



Grundfos Human Rights Impact Assessments

Executive summary on findings and lessons learnt (2017–2025)

GRUNDFOS 

Possibility in every drop

Introduction

Human Rights Impact Assessments (HRIAs) are fundamental to our due diligence approach, adhering to international standards like the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises. We conduct HRIAs to identify risks and impacts across our operations and value chain, which also helps us track the effectiveness of our existing mechanisms. Since 2017, we have conducted eight on-site HRIAs in China, India, Serbia, Mexico, Ghana, the Philippines, Vietnam and Hungary. We also perform spot checks across various geographies and operational types.

Locations are selected based on the human rights risk level of our salient issues and the size of our operation. This selection process also ensures regional representation and includes different types of business activities (such as manufacturing, new business models, and assembly). We evaluate industry-specific human rights and labour issues, including forced labour, child labour, working hours and discriminatory practices.

HRIAs are conducted by internal or external experts, such as Business for Social Responsibility (BSR), twenty-fifty, and Article One. Local NGOs and independent translators may also provide support when necessary. Following these assessments, we develop time-bound corrective action plans. These plans are shared with local leadership and management to assign clear responsibilities and drive progress at the local level.

The insights gained from HRIAs are used to evaluate and update global policies and processes, ensuring our measures remain effective. For example, these assessments revealed that excessive working hours are a systemic issue requiring mitigation through global policies. Consequently, we implemented a global monitoring system via the Grundfos Production System, which defines the operating standards for our factories across all regions.

China

We conducted our first HRIA at one of our manufacturing facilities in China in 2017, followed by a revisit in 2023. During the first HRIA, we identified working hours as a significant challenge, common among many companies. While some employees see working overtime for extra income as harmless, research indicates that prolonged overtime can lead to negative psychological and physical effects. In China, the law prescribes a 40-hour regular working week with a maximum of 36 hours of overtime per month.

Recognising this issue, our team in China implemented a flexible working hour arrangement and an overtime monitoring system. This system allows each employee a maximum of 432 overtime hours a year, distributed flexibly throughout the year. Before implementing this arrangement, we sought approval from the government and the works council, then consulted with employees on the details, which are influenced by seasonal production flows. The company monitors each staff member's overtime monthly and reports this to managers. The assessment also identified opportunities to improve our work with product suppliers, specifically by increasing the procurement team's awareness of the challenges suppliers face. Consequently, our global procurement staff received training on the Grundfos Supplier Code of Conduct and guidance for practical implementation. Additionally, we recognised the need to expand the scope of our Sustainable Supplier Management Programme, especially regarding service providers.

This HRIA also helped us understand that, even though the concept of human rights is well-known, people will often have different ideas of what it means in practice in a business context and its relevance to their area of work. To ensure effective communication, we learned that we need to continue to develop that understanding on a regular basis and keep stakeholders informed throughout all stages of the due diligence process.

India

In 2018, the second HRIA was conducted at our Chennai facility in India, followed by a re-visit in 2023. This is the oldest and most established of our operations in the country. Incorporated in 1998, this facility combines production with a sales office and employed 69 production workers and 103 office workers in 2018. It has since grown in its number of employees.

We identified areas for improvement from the trends observed in our first HRIA, such as working hours and the scope of our Sustainable Supplier Management Programme. The team in India has trained leaders on managing working hours and is enhancing its approach to supplier management. We also conducted sessions for internal colleagues, as well as local suppliers, to increase knowledge and engaged in dialogues on human rights.

Serbia

In 2018, another HRIA was carried out in Serbia. This assessment helped us confirm some clear trends, such as the need to redefine the scope of our Sustainable Supplier Management Programme. Additionally, we identified stakeholder engagement as an area for further development by the team in Serbia. While not an area of potential impact in itself, the

absence of a robust network could impede our ability to involve stakeholders who are crucial for understanding existing and potential impacts, an area we continue to work on improving.

Mexico

In 2019, our team performed an HRIA on our production facility located in Mexico. The assessment revealed that the company had taken exemplary steps to include individuals with limited access to the labour market in their workforce. Notably, Grundfos Mexico collaborated with a local NGO to provide job opportunities to people coming out of prison. Additionally, Grundfos Mexico has established a strong health and safety culture and implemented best practices, such as industry salary benchmarking, which contribute positively to employment, equal opportunities and the maintenance of a safe and healthy work environment.

During this exercise, we also identified adverse impacts in areas such as working hours, which occasionally exceeded ILO standards. Additionally, the recruiting processes showed opportunities for improvement, as some elements could be perceived as conducive to discriminatory practices. We also recognised the need to develop mechanisms to monitor the practices of local service providers. In collaboration with our team in Mexico, we defined and implemented an action plan to address these issues.

Ghana

In 2021, with external expert support, we conducted a socio-economic and HRIA in Ghana to measure key socio-economic impacts and evaluate potential negative impacts on human rights within a new business model, with a follow-up visit in 2022. The assessment revealed impacts related to several labour rights of outsourced workers, including the right to work, health and safety, salary to women's rights. Concurrently, we recognised the opportunity to advocate for living wages for these workers. Areas for improvement also include mechanisms for access to water, safeguarding users' privacy, clarifying land ownership processes and addressing community grievances effectively.

Furthermore, the assessment prompted us to consider the potential impacts of our future exit strategy and the importance of conducting due diligence before entering partnerships with local franchisees, entrepreneurs or business partners. These issues were addressed and resolved with the project management team, including but not limited to updating all outsourced workers' contracts in respect of key human and labour rights, providing EHS training and management systems, clarifying overtime and providing living wages.

The Philippines

In 2023, an HRIA was carried out on our activities in the Philippines, where we maintain a sales office and have recently expanded our IT-shared services team. This assessment underscored the need to broaden the scope of our Sustainable Supplier Management Programme to include monitoring of local service providers. The opportunity to advocate for a living wage for these outsourced workers was identified. Concerns were also raised regarding safety, particularly for employees working in high-risk conflict locations. We worked with the local team to address these findings. As a result of this collaboration, stronger monitoring of the indirect supply chain was implemented at the local level. For example, local management identified and addressed discriminatory hiring practices, advising suppliers to make necessary changes.

Vietnam

In 2024, an HRIA was carried out in Vietnam, including a visit to our Ho Chi Minh City sales office. This assessment, conducted alongside our Internal Audit team, aimed to embed human rights considerations, raise awareness and support with risk identification during internal audit site visits. HRIA key findings included the need for continuous safety monitoring at customer sites and raising awareness about harassment prevention. Employees should know they can leave if harassment occurs. Other focus areas were working hours, wages and benefits for outsourced workers. Although they are paid above the national minimum wage, some earn below the living wage. Local management decided to close this gap to support a decent standard of living. Additionally, there is a need to strengthen the monitoring process for the indirect supply chain, requiring global management's attention. Efforts will be made to manage this issue appropriately.

Hungary

In 2025, Grundfos conducted an HRIA at its two plants in Tatabánya – our largest facilities in Hungary, comprising the Component and Commercial Building Services factories. The assessment was partially prompted by the relocation of production lines from Germany. The Tatabánya sites employed approximately 134 office staff and 977 production workers during the year. These facilities form part of our broader operational footprint in Hungary, which also includes two additional plants in Székesfehérvár, as well as sales and shared services operations in Budapest. The HRIA combined pre-visit desk research, country analysis, virtual interviews, and on-site activities including interviews with management, employees, service providers, and suppliers and their workers.

The assessment found a respectful workplace culture, strong health and safety practices and robust local management aligned with global standards. Employees benefit from fair compensation, flexible work arrangements and open communication.

The HRIA highlighted areas for improvement such as equipment upgrades, heat management, stress during production transfers and the need for closer engagement with local suppliers on human rights. Actions have been agreed with local management to address these priorities.

One of the key learnings from the HRIA process is the valuable, objective feedback received from our employees. This feedback helps local management team understand how their initiatives were perceived and where they can improve. The HRIA confirmed that our suppliers and service providers share our values, making them true partners in safeguarding our most important asset - our people. Through the HRIA, we learned that due diligence is a shared responsibility, creating stronger connections and trust across our value chain.

Frequently Asked Questions

Q: What is an HRIA?

A: An HRIA can be defined as a process for systematically identifying, understanding, assessing and addressing the potential human rights impacts of a business operation on the workers, communities, end-users or other rights-holders' enjoyment of human rights.

- It is designed to complement existing impact assessments and due diligence processes.
- It is framed by appropriate international human rights principles and conventions.
- It is rooted in the realities of a particular venture by incorporating the context within which it operates and by engaging directly with those people whose rights may be at risk.

Q: Where do HRIAs come from?

A: HRIAs are part of the UN Guiding Principles on Business and Human Rights (UNGPs), which is the global standard on the respective roles of businesses and governments in helping ensure that companies respect human rights in their own operations and through their business relationships.

Q: What are HRIAs used for?

A: An HRIA simplifies the complexity of managing human rights by providing companies with a consistent, efficient, and systematic way to identify, prioritize, and address human rights risks and opportunities at a corporate, country, site, or product level.

Q: Are HRIAs a way to introduce the work with human rights to companies?

A: Many companies are already assessing and addressing relevant human rights issues in a variety of ways, such as by enacting non-discrimination policies, enforcing supplier codes of conduct and factory audits, conducting site-level social impact assessments, and engaging with communities. An HRIA is a tool that can help companies identify the highest risks (human rights-wise) in a specific context and assess if existing mechanisms mitigate the risks identified.