

The CEO Water Mandate

Grundfos Communication on Progress

Water Report 2012



INDEX

BE CAUSE WE CAN MAKE A DIFFEREN CE 4-5

INTELLIGENT DORMITORY ON THE WATERFRONT6-9

SUSTAINABLE GROWTH ON THE POLITICAL AGENDA10-13

SUCCESSFUL COOPERATION ENSURES CLEAN WATER IN KEN YA..... 14-17

GRUND FOS GATHERS DECISION-MAKERS AND WATER EXPERTS 18-21

GRUNDFOS EMPLOYEES HELP RELIEVE WORLD WATER SHORTAGE..... 22-27



BECAUSE WE CAN MAKE A DIFFERENCE

BY GRUNDFOS GROUP PRESIDENT CARSTEN BJERG

The world needs and will continue to need water. By 2030 it is expected that the demand for water will have increased by 30 percent. This is among other things caused by a global population increase, a growing Asian middleclass and a booming industrialisation in parts of the world. This calls for action from all parts of society – from governmental and non-governmental organisations alike, and from the world of business.

When solving the world's water challenges, we believe that water and energy are connected; therefore both water efficiency and energy efficiency are in focus when providing the world with technological solutions to the water challenges. Across the planet, millions of Grundfos pumps each and every day help the world save massive amounts of electricity – by being more efficient than the older pumps, they replace, or by out-

ing the energy efficiency of the alternatives in the market. Grundfos pumps also supply millions of people with clean, safe water; individually or as parts of larger systems and solutions. Water efficiency and energy efficiency are key elements in our way of thinking and doing business.



prioritising our efforts where they are needed the most in order to fight the world's water challenges is a key issue to Grundfos. We believe that every single drop counts and we want to show that we are willing to 'walk the talk'. This has made us take a harder look at our own water consumption. During 2012, we have developed a water strategy for the entire Grundfos Group – with ambitious goals. By the year 2025, we aim at having reduced our total water usage with 50 percent compared to the 2008-level. In addition, we wish to further improve the quality of the water we discharge, aiming for a zero impact on our surrounding

environment. The strategy will be rolled out during 2013.

However, we cannot do this by ourselves. We need to support – and to gain support from – global initiatives. Initiatives, that will put water challenges on the agenda. That is why an initiative such as the CEO Water Mandate fits the bill, so to speak. I believe that in my position as CEO, I have the responsibility and possibility of prioritising water resource management in Grundfos – and of acting as a partner to local, regional and global decision-makers.

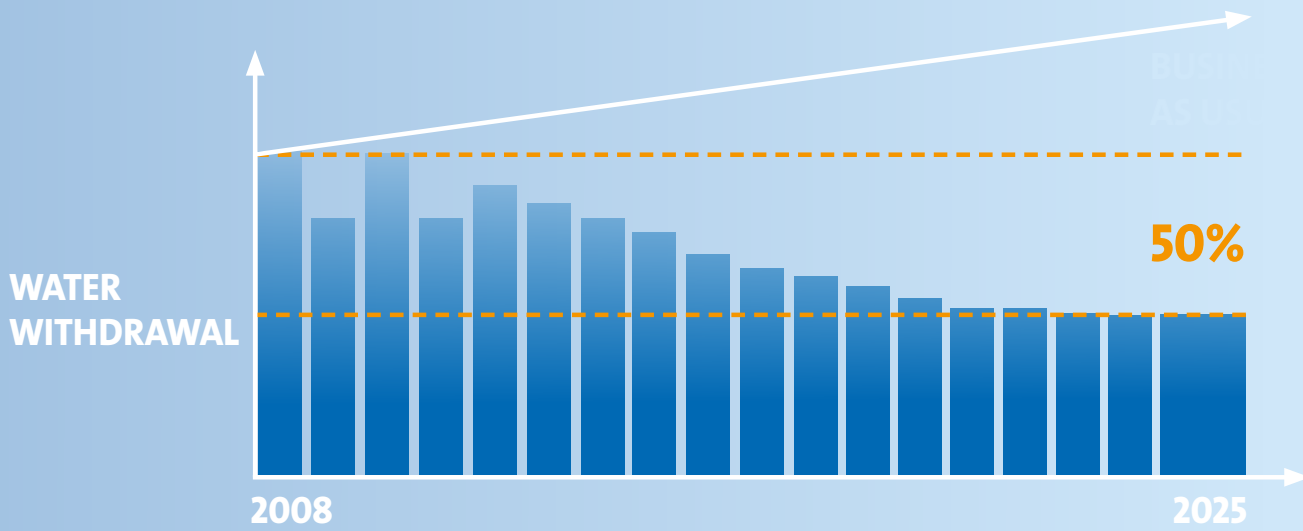
On the following pages we present some

of the cases from 2012, in which Grundfos has been actively involved in meeting and solving the water challenges corresponding to the six areas of the CEO Water Mandate; direct operations, supply chain and watershed management, collective action, public policy, community engagement and transparency. Together, these cases describe the ways in which we have been implementing the elements of the CEO Water Mandate.

Enjoy your reading.

To find out more about our sustainability data for 2012 please see www.grundfos.com/sustainability

WE COMMIT TO REDUCE WATER USAGE AND IMPROVE THE QUALITY OF WATER DISCHARGE



INTELLIGENT DORMITORY ON THE WATERFRONT





INTELLIGENT DORMITORY ON THE WATERFRONT

The brand new Grundfos Dormitory on the waterfront in Aarhus, Denmark will help students reduce their consumption of resources and lead the way to a sustainable future.

Julie Bertelsen has just started studying at Aarhus School of Architecture and has moved into Grundfos Dormitory together with 200 other students. The dormitory is a high-tech, resource-saving facility on the waterfront in Aarhus, twelve storeys high.

“It’s super cool, and I feel really privileged to have the opportunity as a student to live in such beautiful surroundings. I have front row seats to the harbour, the bay, the city and my studies. I’m very interested in sustainable construction on account of my studies, and I’m really excited about learning more about my own consumption,” says Julie Bertelsen.

The Grundfos Dormitory is by no means an ordinary dormitory of its kind. It is intended to be used as a living laboratory in which to test new technology and gather information about residents’ water and energy consumption. The aim, among other things, is to reduce water consumption to an absolute minimum. Each and every one of the almost 160

apartments is fitted with numerous sensors, which register the indoor climate in the building and the water, water heating, and energy consumption of the residents every five seconds, 24 hours a day. Thus, the dormitory provides a base for one of the most comprehensive studies to date involving the monitoring of resources.

“Working towards a more sustainable world lies deep in the DNA of Grundfos. Responsibility is one of our core values, and it is our clear ambition to develop solutions, which can help to reduce water and energy consumption in the buildings of the future,” says Lars Aagaard, Group Executive Vice President. “In this way, Grundfos Dormitory provides us with a unique opportunity to test new technology in genuine usage situations – and even in a building, which is already state-of-the-art in its field,” he says.



Grundfos’ enormous database is growing by more than 1 terabyte of data a year. These vast amounts of data from the dormitory will be collected initially and then form an image of resource consumption in the building. In the next phase, these measurements will be analysed and used continuously to reduce residents’ consumption of water, among other things, to an absolute minimum thanks to advanced technological solutions and changes in behavioural patterns.

Grundfos wishes with this knowledge to be a real eye-opener for the residents. Part of the project is in cooperation with the Alexandra Institute to focus on how to change the behaviour of the residents in ways that will reduce their water consumption. Grundfos will also be using the monitoring to assess whether the water pressure is to be regulated. For example, if residents open their taps fully every time they feel like it, there is a risk of them getting far more water than they can actually use. If this is the case, a reduction in pressure can help to reduce water consumption. The many findings will be shared with dormitory residents every year when Grundfos holds a professional and social event to make residents more aware of their consumption of resources.

“I have already chatted to the architect about what solutions have been used

in the building, and we talk amongst ourselves about why some people use more resources than others,” says Julie Bertelsen.

The dormitory is situated at the harbour in Aarhus, a popular city in which to study, and with an increasing number of young students. The area on the harbour is in the process of transforming itself into a completely new residential area, with companies, homes, green oases and educational institutes. Grundfos Dormitory opened in October 2012 and

is a partnership between the Technical Dormitory and Grundfos.

In the long run, the large amounts of valuable knowledge gained from Grundfos Dormitory will be used to help Grundfos work out how we should organise the buildings of the future and how we can ensure that water consumption is reduced to an absolute minimum. Not just in Aarhus in Denmark, but all over the world.

FACTS BOX:

1. What is Grundfos Dormitory?

- A 12-storey dormitory on the waterfront in Aarhus
- 159 apartments
- 7 different apartment types
- Can accommodate around 200 residents
- Opened on 1 October 2012
- Founded in partnership between Grundfos, the Engineering College of Aarhus and the Aarhus School of Marine and Technical Engineering. (The Technical Dormitory in Aarhus)

2. Ambition for Grundfos Dormitory:

- To create a living laboratory which can give:
- -new insights into the actual consumption of resources in a building
- -new knowledge for Grundfos
- -new knowledge for educational institutes in Denmark



SUSTAINABLE GROWTH ON THE POLITICAL AGENDA





SUSTAINABLE GROWTH ON THE POLITICAL AGENDA

Grundfos is involved in the Danish government's attempt to create sustainable growth in cooperation with leading Danish companies.

Grundfos is playing a central part in the Danish government's Growth Team for water, bio and environmental solutions, chaired by Carsten Bjerg, Group President of Grundfos. The Danish government wants the Growth Team to help ensure sustainable growth and green jobs in Denmark. In November 2012, the Growth Team came up with twelve specific recommendations for the Danish government, of which four relate specifically to water.

"Grundfos is participating in initiatives such as the Growth Team for water, bio and environmental solutions as we would like to share our knowledge and experience with decision-makers. There is a fairly large and growing global need to come up with solutions to impending water shortages. The technologies that are able to meet these challenges already exist to a great extent, but it is important for legislators in Denmark and around the world to create the right framework for further innovation. This could create further growth and more jobs in the field," says Carsten Bjerg, Group President of Grundfos.

Four specific recommendations for water

The Growth Team points out that streamlining the water sector is necessary. For example, governmental regulations have to help ensure that water companies not only focus on prices when buying technology, for it will only be the cheapest

price in the short run. Water companies must value the life cycle of the product higher than product price and invest in solutions which will also be effective in the long term in relation to ongoing operations. In addition, water consumption in the sector has to be streamlined. This is being achieved by increasing incentives for reusing water, including rainwater and treated wastewater, among other things. The third recommendation involves creating a full-scale demonstration plant and test facilities in Denmark. This is necessary to allow the companies to profile themselves internationally and to attract investors. Finally, the Growth Team recommends that the government and municipalities give priority to public investments in adaptation to climate change, thereby ensuring more innovation and market maturity of new technologies in the field of rainwater and wastewater.

Grundfos at the cutting edge

The Danish government has appointed the Growth Team in the light of global challenges, where population growth and increasing production places put ever greater pressure on the world's resources. As far as water is concerned, the task is to secure that Denmark in the future is a growth centre for water-efficient solutions which meet the world's water challenges. Denmark is already at the forefront of companies, knowledge environments and water in possession of unique knowledge of water management,

water infrastructure and biological water treatment. These skills are all compiled to form the Growth Team, which is made up of businessmen and women from a number of leading Danish companies in the fields of water, bio and environmental solutions. Carsten Bjerg, Group President of Grundfos, heads up the Growth Team. The team also includes Steen Riisgaard, CEO of the Novozymes group, which is a biotechnology company and one of the world's leading companies in the field of enzymes and microorganisms for industrial use, and Thomas Højlund Christensen, Director of Institute at the Technical University of Denmark, which educates the engineers of the future and is one of Europe's leading universities in the field of research into technical science and natural science. and natural science.



Increasing demand for efficient water solutions

To maintain and extend Denmark's position as a growth centre for efficient and intelligent solutions to the world's water challenges, the Growth Team's recommendations have been incorporated in the Danish government's business and growth policy.

Danish Minister of Business and Growth, Annette Vilhelmsen, welcomes the recommendations: "Thank you to the Chairman and the other members of the Growth Team for twelve tangible, growth-enhancing recommendations, which I am looking forward to putting into action as soon as possible with the rest of the government. With the Finance Act for 2013, we have demonstrated our determination to promote the green transformation of society. It is essential for us to leave a better world to our children and grandchildren. We need to boost growth and create jobs here and now. The government has now received part of this recipe from a dedicated, green business".

The Growth Team is predicting increasing demand for efficient water solutions on the world market as more and more countries are discovering that water shortages pose a direct threat to their growth and prosperity.

FACT BOX:

1. Streamlining the water sector

The regulation of drinking water supplies and wastewater treatment must be altered so that it:

- promotes emphasis on total costs
- encourages water companies to participate in development of technology and business with private companies. Consolidation into fewer, larger companies will also promote demand for new water technology

2. Greater water efficiency in connection with production

- The market must work for better solutions for water saving and energy-efficient treatment technologies for industrial processes.
- Smarter setting of water quality requirements and greater cost authenticity in the price of water drainage may provide an important contribution.

3. 'State of the art' testing, demonstration, market maturity and global marketing

- Establishment of full-scale test facilities and demonstration plants. This will promote market maturity of innovative water solutions and will also be an important element in public-private global marketing initiatives.

4. Innovative climate change adaptation solutions

When the municipalities raise their investments in adaptation to climate change in 2013, the opportunity to develop and implement new solutions across geographical areas and authorities must be addressed. It will create total solutions on a scale attractive to the global market.

In addition, the Growth Team has two cross-functional recommendations for water, bio and environmental solutions:

- Research at a high international level and a number of candidates in the fields of nature, technology and engineering
- Greater intelligent public demand and public investments must be more dependent on total costs rather than purchase price

MEMBERS OF THE GROWTH TEAM:

Chairman:

Carsten Bjerg, Group President of Grundfos A/S

Members:

Steen Riisgaard, CEO of Novozymes A/S

Ole Røsdahl, CEO of Krüger A/S

Søren Larsen, CEO of Grontmij A/S

Asger Kej, CEO of DHI

Vibeke Svendsen, Managing Director of Envotherm

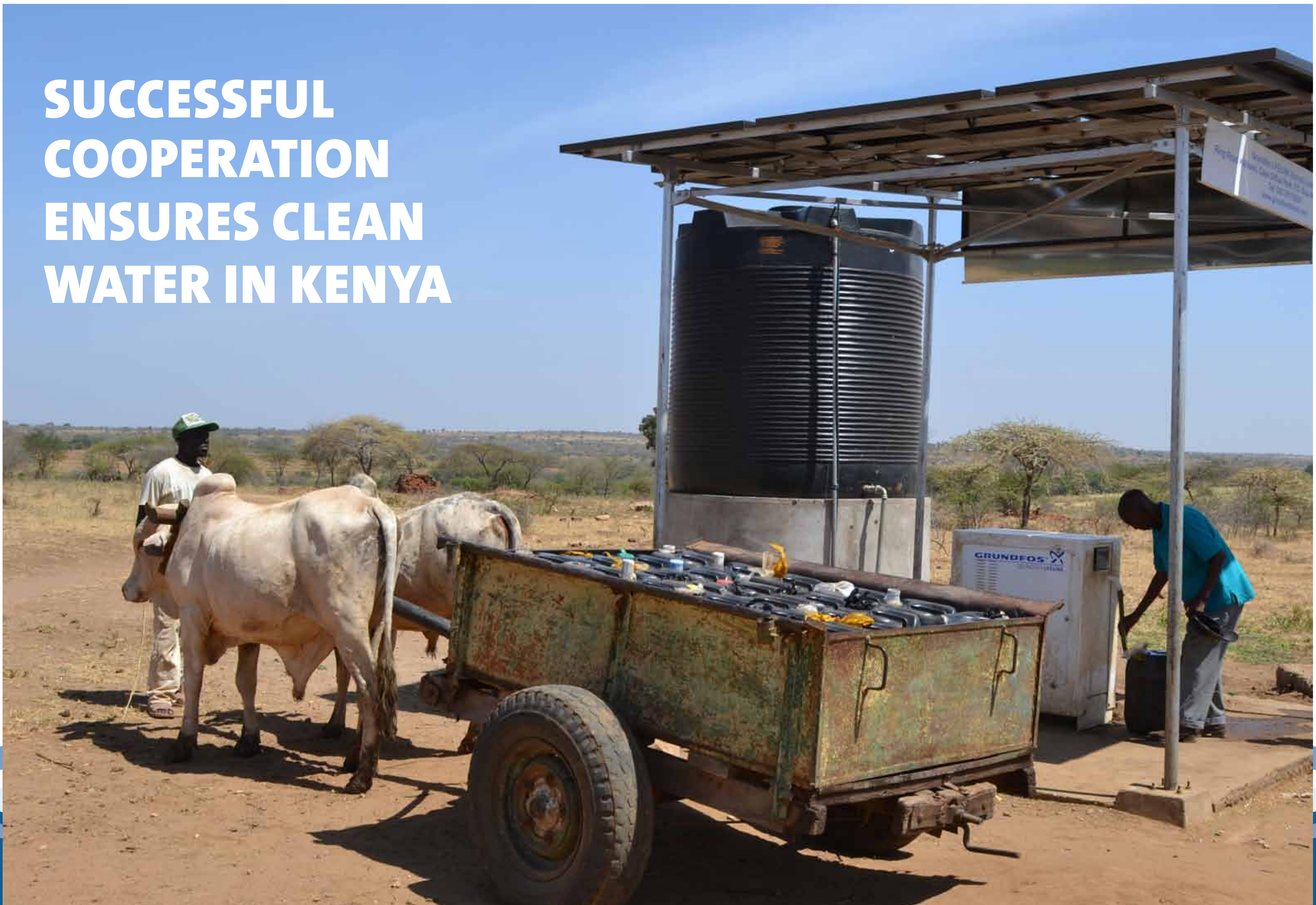
Karsten Lindved, Managing Director of Upfront Chromatography

Thomas Højlund Christensen, Director of Institute at the Technical University of Denmark

Jens Lundsgaard, Business Director at the Ministry of Business and Growth

Søren Søndergaard Kjær, Head of Department at the Danish Ministry of the Environment

SUCCESSFUL COOPERATION ENSURES CLEAN WATER IN KENYA



SUCCESSFUL COOPERATION ENSURES CLEAN WATER IN KENYA

Grundfos Lifelink is working in cooperation with the Kenyan government. Through sustainable water systems they provide clean drinking water to some of the poorest people in the world.

Grundfos is working in close cooperation with the Kenyan government to bring clean water to poor areas of Kenya. Up to now, the Kenyan state has financed five Grundfos Lifelink water systems, which are owned and operated by water supply companies under licence from the Kenyan Ministry for Water. The Grundfos Lifelink water system, which has been specially designed to supply clean drinking water to villages and rural areas in developing countries, ensures that thousands of Kenyans have access to clean drinking water every day. When implementing a new water project, Grundfos Lifelink works in cooperation with the Kenyan government and the regional 'District Water Officers', as they are known. These water officers have extensive local knowl-

edge and point out which areas have no water supply. When this has been done, Grundfos Lifelink deal with the technical screening of the borehole and tests the water quality before the water system is implemented. Besides the Kenyan government, the Danish development aid organisation DANIDA, which operates under the Danish Ministry of Foreign Affairs, has also financed Lifelink water systems in Kenya.

"Cooperation across sectors and continents are crucial if we are to find solutions to water shortage problems which affect a lot of people in Kenya. The innovative action from Grundfos is a promising example of how the private sector can help to provide sustainable solutions,"

says Ida Auken, Danish Minister for the Environment.



Water system with growing pains

At present, almost 1 billion people in the world do not have access to clean drinking water. 200,000 people, half of them children under 5, die every single month because of waterborne diseases. Residents of rural areas in Kenya used to walk several kilometres and often collect water from contaminated rivers and pools. Since the start of the project in Kenya in 2009, 38 Grundfos Lifelink water systems have been commissioned. This guarantees that almost 100,000 Kenyans have access to clean drinking water. Of the total of 38 projects, five projects have been financed by the Kenyan State and these are now owned and run by public Kenyan water supply companies. Other water systems are financed by other development organisations such as the Red Cross, Unicef and the World Food Programme.

"Long-term access to clean water is one of the first steps towards development, and in this way, the Grundfos Lifelink solutions are capable of providing the basis for sustainable development for the poorest people in the world," says Peter Todbjerg Hansen, Managing Director at Grundfos Lifelink.

Grundfos Lifelink wins global sustainability award

The initiative in Kenya is attracting attention on an international scale. At the UN Rio+20 summit, Grundfos was



honoured for its efforts to ensure clean drinking water to the poorest countries of the world, when Grundfos Lifelink won the renowned World Business and Development Award. This award is given to innovative business models which help to improve social, financial and environmental conditions. Grundfos Lifelink was also added to Sustainia100, a prestigious list of sustainable solutions to the world's environmental challenges.

Success spreading

In the wake of its success in Kenya, Grundfos is now extending Lifelink to other countries in Africa. Grundfos is working in cooperation with the Ugandan

Ministry of Water on four pilot projects to examine whether the system can be incorporated in the water sector here as well.

VISION

Grundfos Lifelink will become a global leader in **innovative water solutions** for the developing world. We contribute to **sustainable development** by creating and applying cutting edge technologies, business models and partnership structures. We are ever committed to **improving quality of life** for people living in poverty while caring for the planet.

GRUNDFOS GATHERS DECISION-MAKERS AND WATER EXPERTS



EU CLEANTECH ROUNDTABLE



sponsored by
GRUNDFOS

GRUNDFOS GATHERS DECISION-MAKERS AND WATER EXPERTS

The sharpest minds in the field of sustainable development all got together when Grundfos invited to a debate on water efficiency at the EU CleanTech Roundtable.

Decision-makers, NGOs, industry and academics have spent 2012 discussing water-efficient and energy-efficient solutions at the Grundfos European laboratory in order to exchange sustainable experiences. This initiative is known as the EU CleanTech Roundtable. The purpose of the

roundtable is to build partnerships and hold discussions on sustainable development across countries and sectors, with a view to provide support followed by action from politicians and decision-makers in the EU. This recognises the fact that water shortages are a global chal-

lenge which can only be resolved if we all work together. In Europe, the EU is playing an ever greater part in the legislative process, and this is why it is necessary to raise the debate to a European level.

Themes of 2012

Grundfos facilitates and sponsors EU CleanTech Roundtable meetings, which bring together the most significant European players in the field of sustainable development to discuss current issues, share experiences and promote debate on EU directives and initiatives. In 2012, water has been the focal point of the two debates held. The first took place in March, and discussions here related to energy efficiency and water efficiency in buildings. The latest workshop was held in September and was titled Preserving Europe's resources: Innovative solutions for a water-efficient Europe. This debate was attended by more than 30 of Europe's leading experts on water from the EU, industry, associations and NGOs. Speakers at the meeting included Jørgen Bjelskou, Public Affairs Director at Grundfos, and Dominique Gatel, Deputy Technical Director at Veolia Water. Both representatives underline how an important part is played by industry in developing and producing water-efficient solutions. Given the EU Commission's estimate that water efficiency can be increased by 40 per cent simply by using water-efficient solutions,



FACT BOX

ABOUT THE ROUNDTABLE

Grundfos is sponsoring the EU CleanTech Roundtable, which aims to:

- Provide a forum in which decision-makers, the industry, NGOs and academics can openly discuss CleanTech, water and energy-efficient technologies and related policy framework.
- Stimulate the promotion of cutting edge technological solutions and ensure the backing of EU policymakers.
- Foster the exchange of best practices in the domains of water efficiency and energy efficiency.
- Trigger policy debates on related EU regulations, directives and initiatives.

Jørgen Bjelskou emphasised from the podium that the technology is in place. At the same time, he pointed out the need for politicians to provide the frameworks and incentives for investment in durable, water-efficient solutions. The debate is continuing on the forum's website during the period between workshops. Here, participants receive regular updates on the latest developments in water-saving and energy-saving initia-



tives. Participants also exchange ideas and best practice. Looking ahead, Grundfos is convinced that the EU CleanTech Roundtable debates can help to influence the European debate and move Europe towards more sustainable solutions.

GRUNDFOS EMPLOYEES HELP RELIEVE WORLD WATER SHORTAGE



GRUNDFOS EMPLOYEES HELP RELIEVE WORLD WATER SHORTAGE

At Grundfos, the employee programme Water2Life is attracting attention to the challenges faced as regarding water and guaranteeing basic living conditions for some of the poorest people in the world.

Employees at Grundfos are taking the world's water challenges seriously and are actively getting involved in the battle to secure clean water to people in the north of Kenya. Water2Life is giving employees the opportunity to make a real difference and take responsibility. Water2Life is the employee programme at Grundfos in which employee volunteer to help out with activities and information work in their local company and raise donations to help provide poor people with clean water. So far employees have collected funding for ten water systems, guaranteeing thousands of Kenyans clean water.

"Water2life gives me – as well as every other employee at Grundfos – the opportunity to make a good deed at my daily work. By observing the development of the villages after the installation of the water supply systems, one could tell that Water2Life is not only about donating money but rather to create synergy effects. People get access to clean water and will be enabled to use it in an economic way. I'm glad to be part of this initiative," says Christine Weber, active

member of Water2Life in ALD Grundfos Water Treatment GmbH in Germany.



Ten water systems in two years

The Water2Life employee programme got off the ground in June 2010. The aim of the programme was to install ten Grundfos Lifelink water systems in selected villages in Kenya by the end of 2012. Grundfos employees from all over the world have

been collecting money for ten water systems. Given its major success with this collection Water2Life will be extending its efforts to Vietnam in 2013.

"Water2Life supports the Grundfos values of sustainable development, focus on people, global thinking, responsibility and build on our own company competences. I am very proud that Grundfos employees have already achieved so much with Water2Life. It demonstrates the huge commitment of many of our employees and a strong desire to make a difference for the poor people of the world, helping to resolve the enormous challenges on water," says Carsten Bjerg, Group President at Grundfos.

Vital cooperation

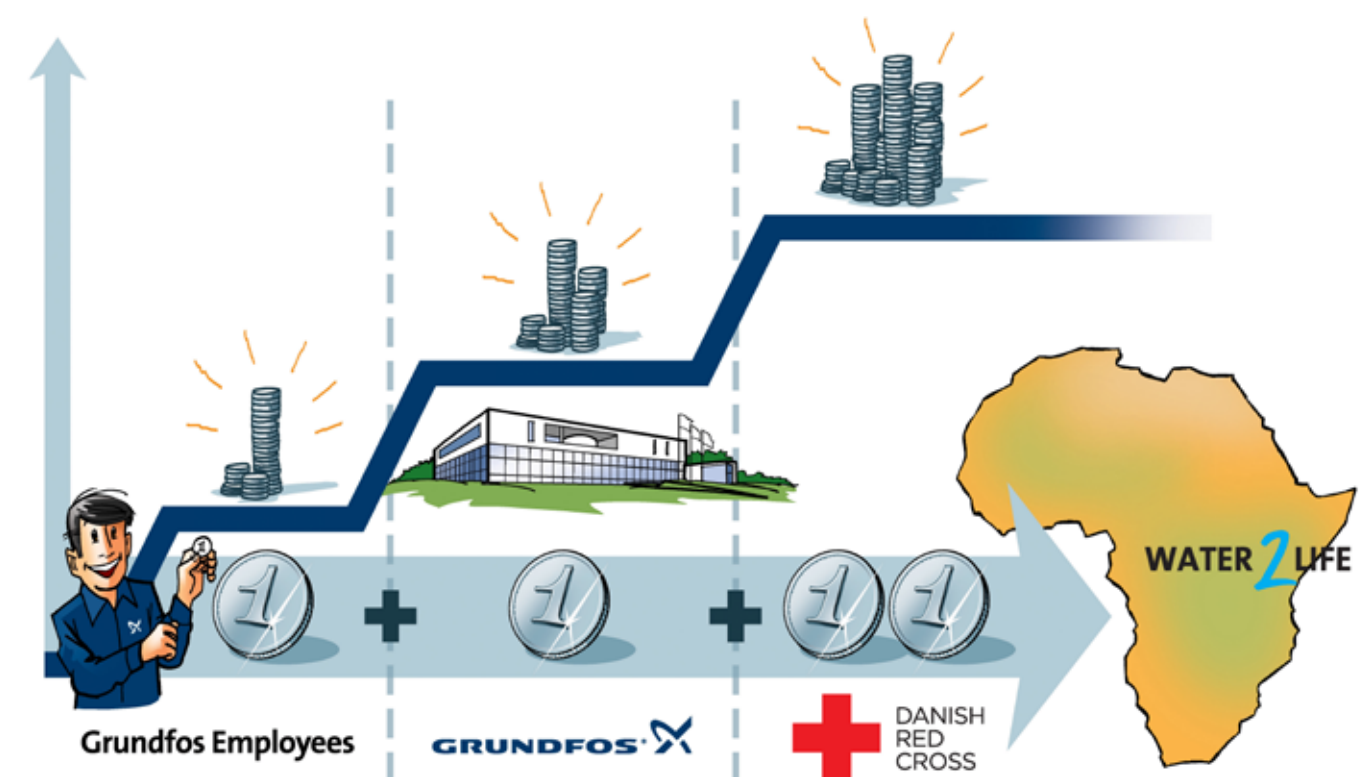
Water2Life works together with the Red Cross in the villages in which the water systems are being set up. This cooperation is absolutely essential to ensure the success of the projects. Clean water is not valuable if it is poured into a dirty container, for example. This is why the Red Cross is talking to the people living

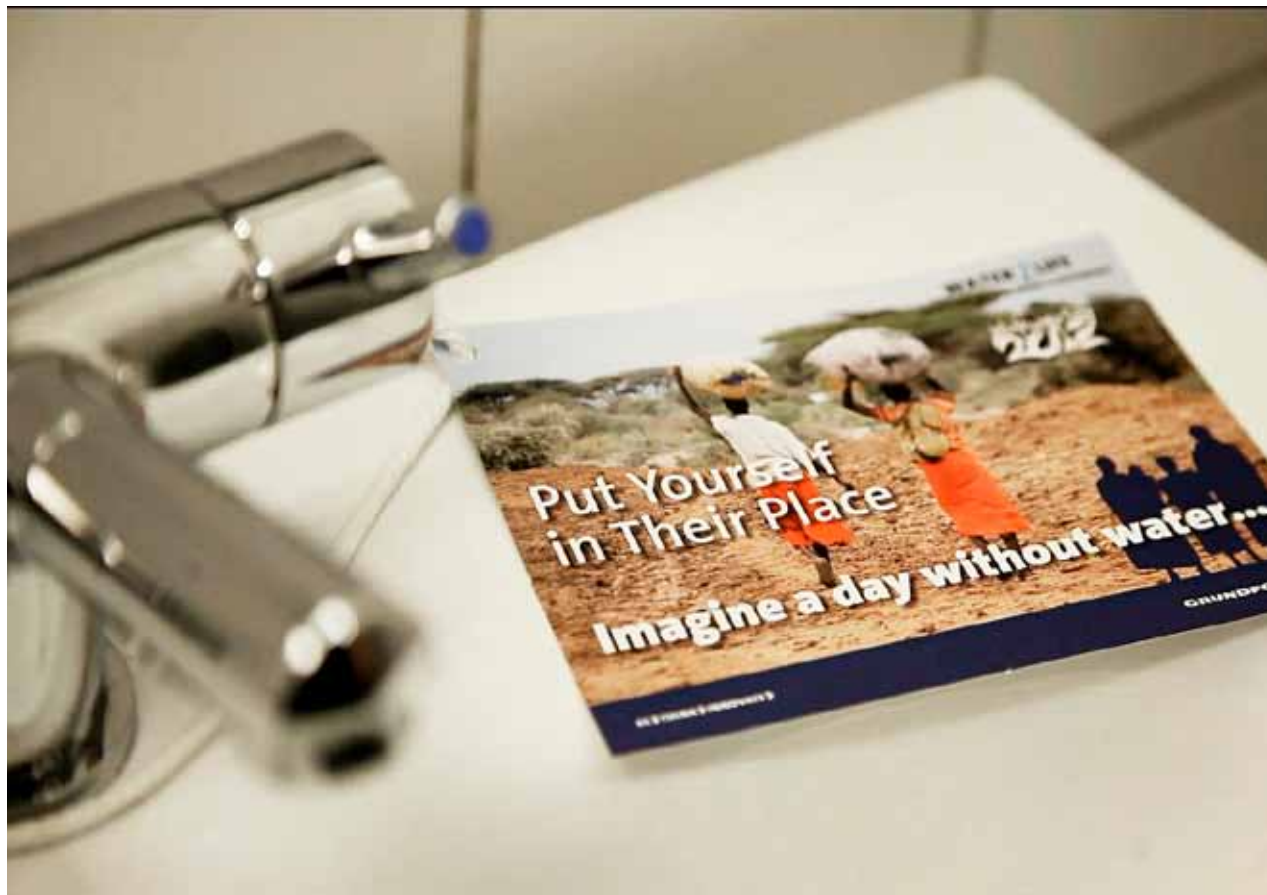
in the villages and making sure that they are ready to use the water system. Among other things, the Red Cross is recruiting voluntary hygiene instructors in each village and teaching them about handling water correctly, good hygiene practice, hygiene-related diseases and waterborne diseases.

"Our cooperation with the Red Cross is part of the actual foundation for the success of the project. They have unique local knowledge and resources that ensure that people in a vulnerable situation can have something as fundamental to life as clean water," says Vibeke Tuxen, programme coordinator for Water2Life.

Please turn page

When a Grundfos employee donates 1 euro, additional 3 euros are donated to Kenya





Global water awareness

As well as collecting money for water systems for the poorest people in the world, Water2Life marks UN World Water Day every year. On 22 March 2012, Water2Life worked in cooperation with local ambassadors for the employee programme to arrange a campaign entitled “Put Yourself in their Place”. This campaign challenged Grundfos employees to put themselves in the place of the Kenyans. Every tap was marked with a sign saying ‘Imagine a day

without water’ to make Grundfos employees all over the world consider their daily water consumption.

A video was also produced showing a member of Grundfos staff spending a day without water in all kinds of everyday situations. The video was sent out by e-mail and has been seen by more than 2500 people on YouTube. The day was marked by almost 60 companies, and the

campaign was translated into 26 different languages.

“UN World Water Day is a good opportunity to stress the importance of the water issue. To communicate that we as a company take the global water challenges seriously, and we want to do something about it,” says Carsten Bjerg, Group President at Grundfos.

Water2Life inspires people to make a difference

One member of staff at the production company GMX in Mexico took the message – to put himself in the place of the Kenyans – quite literally. Operation manager Mauricio Moran turned off the company’s entire water supply completely for 90 minutes, and as well as making people focus on water shortage he managed to create near chaos! This is by no means the first time that Mauricio Moran and his Mexican colleagues have set a good example to others. In August 2012, he and his colleagues found out that the pupils at a local school in a vulnerable area in the town of Apodaca could not afford to cele-

brate Mexico’s official Children’s Day. As a result, the employees decided to arrange a party for the children at the school.

“The Water2Life programme has helped us to focus more on people who have less. It is always great when you can help others, and supporting local communities, especially concerning education, which is one of the core values of Grundfos,” says Mauricio Moran, Operations Manager in Bombas Grundfos de Mexico S.A. de C.V.

Now Mauricio Moran and his colleagues have teamed up with the local authorities in the area and are hoping to be able to help other schools in a similar way.



Mauricio Moran, Operations Manager, Bombas Grundfos de Mexico S.A. de C.V.

