quality assurance as a decisive factor in our business. Quality management in Grundfos should always be based on documented specifications, continuous improvement and development.
Our progress

In December 2022, mandatory CoC training was rolled out in 13 languages to accommodate our shopfloor workers worldwide.

At the end of 2022, compliance training was offered to Sales, Service, Procurement, Finance, Branding, Solution and Marketing for all companies in the Grundfos Group. The content of this compliance training incorporated the following areas: Competition Law, Sanctions and Export Control, Anti-Money Laundry and selected topics from the CoC.

What’s next

In 2023, we will make further steps to ensure that the fundamental principles of the EU Whistleblowing Directive and applicable national laws, such as confidentiality and non-retaliation, are applied throughout the organisation.

We will also improve the visibility and accessibility of our whistleblower channels. To improve the accessibility for external stakeholders we have added a link at the bottom of every web page, linking directly to our whistleblowing system which will be available in a mobile friendly version in 2023.

Fair and legal competition continues to be a key focus area and additional initiatives are being planned for 2023.

The Ethics Committee has initiated a review of the Code of Conduct to reflect our values in a 2023 context. It is the intention to make the Code of Conduct even more accessible as well as aligned with our new corporate identity.
Our goal is to make the reporting of concerns about ethics and compliance issues as easy as possible, creating maximum opportunity for disclosures.

Grievance mechanisms
Our goal is to make the reporting of concerns about ethics and compliance issues as easy as possible, creating maximum opportunity for disclosures. Our whistleblower system gives employees, board members and third parties cooperating with Grundfos, a channel to report suspected breaches or non-compliance with Grundfos’ CoC. The reported cases are processed by an independent body, the Ethics Committee.

The total number of whistleblower cases in 2022 was 52, 30 of which related to similar or the same cases in the system. We received 13 spam cases, so the total number of cases shown in the system was 95 for 2022.

The Ethics Committee found one breach of CoC under 13.2/15 Harrassment. The remaining cases where no breach of the CoC was found, fell into the following categories:

- No Breach of Travel, Entertainment, Gifts and Personal Benefits.
- No Breach of Conflict of Interest
- No Breach of Competition Law Compliance
- No Breach of Discrimination
- No Breach of Harassment

Ensuring fair and legal competition
Fair and legal competition online training programmes tailored for the USA, EU and the majority of Asia are available for all Grundfos employees. In 2022, general legal compliance training for employees with a sales focus in finance functions and other relevant areas was completed, including basic elements of competition law. In July 2022, a training programme on competition law was rolled out in China.

Data and Customer Privacy
We ensure compliance with applicable data privacy laws, including the General Data Protection Regulation (GDPR) in the EU, the Cyber Security Law (CSL) in China and the California Consumer Privacy Act (CCPA) in the USA. We assign mandatory training for new employees, tailored to their specific roles. For example, we have developed data privacy training for Marketing, Sales, HR and IT Services.

Anti-corruption and bribery
Code of Conduct: Section 4, Bribes – Grundfos/its employees do not pay or receive bribes and do not accept that 3rd parties pay/receive bribes in the interest of Grundfos.

Supplier Code of Conduct: Section E, Business Ethics – Any form of corruption is strictly prohibited, good business ethics is expected.

Human Rights Policy: Principle 10 - Businesses should work against corruption in all its forms, including extortion and bribery.

Conflicts of interest
Code of Conduct: Section 7 – Grundfos will ensure that business decisions are taken in the best interest of Grundfos. Grundfos does not accept that its employees use their position for personal gain or any other interest other than Grundfos’ interest.

Anti-discrimination
Code of Conduct: Section 13 – Grundfos will provide an inclusive and welcoming environment for all members of our staff, clients, volunteers, subcontractors, vendors, customers and any other parties doing business with Grundfos.

Supplier Code of Conduct: Section E, Human Rights, Discrimination and Equality - Any form of discrimination is strictly prohibited.


Harassment Prevention
Harassment Prevention Policy: Grundfos is committed to a safe and inclusive workplace free of abuse and harassment.

We commit to providing an inclusive and welcoming environment for all members of our staff, clients, volunteers, subcontractors, vendors, customers, and any other parties doing business with Grundfos and a workplace free of discrimination, harassment or abuse.
**Sustainable Supply Chain**

Our ambition is to build a procurement process where sustainability is integrated as a core element in all our sourcing and production activities.

**Our approach**

We want to have a supplier base where sustainability is as important for our partners as it is for Grundfos. To achieve our ambition, we focus on the following:

- Measuring the credentials of our suppliers through on-site audits and online assessments based on sustainability indicators, with special attention being paid to human rights risks and mitigations.
- Ensuring legal compliance and business continuity with customers by checking due diligence in our supply chain through product chemical and conflict minerals compliance.
- Decreasing the environmental impact of our supply chain through carbon and water footprint reduction.
## Our progress

### 2025 Targets

- **We aim to have 400 suppliers onboarded to the EcoVadis platform.**
- **We aim to have a compliance rate of 91% of all audited suppliers.**
- **We aim to increase the coverage of our indirect area audits and assessments to 35%.**
- **Product chemical compliance: To meet legal requirements and customer demand by restricting the use of certain substances in our products, processes and at our facilities.**
- **Conflict Minerals: We aim to eliminate the use of conflict minerals from our products and supply chain.**

### 2022 Actions and challenges

- Onboarding of suppliers with a high maturity level in sustainability has been completed and leaves us to onboard and work with our suppliers who have lower maturity and therefore have fewer processes in place.
- During our supplier audits, assessments and selections for 2022, special attention was paid to our indirect purchasing area with a focus on key partners and categories where e.g. human rights related risk is considered to be high.
- Continuous changing legal environments and emerging customer demands drive our actions to keep improving data collection and reporting.
- To reach full transparency within the supply chain is complicated but we need to expand customer requirements for more complex due diligence.

### 2022 Progress

- 304 suppliers onboarded to the EcoVadis platform since the beginning of activity with 115 onboarded in 2022.
- Overall compliance rate is 90.4% of the total number of audits and assessments completed by the end of 2022. In 2021 the compliance rate was 87.5%.
- 23% of the total number of audited and assessed suppliers are indirect suppliers.
- Suppliers, represented by 1,636 vendor codes have been added to our data collection through our digital platform since the activity began in 2019. 34% of these have been included in 2022.
- Using the Conflict Minerals Reporting template developed by the Responsible Minerals Initiative (RMI), we have reached 88% declaration coverage of our suppliers in scope.
Supplier collaboration, audits, and assessments
Meeting our sustainability ambitions relies on close collaboration with our suppliers. We are mapping the maturity of our suppliers so we can directly support them in their sustainability improvements.

To streamline the process for us and our partners, footprint mapping occurs alongside the assessments. We provide support throughout the process, to enable reliable information sharing.

Our audit and assessment process is one way we evaluate if our suppliers meet Grundfos’ requirements. The process differs depending on a country’s risk. If a supplier comes from a high-risk country, we conduct an onsite audit. In comparison, if a supplier comes from a low or medium-risk country, we request an online assessment. If we identify a non-compliant supplier, we provide a task list and request corrective actions. We offer support and provide training and request a re-audit or re-assessment.

Supplier sustainability audits
Total number of audits and assessments performed in 2022 – including re-assessments & re-audits

373
45 third-party audits by Bureau Veritas
297 Assessments by EcoVadis
31 conducted by Grundfos

Share of compliant suppliers since the beginning of CSR measurements to the end of 2022

90.4%

The percentage of suppliers who received A or B ratings for on-site audits and who achieved at least 45 points out of 100 points in the online assessment

Non-compliances with the law identified in 2022

9.9%

37 suppliers received C rating.
Corrective actions have been requested

Life-threatening issues and/or severe reputational damage identified in 2022

0.5%

Two suppliers received a D rating.
Corrective actions have been recommended, improvements are in progress and will be finalised in 2023. Re-audits have been conducted
Our ambition is to develop packaging solutions that has the least environmental impact.

Mapping human rights and environmental risks
Audits and assessments are key activities in building transparency and mitigating risks in the supplier selection process. In 2022, we improved the risk-based selection approach by prioritising the measurement of suppliers considered to be higher-risk.

During the supplier selection we consider the following:
• Country risk
• Industry risk
• Human rights risk
• Carbon footprint risk
• Business size

In 2022, we extended our risk scope by creating a human rights and carbon footprint heatmap. Both heatmaps cover the risk profile of Grundfos’ supply chain at a Tier 1 level.

The human rights heatmap evaluates our partners based on country risk, industry risk and eight salient issues, which have been determined by a tailor-made risk assessment facilitated by a 3rd party. Read more about this in our Human Rights section on pages 44-47.

Mapping the carbon footprint reduction maturity of our suppliers is also a crucial part of our Sustainable Supply Chain activities. The footprint mapping is parallel to the assessment process to simplify the measurement and sharing of data. Our carbon footprint heatmap considers our suppliers' industry and business size. The financial-based emissions allocation we use is aligned with the GHG protocol methodology.

Logistics and packaging
2022 was another year of supply chain disruption which put pressure on our logistics. To reduce emissions, we have introduced a new approval process for air freight. Expanding our premium freight approval process into our sales divisions. The aim is to make approvers aware of the specific CO2 emissions and additional transportation costs associated with air freight, encouraging them to consider more sustainable alternatives.

Within packaging we develop solutions that have the least environmental impact. We are focusing on developing and expanding four core areas of packaging; material choice, circularity, waste reduction and reducing wasted space.
What’s next

From January 2023, we are extending the scope of our supplier performance measurement approach to include more environmental footprint and compliance related indicators. Our focus continues to be on boosting the transparency, accountability and data quality for our entire supplier base.

We are continuously refining our roadmap and strategy based on legislative requirements and customer expectations. In 2023, we will look to add deforestation and water footprinting to our supply chain agenda.

Selected activities

Biofuel for ocean freight as a market condition
Grundfos has launched a tender for ocean freight and set bidding requirements to use a waste-based biofuel for the port-to-port ocean journey of our containers or part-load shipments. After scaling this solution, CO2 emissions from ocean freight was lowered 30% in 2022 compared to 2021. The transition is made possible through our partnerships with Maersk, GEODIS and DHL, who report the CO2 reductions.

Reusable packaging as the focus area to avoid packaging waste and CO2
Reusable packaging and pallets are used internally and with external partners across the globe.
External partners are already reusing 100,000 plastic trays in the transportation of our UPM3 pumps.
We aim to further expand the use of FLC’s (Foldable Large Containers) with our Original Equipment Manufacturer (OEM) customers globally.

Other sustainability areas such as deforestation and water footprint will be added to our agenda in 2023.
Product Compliance and Customer Safety

Our ambition is to have the highest level of product safety for our customers.

Our approach

The geopolitical trend is pushing regulatory and technical barriers to protect national interests and businesses. Countries worldwide are developing and implementing consumer protection and market control regulations. All together, these trends are changing the regulatory landscape, technical standards and raising the level of requirements at an increasing rate.

To achieve the highest level of product safety for our customers, our products are tested and verified according to international safety standards. In many cases, verification is performed by independent third parties. In addition, we perform the required safety risk assessments on all our products, including chemical and product compliance.

The Grundfos Focus List bans or restricts the use of certain chemical substances in our products, processes and facilities. Our suppliers are obliged to deliver products which comply with the Focus List, reducing our risk and our chemical footprint as a company.

We have procedures and certifications for all products sold for drinking water production in the EU and US. Any materials which come into contact with drinking water are strictly assessed on a regular basis. Finally, we collaborate across our divisions and departments to ensure that any compliance topics that require documentation are obtained and communicated to our customers, suppliers and business partners through product marketing.

Our progress

In 2022, we reinforced our global footprint and capacity to manage product compliance, by increasing product regulation on a global scale.

In 2022, we centralised reporting for waste from electrical and electronic equipment (WEEE Directive), including batteries and packaging, which is part of our extended producer responsibility obligations.

What’s next

We are adapting and developing our compliance management protocols to meet the challenges of a changing regulatory landscape, all in the context of an extensive product portfolio with a global footprint. Our new protocols will include:

- Outlining a country level surveillance plan for more detailed regulatory and standardisation requirements.
- Improving our reaction time and operational response to upcoming changes.
Tax Governance

We run our business in a responsible manner and that includes taking an active role in society when it comes to tax.

**Our approach**

Our Group Policy and Global Tax Principles state Grundfos will act as a responsible citizen and strive to ensure a fair and reasonable allocation of the group profits in the communities where we have a presence, complying with requirements for direct and indirect taxes.

Taxation is a fundamental part of a well-functioning society and helps finance the achievements of the UN sustainable development goals.

Our Group Policies are underpinned by our Global Tax Principles. The Global Tax Principles apply to all Grundfos entities. Due to local requirements in Poland, we have a local tax strategy published on our Polish website. The strategy is fully aligned with our policy and principles for tax.

**Governance and compliance**

The Tax Principles encapsulate our approach to taxes and are governed by the Board of Directors Audit Committee, who are responsible for reviewing and approving the principles. The frequency of the review is dependent on business changes.

As a group, the operational accountability for management of taxes sits with the Chief Financial Officer (CFO), who ensures the appropriate people, processes and systems are in place to comply with local and international tax laws.

The CFO delegates responsibility for managing the areas of corporate income tax, transfer pricing and VAT to the Head of Group Tax, employee taxes to the Head of HR and custom duties to the Head of Group Supply Chain. All three positions are global functions to ensure complete oversight of processes and procedures.

Our Group Tax department works with local finance teams to ensure local tax compliance. Local level compliance is either carried out by the local Grundfos team or it is outsourced to external partners. Group Tax is responsible for ensuring an adherent application of the tax principles throughout the Group.

Group Tax provides training, workshops and guidance on tax for relevant employees such as financial compliance specialists, GSS, salespeople and business partners. The purpose of the training is to ensure awareness and understanding of new rules or laws.

**Planning and use of tax incentives**

Changes in commercial business strategies and the evolving regulatory environment, inform decisions on how to structure our commercial arrangements. Tax is one of the many factors involved in key business planning activities. When evaluating the tax implications of a business decision, the following criteria are considered:

- Commercial purpose
- Tax technical analysis
- Financial impact
- Any downside risks
- Internal resource commitment
- Reputational impact

At Grundfos no business decisions are made for the sole purpose of tax optimisation:

- No arrangement will be implemented if the main purpose is to obtain a tax benefit that is not intended by the relevant tax rules.
- Payments are not routed through other entities in a back-to-back arrangement for the sole purpose of withholding tax.
- No hybrid financing will be implemented with the sole objective of obtaining a tax benefit.

We will accept and utilise tax incentives, relief and similar, to support local development where the incentives are widely accessible, the use is comfortable within the intention of the law and the establishment of businesses are not driven by these opportunities.

**Tax Risk management**

We proactively seek to identify, evaluate, manage, and monitor tax risks to ensure they remain within the Group’s risk appetite. The material risks are reported to the Board of Directors Audit Committee as part of the uncertain tax risk provision and at an aggregated level as part of the overall Enterprise Risk Management reporting.

Key risk areas are identified at Group level, with controls and procedures being developed to manage them. Group Tax manages and reviews the most significant risk areas on an ongoing basis. All compliance tasks are based on a four-eyes-review-principle, meaning the tax returns, for example, are...
reviewed by a colleague or an external service provider. Group Internal Audit Services conduct periodic audits of general financial compliance including taxes. Whenever there is complexity or uncertainty in relation to tax risks, we may collaborate with external professional advisors. Ensuring that we get a second opinion and remain compliant during the implementation of new systems and new regulations.

Significant identified risks must be reported to the Group Tax, who will report the most significant ones to the Group CFO. At Grundfos we have a whistleblower system to allow the discretionary reporting suspected criminal acts or non-compliance with the Grundfos Code of Conduct by employees, board members and third parties working with Grundfos such as suppliers or consultants. The reporting can be done in any language.

Relationship with Tax Authorities

Our tax obligations inevitably and appropriately involve our engagement with tax authorities in the jurisdiction in which we operate. All such engagements are undertaken in line with the following standards:

- We have an open and transparent dialogue with the tax authorities.
- Where possible, we will seek early guidance on matters of complexity. Where we do this, we will always seek to provide the information required by the authorities to provide such guidance.
- Where possible, we will seek to meet with the local tax authorities to enable them to understand our business.
- When we are offered to enter into tax compliance or co-operative compliance schemes, we will properly evaluate proposals on a case-by-case basis. Key factors in the evaluation will include openness and trustworthiness, estimated time consumption and expected benefits.
- We seek to reduce double taxation through mechanisms such as engaging the competent authorities in mutual agreement procedures or implementing advance pricing agreements.

In a broader tax stakeholder engagement, we are participating in the tax panel meetings of the Confederation of Danish Industry and in the Tax Dialogue Project with the purpose of bringing our tax and business insights to the table in the informal discussions around sustainable tax, tax legislation and practice.

Global Tax Footprint

The main tax contribution comes from employee related taxes which are 58% of our total contribution. Please refer to the country-by-country reporting for further information on corporate income tax (0.6bn 12%).

Grundfos has globally contributed to the local public finances via tax payments for the financial year 2022. Total amount paid in financial year 2022 was 5.15 billion DKK.

We have split the total tax contribution into 4 different types of paid taxes: Employee related taxes, product/sales taxes, corporate income taxes and other taxes. 58% of the total tax contribution comes from employee taxes.
Mitigating Risks and Challenges

### ISSUE AREA

#### POTENTIAL RISK

- **Corruption**: We have zero tolerance for bribery and any form of corruption. 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. Breaches can result in expending substantial resources and can lead to fines and reputational damage.

- **Acquisitions**: As part of our strategy, growth through M&A is a core focus area for Grundfos. When acquiring new companies or businesses, there is a risk that we will inherit various impacts from the acquired business, such as legal non-compliance, negative environmental impacts, or employee-related matters. These we need to assess and mitigate during the acquisition process and the subsequent integration in Grundfos, and this is done in accordance with the outlined management approach.

- **Environment**: 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, when impacts include demolition and processing of waste or recyclable materials. We consume raw materials, some of which are limited or scarce, to make our 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. Our lack of knowledge on our full supply chain means that we may cause negative impacts on environmental and human rights issues. We lack knowledge about the use of various materials and components such as electronics, special steel grades and chemical substances, and of process chemicals that can contaminate soil and water, among other things.

- **Customer Health & Safety, documents and labelling**: Our offerings could impact the health and safety of our customers if not managed responsibly. Risks include product safety related to electrical and mechanical safety, radiated energy, explosive atmospheres, personal data and cyber security. Other risks include contact with materials and substances used in our products, which customers can come into contact with during installation, use and disposal stages of the product life-cycle.

- **Employee Health & Safety**: There are several risks when securing a safe and healthy environment for our employees. The main risk is ensuring the physical and mental wellbeing of our employees.

- **Labour and human rights**: Protecting the working conditions, human rights, safety and wellbeing of people throughout our operations and supply chain is a primary concern and risk. 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.

#### CORE ELEMENTS OF OUR MANAGEMENT APPROACH

- Grundfos Code of Conduct
- Supplier Code of Conduct
- UN Guiding Principles on Business and Human Rights
- Supplier audits
- Whistleblower system
- Global Compliance programme based on the UN guidelines and the UK bribery Act Guidance
- Annual Code of Conduct training including anti-corruption topics
- Standards and procedures included in the Grundfos Integrated Management System (IMS)
- Member of the Fight Against Facilitation Payment Initiative

A thorough risk assessment is carried out through due diligence of the target business, with involvement of relevant internal and external expertise on e.g. legal matters, compliance, tax, operational topics, HR, sustainability, etc. The due diligence process is used not just to identify risks but also to determine the appropriate measures for mitigation or remediation of those risks, e.g. specific activities to be carried out during integration or contractual measures to be taken vis-à-vis the seller.

All acquisitions are approved in accordance with the Delegation of Authority approved by the Board of Directors of Grundfos, ensuring sound corporate governance and due assessment of any risks identified.
Data and assurance

68  Sustainability Data and Reporting
70  Sustainability Data Overview
71  Accounting Principles
74  Management’s Statement
75  Assurance Report
Sustainability Data and Reporting

Our ambition is to reach the same level of trustworthiness of non-financial as we have with financial data.

Our approach

In 2022, we went live with our new state-of-the-art ESG data consolidation system. The global demand for reliable and robust sustainability information has been getting stronger. We reacted to these global trends, which can only benefit businesses by driving more tangible sustainability improvements and targets.

Quantified corporate ESG information is critical to our business strategy. Helping us to understand and better manage all of our key impact areas.

We strive to have continuity and balance in our reporting on sustainability and to be transparent about both targets, progress and setback.

Our progress

<table>
<thead>
<tr>
<th>Target</th>
<th>2022 Actions and challenges</th>
<th>2022 Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our long-term ambition is to have our non-financial data obtain reasonable assurance by our external auditor.</td>
<td>• In 2022, we mapped our global physical presence, identifying every building that Grundfos owns or rents. We established a group-wide accounting process, providing us with an extended sustainability dataset. In addition, we improved the quality of our general sustainability data consolidation and established reporting requirements to include or store supporting evidence for submitted information.</td>
<td>• In 2022, we launched a pilot for Scope 1 and 2 CO2 emissions, energy consumption and water withdrawal KPIs in a reasonable assurance programme. In 2023, we will assess the possibility of achieving reasonable assurance for an extended scope of sustainability KPIs in our sustainability report.</td>
</tr>
</tbody>
</table>
We are aware that financial and sustainability information are not the same, or straightforward, however there are similarities that can be utilised in how financial and non-financial data can be reported. Therefore, a structural reorganisation was needed so we could accommodate and grow sustainability data expertise in our Group Financial Planning and Analysis function. This way we could combine financial reporting proficiency and sustainability data savviness. In doing so, we reformed the way we report data and established strict requirements for how this information is submitted.

The two main pillars supporting our new data reporting governance are what we call underlying evidence and local data validation.

**What’s next**

We will continue our journey towards better sustainability data and higher levels of assurance.
DATA AND ASSURANCE

Sustainability Data Overview

<table>
<thead>
<tr>
<th>GENERAL DATA</th>
<th>UNIT</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees</td>
<td>FTEs</td>
<td>20,026</td>
<td>20,154</td>
<td>19,221</td>
<td>19,060</td>
<td>19,014</td>
</tr>
<tr>
<td>Earning before interest and tax (EBIT) before special items</td>
<td>DKK Millions</td>
<td>3,093</td>
<td>3,266</td>
<td>2,606</td>
<td>2,791</td>
<td>2,400</td>
</tr>
<tr>
<td>Revenue</td>
<td>DKK Millions</td>
<td>33,341</td>
<td>28,733</td>
<td>26,340</td>
<td>27,518</td>
<td>26,721</td>
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</table>

<table>
<thead>
<tr>
<th>ENVIRONMENTAL DATA</th>
<th>t CO₂e</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total emissions Scope 1, Scope 2, Scope 3</td>
<td>108,019,462</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total emissions Scope 1, Scope 2 (market-based)</td>
<td>106,669,127</td>
<td>105,873,212</td>
<td>108,150,216</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emissions Scope 1</td>
<td>28,182,127</td>
<td>28,387,212</td>
<td>26,256,216</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emissions Scope 2 market-based</td>
<td>78,487,212</td>
<td>77,486,212</td>
<td>81,894,216</td>
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<td></td>
<td></td>
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<tr>
<td>Emissions Scope 2 location-based</td>
<td>46,360,212</td>
<td>52,681,212</td>
<td>56,011,216</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total emissions Scope 3</td>
<td>107,912,793</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scope 3 emissions from purchased goods and services (category 1)</td>
<td>1,196,729</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scope 3 emissions from capital goods (category 2)</td>
<td>72</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scope 3 emissions from fuel and energy related activities (category 3)</td>
<td>18,849</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Scope 3 emissions from upstream transportation and distribution (category 4)</td>
<td>85,495</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Scope 3 emissions from waste generated in operations (category 5)</td>
<td>1,078</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scope 3 emissions from business travel (category 6)</td>
<td>26,075</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scope 3 emissions from employee commuting (category 7)</td>
<td>12,886</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Scope 3 emissions from use of sold products (category 12)</td>
<td>3,333</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scope 3 emissions from end-of-life treatment of sold products (category 12)</td>
<td>106,568,296</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy consumption (Scope 1, Scope 2)</td>
<td>399,641</td>
<td>333,705</td>
<td>310,613</td>
<td>279,471</td>
<td>308,585</td>
<td></td>
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<tr>
<td>Water withdrawal</td>
<td>365,126</td>
<td>341,538</td>
<td>318,469</td>
<td>386,060</td>
<td>430,947</td>
<td></td>
</tr>
<tr>
<td>Total waste to landfill</td>
<td>964.9</td>
<td>1098.0</td>
<td>1426.2</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Hazardous waste to landfill</td>
<td>64.0</td>
<td>128.7</td>
<td>203.3</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Non-hazardous waste to landfill</td>
<td>900.9</td>
<td>969.3</td>
<td>1223.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resource recovery through takeback</td>
<td>64,288</td>
<td>37,992</td>
<td>≈14,665</td>
<td>≈11,977</td>
<td>5,077</td>
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</table>

<table>
<thead>
<tr>
<th>SOCIAL DATA</th>
<th>%</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women Board of Directors</td>
<td>%</td>
<td>33</td>
<td>33</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women leaders</td>
<td>%</td>
<td>24</td>
<td>22</td>
<td>24</td>
<td>24</td>
<td>21</td>
</tr>
<tr>
<td>Employees with reduced work capacity</td>
<td>%</td>
<td>3.0</td>
<td>3.0</td>
<td>3.1</td>
<td>3.2</td>
<td>3.1</td>
</tr>
<tr>
<td>Lost Time Injury (LTI) ratio</td>
<td>per million working hours</td>
<td>2.06</td>
<td>2.23</td>
<td>1.81</td>
<td>2.52</td>
<td>3.42</td>
</tr>
<tr>
<td>Absence ratio</td>
<td>per thousand working hours</td>
<td>0.44</td>
<td>0.33</td>
<td>0.22</td>
<td>0.16</td>
<td>0.44</td>
</tr>
<tr>
<td>Employee Motivation and Satisfaction</td>
<td>score</td>
<td>76</td>
<td>77</td>
<td>77</td>
<td>75</td>
<td>73</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GOVERNANCE</th>
<th>number of audits</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier sustainability audits</td>
<td>number of audits</td>
<td>373</td>
<td>190</td>
<td>124</td>
<td>81</td>
<td>91</td>
</tr>
<tr>
<td>Supplier Compliance Rate</td>
<td>%</td>
<td>90.4</td>
<td>87.5</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Accounting Principles

Indicator Definitions
At Grundfos, ensuring complete and accurate sustainability data is of paramount importance to us. This principle enables us to remain proactive and allows all stakeholders to track our sustainability progress through quantitative information. We are working on more automated solutions, which is why in January 2022, we introduced a new, corporate sustainability reporting software, Sphera Cloud. The aim is to further increase the completeness and accuracy of Grundfos’ ESG data within a single platform, continuing our journey towards reasonable assurance.

All of our Business Unit’s ESG data is consolidated in Sphera Cloud, with the exception of data sourced for CO2e from refrigerant, a few Scope 3 emission categories, employee motivation and satisfaction scores, supplier sustainability audits, women leaders and board of directors. All data is then consolidated into KPIs and reported to relevant management bodies.

There are a few locations and small offices, with minor environmental impacts, which are excluded, but these are covered by estimations according to internal process descriptions.

CO2e emissions and energy consumption
Our energy consumption stems from the use of • Electricity • Heat and steam • Natural gas • Light fuel oil • Diesel in stationary units • Renewable fuel • Solar energy • Consumed fuels in our global vehicle fleet and Grundfos jet • Refrigerant gases

Grundfos discloses information on Scope 1, 2 and 3 emissions. From 2022, the Grundfos Group calculates and presents the Scope 1, 2 and 3 emissions in CO2e instead of CO2, in line with the GHG Protocol.

For the basis of reporting we use manual meter readings, automated real-time consumption monitoring system and invoices from our utility suppliers as the source of information.

Our Scope 1 emissions arise from the usage of natural gas, light fuel oil, diesel in our production activities and from the burning of fuels in our vehicles (compressed and liquefied gas, petrol, diesel and jet fuel). Our Scope 1 emissions also include the effect of refrigerant gases. CO2e emissions from refrigerants are based on data collection (total amount of refrigerants in the system) and extrapolation based on square meters considering offices and production areas separately. Based on LEED V4.0 we calculated a total refrigerant leakage of 3%. For these types of energy consumption and refrigerant gases, we apply conversion factors published by the UK’s Department for Business, Energy & Industrial Strategy (BEIS) unless supplier-specific factors are available locally.

Our Scope 2 emissions are emitted through our usage of purchased electricity, heat and steam. For marketbased Scope 2 emissions, where available, we apply supplier-specific conversion factors, residual mix (Green-e, AIB) and location-based factors obtained from the International Energy Agency (IEA), in this order of availability. For location-based Scope 2 emissions, we use the IEA and Environmental Protection Agency (EPA) for US countries. We use the latest available factors.

Scope 3
Category 1 - Purchased goods and services (product and non-product)
Emissions are calculated based on the spending (excluding VAT) of each material or goods category and multiplied by the corresponding Environmentally-Extended Input-Output (EEIO) emissions factors.

EEIO factors are provided by the Carbon Trust and adjusted for global inflation, average global improvements in CO2e/GDP, and switch to service sector of global economy. Subsidiaries that do not have detailed spending breakdowns are scaled by their spending value or revenue with respect to Grundfos’ emission-to-spending/revenue intensity.

Category 2 - Capital goods
Capital goods include all upstream emissions associated with their production and that have been purchased within the reporting period. Capital goods are those that are treated as fixed assets or as property, plant and equipment. Goods expensed in the accounting year (i.e., operating expenditure or “Opex”) should be included in Category 1 instead. Emissions are calculated based on the investment spending and multiplied by the corresponding EEIO emissions factors. EEIO factors are provided by Carbon Trust and adjusted for global inflation, average global improvements in CO2e/GDP, and switch to service sector of global economy.

Category 3 - Fuel and energy related activities
The category includes the upstream emissions relating to the production of fuels and electricity consumed
by Grundfos. Emissions are calculated based on the energy consumption of various energy sources as stated in Scope 1 and 2 and multiplied by the corresponding latest available well-to-tank (WTT) and transmission and distribution (T&D) emissions factors from the Business, Energy & Industrial Strategy (BEIS).

**Category 4 - Upstream transportation and distribution**

Upstream transportation and distribution include emissions from goods transportation for Grundfos globally. CO₂ is measured on a Well to Wheel (WTW) basis according to international standards. Data is derived from a combination of transport supplier reports, 3rd party companies maintaining the transport and data from the Grundfos ERP system. Subsidiaries that are not included in the calculations are scaled by the spending/revenue value following the emission-to-spending/revenue intensity of Grundfos.

**Category 5 - Waste generated in operations**

Category 5 includes all emissions from the third-party disposal and treatment of waste generated by Grundfos’ owned or controlled operations. Emissions are calculated based on the collected waste categories and multiplied by the corresponding emissions factors from BEIS. Non-hazardous and hazardous waste disposed at landfill are collected monthly. All other categories are collected yearly; therefore, we use the latest available data to calculate the emissions.

**Category 6 - Business travel**

For all Grundfos companies that use the Group business travel service, we calculate emissions from air travel based on the flight distance and airline, from other forms of transportation (taxi, car rental) and from hotels. Emissions are calculated by our external partner. For the rest, we calculate emissions based on the spending in each category, multiplying them by the corresponding emissions factors from the BEIS. Subsidiaries that are not included in the calculation are scaled by the spending/revenue value following the emission-to-spending/revenue intensity of Grundfos.

**Category 7 - Employee commuting**

The employee commuting category refers to all emissions arising from the transportation of employees between their homes and worksites. These may include emissions from automobile, bus and rail travel as well as other modes. Emissions are calculated on a country level, based on the number of employees and multiplied by emissions factors. Emissions factors from the BEIS are adjusted based on the categorisation of a country’s income and level of public transportation service.

**Category 11 - Use of sold products**

The category refers to the use-phase emissions from the electricity consumption of the use of products sold by Grundfos to end users during their lifetime. Lifetime is estimated to be 10 years for all products based on industrial association alignment, EuroPump. Emissions are calculated based on the energy consumption per product number, multiplied by lifetime operation hours (based on product type); sold quantity of the product and emissions factors of the sold country from the IEA. Emissions factors are IEA location-based data with a 10 year forecast adjustment. Subsidiaries that are not included in the calculation are scaled by the revenue value following the emission-to-revenue intensity of the corresponding Grundfos business unit.

**Category 12 - End-of-life treatment of sold products**

Category 12 refers to emissions from the waste disposal and treatment of the products sold at their end of life (EoL) and based on the analysis report from STENA on nine of the key products in Grundfos. Emissions are calculated based on the total weight of all Grundfos’ sold product. For each product family we assign a proxy based on the nine key products by characteristic resemblances. Material weight and its assumed waste handling method are established and multiplied by the BEIS emissions factors. Subsidiaries that are not included in the calculations are scaled by the revenue value following the emission-to-revenue intensity of Grundfos.

**Category 8 - Upstream leased assets**

Emissions factors are IEA location-based data with a 10 year forecast adjustment. Subsidiaries that are not included in the calculation are scaled by the revenue value following the emission-to-revenue intensity of Grundfos.

**Other categories**

Category 8 Upstream leased assets, 9 Downstream transportation and distribution, 10 Processing of sold products, 13 Downstream leased assets, 14 Franchises, 15 Investments were excluded on the basis that there were no emissions identified to be included in these categories following Grundfos’ Group operation model.

**Waste withdrawal**

Grundfos’ global water withdrawal consists of two major sources:
- Municipal water source
- Groundwater from our own wells

For the basis of reporting we apply manual meter readings, automated real-time consumption monitoring system and invoices from our water suppliers as the source of information.

**Waste saved**

We track and collect data in SAP. Based on the unit sales numbers of the following products CRs, CMs and BMs during 2022 and based on the size of the pump, we estimate the total flow rate per hour that goes through the pumps during 1 hour. We add the assumption that 30% of CRs, 100% of BMs and 10% of CMs, of the total sold, are being used for water treatment in industry, as these pumps are typically used in high pressure applications for water treatment. Of this total water treated 15% is reused in industry. Since water losses take place during the treatment of water, only 75% of the water flow calculated is actually recovered. Added to that we assume that the pumps are running 24/7 during a year.

**Resource recovery through take back**

Resource recovery through take back refers to all end-of-life pumps returned to Grundfos through Grundfos’ Take Back program. The program was established to ensure that our solutions have as little negative impact on the environment from cradle-to-grave. At our disassembly facilities, we gather end-of-life pumps and warranty returns from installers who disassemble the products into components. Almost all disassembled shipments are presently sent for recycling either through our internal recycling facilities or in collaboration with our waste managers. Some components are separated and preserved for reuse in future products. The program was initiated in Denmark in 2014 and has since been launched in additional markets: the Netherlands, the United Kingdom, Italy, Germany, France and Sweden.
Women board of directors
The percentage of women in the Board of Directors is calculated by dividing the number of women Non-Executive Directors elected by the Assembly General to the Board of Directors (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 the reporting year multiplied by 100. The number of women Non-Executive Directors elected by the Assembly General to the Board of Directors was two by the end of 2022. The total number of Board of Directors members was nine.

Women leaders ratio
Leaders are Grundfos employees in band-levels 1-9. Band-levels are defined by Grundfos’ internal career level structure. Leaders have people responsibility, i.e., they have employee(s) reporting directly to them.

Women leaders ratio represents the number of women in leadership positions divided by the total number of leadership positions multiplied by 100.

The following companies are not included in the ratio: Biral AG, DWT Holding S.P.A., Poul Due Jensen’s Fond, Peerless Pump Company, Sintex a/s, Deutsche Vortex GmbH & Co, Water Mill Ltd., Mechanical Equipment Company Inc., Eurowater, therefore our data covers 85% of the total headcount.

Employees with reduced work capacity
This indicator is measured as a percentage of employees with reduced work capacity relative to the total workforce. Employees with physical, mental or psychological impairments have special employment contracts in alignment with their permanent limitations to work. These employees are unable to work on an equal basis to other employees without special adoptions. These adaptations can include special aids, a reduction in working hours or pace and more.

Lost Time Injury Ratio (LITR)
Lost Time Injury Ratio (LITR) is the number of injuries that have led to lost working hours in all areas of Grundfos, including office, sales, production, and warehouse expressed as percentage of the total hours worked by the employees. Lost time injuries are injuries that have prevented an employee from being able to return to work the day after the injury. All LITRs are registered per occurrence date. Status is made per 31st of January for the previous fiscal year. If a case turns into an LTI later than this date, e.g. due to surgery linked to the specific case, corrections for previous years will occur. The indicator is indexed as number of lost time injuries per the total hours worked by all Grundfos employees multiplied by one million.

Absence ratio
Absence ratio is measured based on unplanned lost work hours resulting from lost time injuries and the number of total hours worked by all employees. All LTIs are registered per occurrence date. Status is made per 31st of January for the previous fiscal year. If a case turns into an LTI later than this date, e.g. due to surgery linked to the specific case, corrections for previous years will occur. The indicator is indexed as lost work hours from lost time injuries per the total hours worked by all Grundfos employees multiplied by one thousand.

Employee motivation and satisfaction
This indicator quantifies the overall level of employee motivation and satisfaction by measuring a weighted average of underlying questions through the annual, anonymous Employee Motivation Survey (EMS). The EMS is run by Group HR in cooperation with the Danish consultative company, Ennova.

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 regarding 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 our suppliers’ operations, sustainability audits are performed on selected suppliers by external service providers (Ecovadis and Bureau Veritas) and by internal auditors. The scope and criteria of these audits is outlined in the Grundfos Supplier Code of Conduct. In 2022, we extended our KPI tracking Bureau Veritas data with information on on-site surprise audits, internal re-audits conducted by Grundfos and with information about the auditing party and audit methods. We also include the number of Ecovadis supplier reassessments in our scope.

Restatement
In order to maintain consistency and remain able to compare the same category of datasets, in certain cases the baseline of our KPIs’ targets and/or historic figures are recalculated or restated based on the company’s restatement and re-baseline policy.

Restatement of CO2 to CO2e (Scope 1 and 2 emissions)
In 2022, Grundfos changed to a CO2e emission calculation method in line with GHG Protocol, instead of CO2. We also changed the methodology of the factor used. For market-based Scope 2 emissions, instead of using supplier-specific conversion factors and three year average location-based factors, we are now using - where available - supplier-specific conversion factors, residual mix (Green-e, AII) and location-based factors obtained from the IEA, in this order of availability.

For the location-based Scope 2 emissions we are using IEA and EPA for US countries. We always use the latest available factors. The above mentioned changes resulted in 28% increase of our 2020 Scope 1 and 2 emissions baseline and 19% increase of our reported Scope 1 and 2 emissions in 2021.

Restatement of 2020 baseline
Science Based Targets initiative
baseline 2020 t CO2e 133,608,707
Scope 1 t CO2e 24,839
Scope 2 t CO2e 59,966
Scope 3 t CO2e 133,523,902

The methodology used for SBTi calculations and for our reported performance are different. The SBTi approved Grundfos’ Net-Zero target using 2020 as the baseline year in November 2022. Grundfos has subsequently improved data quality and changed methodology to improve accuracy and transparency with changes as listed below.

Scope 2: see above.

Scope 3: Use of a sold product’s baseline value was calculated at a product number level and energy consumption multiple with regional level emissions factors. Grundfos has improved the methodology to calculate product level emissions based on each individual sold unit delivered using emissions factors at a country level.

Grundfos will submit SBTi re-baseline in 2023. Re-baseline will also include Mechanical Equipment Company Inc., which was acquired in 2022 and is included in the published performance data for 2022, but not yet included in the baseline.
Statement by the Executive Board and the Board of Directors
We have today submitted the Sustainability Report for the period 1st of January to 31st of December 2022 for Grundfos Holding A/S.

We consider that the report provides a true and fair view of Grundfos Holding A/S’ impact on society for the period 1st of January to 31st of December 2022.

In addition, it is our opinion that the information in the report is consistent with the applied accounting principles. Sustainability Report 2022 is recommended to be adopted on the general meeting.

Bjerringbro, 7 March 2023

Management’s Statement

DATA AND ASSURANCE
To the stakeholders of Grundfos Holding A/S

As agreed, we have performed an examination with a combined reasonable and limited assurance, as defined by the International Standards on Assurance Engagements, on Grundfos Holding A/S’ (‘Grundfos’) Sustainability Report for the period from 1 January 2022 to 31 December 2022.

Specifically, we are to conclude on:

• reasonable assurance over Scope 1 and 2 (market and location based), Energy Consumption and Water Withdrawal information identified in Table on page 70.
• limited assurance over the remaining information in the Sustainability Report.

In preparing the Sustainability Report, Grundfos applied the Accounting Principles described on pages 71-73. The Sustainability Report needs to be read and understood together with the Accounting Principles, which management is solely responsible for selecting and applying. The absence of an established practice on which to derive, evaluate, and measure the Sustainability Report allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Management’s responsibilities
Grundfos’ Management is responsible for selecting the Accounting Principles and for presenting the Sustainability Report in accordance with the Accounting Principles, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Sustainability Report, such that it is free from material misstatement, whether due to fraud or error.

Auditor’s responsibilities
Our responsibility is to express a conclusion based on our examinations on the presentation of the Sustainability Report in accordance with the scope defined above.
We conducted our examinations 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 assurance for the purposes of our conclusion.

EY Godkendt Revisionspartnerselskab is subject to International Standard on Quality Control (ISQC) and thus uses a comprehensive quality control system, documented policies and procedures regarding compliance with ethical requirements, professional standards, applicable requirements in Danish law and other regulations.

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour as well as ethical requirements applicable in Denmark.

Description of procedures performed
In obtaining reasonable assurance over Scope 1 and 2 (location - and market based), Energy Consumption and Water Withdrawal in Table on page 70, our objective was to perform such procedures, on a sample basis, as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express an opinion with reasonable assurance.

In obtaining limited assurance over the remaining information in the Sustainability Report, our objective was to perform such procedures as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express a conclusion with limited assurance. The procedures performed in connection with our examination are less than those performed in connection with a reasonable assurance engagement. Consequently, the degree of assurance for our conclusion is substantially less than the assurance which would be obtained had we performed a reasonable assurance engagement.

Independent Auditor’s Assurance Report on Grundfos Holding A/S’ Sustainability Report

To the stakeholders of Grundfos Holding A/S

As agreed, we have performed an examination with a combined reasonable and limited assurance, as defined by the International Standards on Assurance Engagements, on Grundfos Holding A/S’ (‘Grundfos’) Sustainability Report for the period from 1 January 2022 to 31 December 2022.

Specifically, we are to conclude on:

• reasonable assurance over Scope 1 and 2 (market and location based), Energy Consumption and Water Withdrawal information identified in Table on page 70.
• limited assurance over the remaining information in the Sustainability Report.

In preparing the Sustainability Report, Grundfos applied the Accounting Principles described on pages 71-73. The Sustainability Report needs to be read and understood together with the Accounting Principles, which management is solely responsible for selecting and applying. The absence of an established practice on which to derive, evaluate, and measure the Sustainability Report allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Management’s responsibilities
Grundfos’ Management is responsible for selecting the Accounting Principles and for presenting the Sustainability Report in accordance with the Accounting Principles, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Sustainability Report, such that it is free from material misstatement, whether due to fraud or error.

Auditor’s responsibilities
Our responsibility is to express a conclusion based on our examinations on the presentation of the Sustainability Report in accordance with the scope defined above.
We conducted our examinations 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 assurance for the purposes of our conclusion.

EY Godkendt Revisionspartnerselskab is subject to International Standard on Quality Control (ISQC) and thus uses a comprehensive quality control system, documented policies and procedures regarding compliance with ethical requirements, professional standards, applicable requirements in Danish law and other regulations.

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour as well as ethical requirements applicable in Denmark.

Description of procedures performed
In obtaining reasonable assurance over Scope 1 and 2 (location - and market based), Energy Consumption and Water Withdrawal in Table on page 70, our objective was to perform such procedures, on a sample basis, as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express an opinion with reasonable assurance.

In obtaining limited assurance over the remaining information in the Sustainability Report, our objective was to perform such procedures as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express a conclusion with limited assurance. The procedures performed in connection with our examination are less than those performed in connection with a reasonable assurance engagement. Consequently, the degree of assurance for our conclusion is substantially less than the assurance which would be obtained had we performed a reasonable assurance engagement.
As part of our examination, we performed the below procedures:

- Interviewed those in charge of the Sustainability Report to develop an understanding of the process for the preparation of the Sustainability Report and for carrying out internal control procedures.
- Performed analytical review of the data and trends to identify areas of the Sustainability Report with a higher risk of misleading or unbalanced information or material misstatements and obtained an understanding of any explanations provided for significant variances.
- Based on inquiries we evaluated the appropriateness of the Accounting Principles used, their consistent application and related disclosures in the Sustainability Report. This includes the reasonableness of estimates made by management.
- Designed and performed further procedures responsive to those risks and obtained evidence that is sufficient and appropriate to provide a basis for our conclusion.

In addition to the above we performed the following procedures for the Scope 1 and 2 (location -and market based), Energy Consumption and Water Withdrawal subject to reasonable assurance:

- Agreed key items and representative samples based on generally accepted sampling methodology to source information to check accuracy and completeness of the data.
- Site visits to conduct walkthroughs of data gathering, calculation and consolidation processes related to the reasonable assurance of metrics.

In our opinion, the examinations performed provide a sufficient basis for our conclusion.

**Conclusion**

In our opinion the Sustainability information for Scope 1 and 2 (location -and market based), Energy Consumption and Water Withdrawal in Table on page 70 in Grundfos’ Sustainability Report for the period from 1 January 2022 to 31 December 2022 which has been subject to our reasonable assurance procedures have, in all material respects, been prepared in accordance with the Accounting Principles on pages 71-73.

Based on the limited assurance examinations and the evidence obtained, nothing has come to our attention that causes us to believe that the remaining information in Grundfos’ Sustainability Report for the period 1 January 2022 to 31 December 2022, has not been prepared, in all material respects, in accordance with the Accounting Principles described on pages 71-73.

Copenhagen, 7 March 2023

**EY Godkendt Revisionspartnerselskab**

CVR no. 30 70 02 28

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