



Sustainable Purchasing Policy

Our guiding principles and ambitions
for sustainable procurement

GRUNDFOS 

Possibility in every drop

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Together towards a sustainable future

Grundfos is dedicated to nurturing sustainable procurement practices that reflect our corporate sustainability objectives. Our policy covers both direct and indirect purchasing areas, focusing on Environmental, Social, and Governance (ESG) principles, and establishing robust sustainable procurement processes.

At Grundfos, sustainability is at the core of our business. It is a vital component of our 2025 strategy, deeply ingrained in our purpose and company values. Managing a global supply chain, we prioritise responsible business conduct and embed sustainability practices into our sourcing processes as a fundamental business aspect,

alongside delivering the highest quality goods and services to our clients.

Our Sustainable Purchasing Policy seamlessly integrates with our Direct and Indirect Purchasing Policies, ensuring coherence and consistency throughout our operations. Through ongoing monitoring and collaboration with suppliers, we aim for continuous enhancement in sustainability performance across our supply chain. This involves risk mitigation, due diligence, and the creation of lasting value for all stakeholders.

Our commitment to international frameworks

Grundfos' sustainability ambitions, targets and actions are meticulously aligned with regulatory frameworks, i.e. the [UN Global Compact's ten principles](#), the [Corporate Net-Zero Standard](#) from the Science-Based Targets initiative, the [UN Guiding Principles on Business & Human Rights](#) and the [OECD Guidelines for Multinational Enterprise](#). These frameworks guide our actions and contribution to achieving the UN Sustainable Development

Goals and the Paris Agreement. In our operations, we innovate solutions to advance sustainability, and we use the latest thinking alongside local and international regulations, widely acknowledged frameworks and inspiration from internal and external stakeholders.

The framework guiding our sustainability initiatives

The Grundfos Sustainability Framework serves as our guide for integrating sustainability into every aspect of our operations. The framework, depicted below, consists of three key categories that outline our core priorities.

Our meticulously selected Four Ambitions represent the areas where we aim to lead and have the greatest impact.

Additionally, our Differentiators signify our commitment to exceeding expectations, while our Sustainability Fundamentals ensure top-tier professional performance.

Together, these ambitions steer Grundfos' continuous development of products and solutions, ensuring they effectively address climate change, societal needs, and operational advancements.



The Sustainability Framework is overseen by the Sustainability Council (see page 5). Group Purchasing plays a crucial role in advancing our Sustainable supply chain within the Corporate

Sustainability Framework and spearheads the Sustainable Supplier Management Program in line with our corporate objectives.

Governing our sustainability initiatives

To ensure we uphold sustainability principles, Grundfos maintains a robust governance structure.

Grundfos' Board of Directors oversees sustainability initiatives within the company. Group Management sets the strategic direction, defines goals, and makes key decisions on prioritisation within our Sustainability Framework, guided by recommendations from the Sustainability Council.

The Sustainability Council comprises members representing our group functions and four divisions: Water Utility, Industry, Commercial Building Services, and Domestic Building Services. Their role involves developing and recommending strategic directions to Group Management, coordinating sustainability efforts across functions and divisions, and ensuring progress on projects and targets.

Group Sustainability leads and advises the Sustainability Council, updating them on key initiatives' progress and ensuring effective strategies with measurable outcomes.

They govern the implementation of our Sustainability Framework, Science-Based Targets, and sustainability ambitions, providing support to functions and divisions in planning and executing sustainability initiatives.

Key Performance Indicators (KPIs) are monitored by the Sustainability Council, Group Management, and the Board regularly. The Sustainability Council meets quarterly to track sustainability progress, discuss priorities, and recommend actions to Group Management.

To ensure sustainability in our supply chain, we have established the Sustainable Supplier Management Program (see page 6), overseen by Group Purchasing. Within Group Purchasing, the Global Sourcing Sustainability Process Manager is accountable for strategising, designing roadmaps, and harmonising processes with our corporate sustainability direction. The Sourcing Sustainability Department handles execution, including data collection and supplier performance monitoring.



The Sustainable Supplier Management Program

Sustainable Supplier Management Program is designed to address environmental and social conditions both directly and indirectly.

We hold ourselves and our supply chain to the highest standards of social and environmental responsibility, encompassing human rights, labour standards, carbon and water footprint reduction, chemical compliance, and responsible sourcing, including conflict minerals.

This commitment requires a persistent dedication to sustainable practices and transparency, both from us and our suppliers.

The Sustainable Supplier Management Program rests on three core pillars.

The first pillar focuses on CSR and ESG-related activities, with a particular emphasis on Human Rights due diligence throughout the supply chain.

The second pillar centres on compliance, encompassing Product Chemical Compliance and initiatives concerning Conflict Minerals.

The third pillar targets Environmental footprint reduction, outlining activities related to carbon and water footprint reduction within our supply chain.

The program is dynamic and continuously evolves in alignment with corporate sustainability ambitions, as well as changes in legislation and customer requirements.





Ambitions and targets

Corporate Social Responsibility

- Onboard 500 suppliers onto our partners' platform for conducting online assessments by 2025.
- Increase the share of the indirect purchasing area within the total audited vendor number scope to 35% by 2025.
- Achieve a 91% CSR compliance rate by 2025. Compliance rate shows the ratio of suppliers who comply with Grundfos' basic requirement within the total audited vendor number.

Decarbonisation

- In line with the overall Grundfos ambition and SBTi-approved goal to be net zero across our value chain by 2050, we aim to decrease the footprint of Scope 3 upstream category 1a & 1b by 25% by 2030 and to be net zero (with more than 90% absolute carbon emission reductions) by 2050.
- In line with the Action Plan of the Alliance of CEO Climate Leaders, signed by Grundfos CEO:
 - Establishing Supplier Engagement Plan, engaging at least 30% of the supplier base by 2025 (based on share of emission or spend)
 - Engaging 67% of the supplier base (based on share of emission) on the asked suppliers by 2026
 - Asking suppliers to have reduction targets in place for Scope

- 1, 2 and 3 aligned towards a 2050 net-zero pathway, disclose emissions and ensure systematic emissions reductions by 2028
- In addition, encouraging suppliers to gain transparency on their product carbon footprint and develop net-zero transition plans

Water footprint

- Assess water-related risks in our supply chain by 2024
- Develop a supply chain-specific water heatmap, risk mitigation strategy and footprint reduction target by 2024
- Develop a Supplier Engagement Program by 2025

Product Chemical Compliance

- We continuously strive to improve the chemical compliance documentation of purchased components.

Responsible Minerals Sourcing

- 100% data coverage within the identified scope by 2025.

All sourcing sustainability ambitions and targets included in the Sustainable Supplier Management Program are aligned with the corporate sustainability ambitions.



Ensuring commitment from suppliers

First of all, our suppliers must comply with our [Supplier Code of Conduct \(SCoC\)](#), which incorporates existing and anticipated legislation along with international standards. It outlines sustainability requirements for suppliers to become or remain partners with Grundfos, across both direct and indirect purchasing areas. The code encompasses Human Rights, Health and Safety, Environment, Business Ethics and integrity, as well as Assessments and corrective actions. Additionally, it delineates the consequences of non-compliance and outlines Grundfos' responsibilities.

By doing so, the SCoC establishes the foundation for building a sustainable, transparent, and accountable supplier base. It facilitates a comprehensive, consistent, and optimised approach to conducting due diligence in our supply chain. Every purchasing contract and framework agreement must explicitly reference our SCoC.

Metrics to ensure accountability

To enhance transparency in our evaluation practices, we have developed a Sourcing Sustainability Key Performance Indicator (KPI). This KPI offers clear insights into our supply chain' sustainability performance and helps mitigate sustainability-related risks. It goes beyond CSR performance to encompass factors like Carbon and Water Footprint, Chemical Compliance, and Conflict Minerals.

The measurement approach for the KPI is regularly reviewed, and it is integrated into the yearly incentives and performance measurement of Group Purchasing colleagues, as well as into the Group Purchasing and Corporate Sustainability Scorecard.

Secondly, supplier selection process for third party assessment and audit is guided by a comprehensive risk-based approach, emphasising sustainability. We consider various factors, including our suppliers' human rights risk profile, the risk associated with their country and industry, their impact on Grundfos' carbon footprint, and the magnitude of our business relationship in terms of purchasing spending. This selection method is continuously aligned with the principles of the Sustainable Supplier Management Program, ensuring consistency and effectiveness in our supplier engagement practices. We meticulously gauge our suppliers' adherence to Grundfos' core values and stringent sustainability benchmarks through third-party assessments and audits, employing a risk-based approach that triggers online assessments or on-site audits when any of the risk criteria is deemed high.

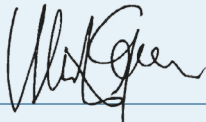
This integration incentivises all Group Purchasing employees to prioritise supplier sustainability performance and ensures collaboration between the Sourcing Sustainability Team and suppliers.

The yearly KPI targets are defined by the Global Sourcing Sustainability Process Manager, in consultation with the Sourcing Sustainability Team and relevant stakeholders from Group Sustainability, Group EHS, and Global Product Compliance. These targets require approval from the Group Purchasing Leadership Team.

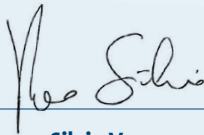
Policy publication and revisit

This policy will be shared across the entire organisation and is open for public review.
An annual review will be conducted to assess its ongoing relevance, ensure compliance, and drive continuous improvement.

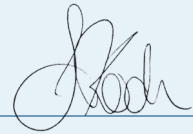
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