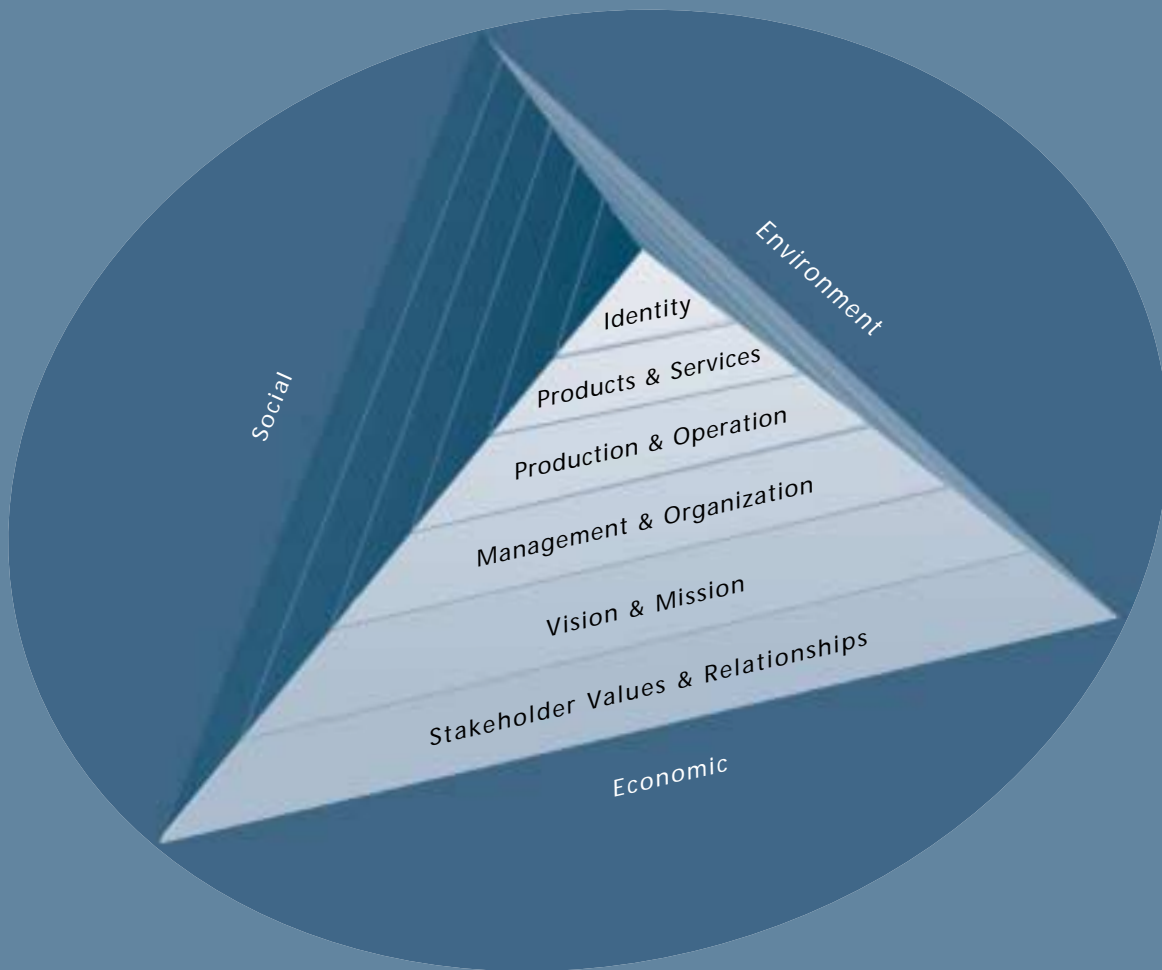




The Sustainability Pyramid



For ITT Flygt, the concept of sustainability is understood to represent the integration and management of economic, social and environmental performance. One way of visualizing the implication of sustainability is to use the sustainability pyramid.

This pyramid has three sides. The economic side is the most established and developed. It has its own accepted currency, terminology, monitoring and reporting system: e.g. ecu, US dollars, budget, share value. The environmental side has its own systems developed in parallel with existing systems. There is, however, no commonly agreed parameter to measure performance and value. The social side of sustainability tends to develop in a way similar to that of the environmental side. Effective integration of all sides is not yet possible. In compiling this sustainability report, it has become clear that this fact presents a significant obstacle when trying to provide a broad view of the company's overall performance.

The pyramid also has layers that symbolize all aspects of an organization. The central pin, representing



Communication *

communication, including measuring and continuous improvement, holds all the layers in place. The actual integration of the economic, social and environmental dimensions lies within the pyramid, within each layer. The bottom layer represents the values of stakeholders and their relationship to the company. These values include the core values of major stakeholders such as customers, owners, management and employees.

Stakeholder values and relationships are the basis for the formulation of a Vision and Mission and impact upon the additional layers of Management & Organization, Production & Operation, Products & Services and Identity. Identity signifies the brand value, image and overall perception of the company's performance.

This Report uses the pyramid to analyze and present ITT Flygt's performance. It provides a structure for the positioning and linking of the elements within the GRI Guidelines for Sustainability Reporting. In addition, the pyramid provides the framework for further activities and ambitions of ITT Flygt in implementing sustainability.

A step in the right direction

We have always set out to build a stronger ITT Flygt; a company able to act as a key driving force in water management for generations to come. Increasingly we find that our long-term position not only requires good economics and a sound commitment to the environment, but also a deep and honest relationship with communities and societies in which we live and work. Our company, products and employees are a part of society, and we have a corporate responsibility to make "the common good" more widespread, and better. The last element of the sustainable development concept thereby falls in place and becomes an explicit part in the trade-offs we have to make on a daily basis weighing economic, environmental and social costs and benefits.

This year we are publishing a Sustainability Report using the Sustainability Reporting Guidelines developed through the Global Reporting Initiative (GRI). ITT Flygt is proud to be one of the 20 pilot companies that have been selected globally to participate in this task. The report illustrates our long-term perspective and is a careful first step on the path to sustainable development. To us, this report is a reflection of our 1999 situation evaluated from a sustainability perspective. More importantly, the report will help us to evaluate and reflect on our own performance, thereby providing us with a solid platform from which the real work can begin. It should help strengthen the relationships with our stakeholders and provide a well balanced approach to economic, social and environmental performance.

Handing over my position as President of ITT Flygt this year, to Anders Hallberg, allows me to reflect on sustainability in a practical way. What kind of company am I handing over? Where have we performed well? Where should we improve? And what does ITT Flygt stand for?

Some highlights, as separate parts of the 'Sustainability' concept, have been:

- ▲ the global expansion of ITT Flygt, with 37 wholly or partly owned sales companies and representation in over 130 countries;
- ▲ maintaining our leading role in pump technology with the 1999 introduction of the N-Pump being the latest example;
- ▲ establishing the ITT Flygt Education Center, and our active involvement in the international water and environment debate;
- ▲ our dynamic relationship with local municipalities, particularly in Sweden (the location of our largest factory);
- ▲ the implementation of a comprehensive Environmental, Safety and Health (ESH) program;
- ▲ all of the above being part of the ITT Flygt identity.

We also look at our products and activities not only from the producer's perspective, but also from that of other stakeholders. Making and selling a pump is only a small part of our responsibility: we have been, and are, trying to come to grips with questions about how our products are being used, and the impact of their use on eco-systems and communities. We are at the start of an important journey: a journey that will shape the identity of tomorrow's ITT Flygt. This 1999 Sustainability Report will help us find the right direction.

As a company, we strongly believe that it is in our own interest to be comprehensive, transparent and open. We also want a dialog with our stakeholders on the content and messages that should be part of an ITT Flygt Sustainability Report. We need and want your feedback. This report is just a starting point.



Leif E. Carlsson
President until January 2000



Anders Hallberg
President from January 2000

Sustainable development

Much of the interest and popularity of the concept of sustainability was developed by the Brundtland Commission (the World Commission on Environment and Development) in 1987 and further developed at the UN Conference on Environment and Development in Rio de Janeiro in June 1992. However, the sustainability concept has been part of the ITT Flygt vision and way of working for decades.

A message from corporate ESH department

The most challenging part of the corporate ESH headquarters work is to get ESH (Environment, Safety and Health) and sustainability thinking incorporated into the daily work at all ITT Flygt sites. With our line management organization system, with ESH co-ordinators around the world, we have created a network of skilled and committed people to introduce ESH as a part of the individual sites' business plans.

Our ambition is to be regarded as a company with a proactive approach to ESH and sustainability, with clear management involvement at all sites.

All employees at ITT Flygt, wherever they are in the world, are a part of the ESH and sustainability work and thinking. Since the sustainability concept is based on a long-term perspective, we must be trusted in what we are doing today and in the future, not only to protect the environment, but also to attract and take care of future employees and customers.

Ingrid Brauer

Corporate ESH co-ordinator

Magnus Enell

Corporate Environmental Manager

A message from ITT Industries

Sustainability is all about striking the right balance. It is about corporate responsibilities and business opportunities. ITT Flygt has played a leadership role within ITT Industries in linking environmental, social and economic performance whereby the whole is more than the sum of the parts. As VP and the Corporate Officer responsible for the environment, safety and health function, I am gratified to see that the sustainability concept is being embraced and adopted throughout the organization.



Usha Wright

*Vice President and Associate
General Council Director,
Environment, Safety & Health
ITT Industries*

A message from corporate human resources department

Our employees are an important key part of the sustainability concept, which means that social and ethical aspects must be and are integrated with environmental, safety and health issues, when evaluating the overall company performance. Therefore we are an integral and active part of the company's sustainability work.

Lars-Ivar Ahlqvist

Director Human Resources

A message from corporate finance department

A company can not be sustainable if the economy is not sound and stable, especially on a long term basis. However, the economy is not only evaluated in monetary values, also values like environmental, social and ethical responsibilities and actions must be taken into account. A good ESH and social performance gives of course also a positive feedback on the business.

Anders Rahm

Director Finance

Global water challenges

Pollution, exhaustion of surface and ground water resources, human health, social and economic development, land and ecosystem degradation... the number of issues directly linked to the increasing stress of our water resources is staggering. Although water is a basic element in human development, almost one billion people lack access to safe drinking water: three times as many people face daily health risks due to the lack of adequate sanitation. The poorest suffer most. The competition for water resources between agriculture, industry and the public sectors within and between countries, with conflicts perceived as being the most serious consequence, is a serious threat to development in many regions.

Water issues have topped the international agenda for many years. The UN arena provides for an ongoing debate on issues such as water security, integrated water management and trans-boundary conflicts and solutions. In addition, several fora have been established to tackle specific elements of the water discussion. These include the Global Water Partnership, the Stockholm International Water Institute and the World Water Council. ITT Flygt and ITT Industries have played an active role in this international scene and have participated in defining the role for the private sector, setting the agenda and supporting the discussion with knowledge and financial resources. At a recent meeting, the World Water Forum, held in the Netherlands in March 2000, ITT Industries and ITT Flygt participated in the CEO Panel. The resulting statement outlined a commitment from international business on water issues, both quality and quantity, including a responsibility to improve water stewardship and management.



Communication

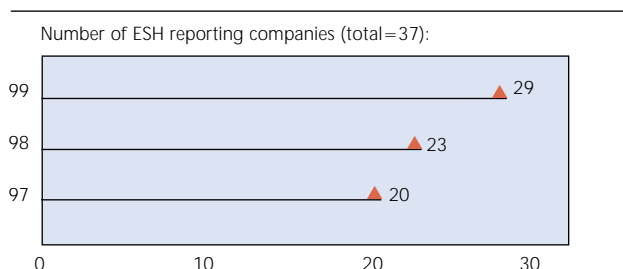
Key Indicators

How did we perform in 1999?

The set of key indicators in this chapter is intended to give an overview of our performance and is a first attempt to prioritize information and tailor it to the needs and wishes of stakeholders within ITT Flygt and externally. We will test this set of key indicators and include it in our monitoring and evaluation systems so as to ensure continuous development and improvement.

The difficulty in measuring, evaluating and collecting data

Our information is collected from ITT Flygt sites around the world through questionnaires and through regular quarterly ESH reports. Reported parameters have common definitions but do not always have a comparable measurement system. Data is evaluated at headquarters and compared to performance over the last few years. Any data that is suspect or different is returned with a request for explanations.



The key indicators in the set described are linked to economic, social and environmental performance. These indicators tell different stories in relation to the objectives that they were designed to address. Some are clear quantitative indicators standing on their own (e.g. energy use); others have an integration aspect, such as risk management; and a third category of indicators can be seen as information of a more qualitative nature (e.g. employee satisfaction).

They also reflect the ITT Flygt priorities in management, operations and products. This is a dynamic set which will be evaluated and improved continuously in consultation with our key stakeholders.

ESH-related costs and expenses

The ITT Flygt Group's total ESH-related costs and expenses, which includes ESH investments, accounted in 1999 to USD 7.8 million. Of this amount, USD 6.0 million was related to different ESH investment projects, mainly to fulfil new Swedish laws and regulations. 1.8 million was spent in administering and maintaining the ITT Flygt Group ESH program and covers worldwide staffing of ESH co-ordinators, travel, training, investigations, use of consultants and a medical program.

This set of indicators is selected against the criteria that they should give information within the broader context of sustainability, address issues for our major stakeholders and reflect data that is up-to-date, reliable, comparable and understandable.

Set of Key Indicators

Indicators are tools to measure progress in achieving management objectives and targets. These objectives and targets therefore determine the choice of indicators. It is also our intention here to identify a set of indicators that give a broader overview with a more long-term perspective, so a selection has been made from existing indicators. Further indicators are included in chapters 3-8. Please contact ITT Flygt for additional information on economic, social and environmental performance.

Indicators

A sample of economic, social and environmental indicators is described below. These indicators are more comprehensively presented in parts 6-8.

Economic indicators

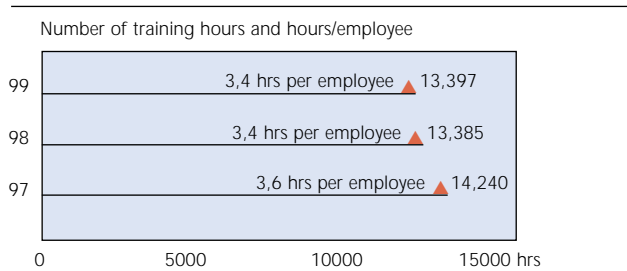
	Economic indicators (kUSD)		
	Net Sales	Operating income	Net income
1999	615,681	70,353	44,367
1998	593,424	51,102	30,144
1997	610,362	63,986	39,591

Risk management

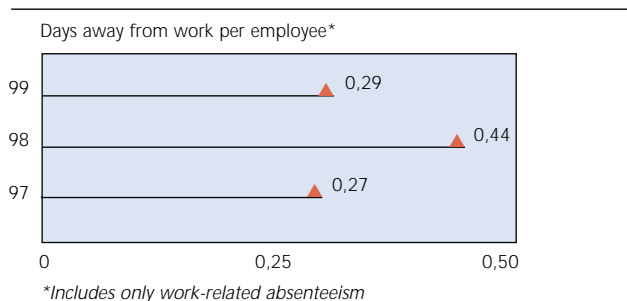
Managing risk is a high priority issue within ITT Flygt. It is our aim to minimize risk through mandatory audit programs, including due diligence audits in the case of mergers and acquisitions and the implementation of management systems to our standards of health, safety and environmental performance. Conducting risk assessments are an important part of this work. It is our policy to evaluate the costs of insuring against accidents and liabilities with the costs of risk management in our operations and products. These costs include actual dollars in terms of fines and lawsuits and also the costs to our reputation as a company which stands for the highest quality, employee satisfaction and safety. During 1999, a total of 63 risk assessments were conducted compared with 72 in 1998 and 35 in 1997.

Social indicators (including Health & Safety)

ITT Flygt has a training program for its employees. This is an important factor that enables us to work proactively with employee health and safety.



The amount of training hours per employee has been constant over the last two years, at 3.4 hours per employee, and ESH training represents about 25% of the total training hours given to all employees.



Three accidents that together resulted in more than 100 lost working days account for the sharp increase in 1998. They were all connected with material handling.

Employee satisfaction

ITT Flygt conducts a regular attitude survey to measure how the company is operating, and to assess how we manage trust and credibility within the company. In 1999, all permanent staff were invited to give their views on an extensive set of questions relating to the company. This included questions on work tasks; wages; terms of employment; personal development opportunities; the performance of their superiors; leadership and organisational climate. Over 80 % of the employees in the ITT Flygt Group responded to the survey. The most important conclusions were:

- ▲ cultural, racial, language, religious and gender differences are respected in the work groups
- ▲ unsafe conditions or practices in the workplace can be reported without being reprimanded for doing so
- ▲ employees perceived their work as being important for the performance of ITT Flygt products and services, and
- ▲ there is a good understanding of performance objectives

Conclusions that highlighted areas for improvement included:

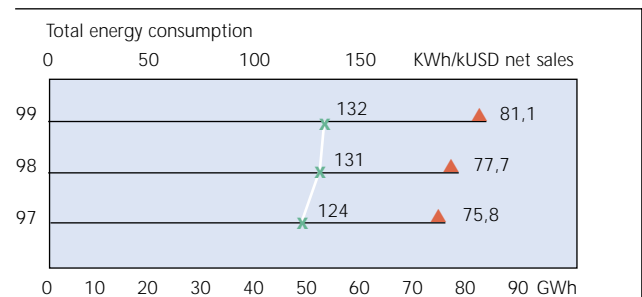
- ▲ more regular reviews of performance with feedback to individual employees and work groups
- ▲ let the employee know when he/she is doing a good job
- ▲ career opportunities, and
- ▲ ongoing training for all employees

Environmental indicators

The ITT Flygt Group

The total consumption of energy and water and the production of waste within the ITT Flygt Group has changed over the last three-year period. Energy consumption has gone up while water consumption, and the amounts of hazardous waste produced, are decreasing.

Energy



The total energy use within the ITT Flygt Group has increased during the last three years. One reason for this is that new sites have been added to the list of reporting sites: Argentina, China, Spain, Poland and the Sanitaire operation.

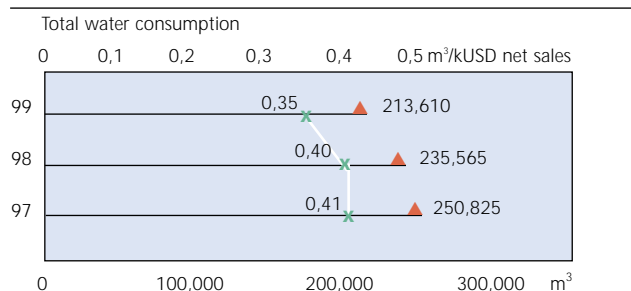
Products

Life Cycle Assessment (LCA) is a useful tool for identifying and quantifying the environmental impact of ITT Flygt products. The impact assessment is described for three phases: production, usage and "end-of-life". The Environmental Product Declaration (EPD) is a tool more specifically for customers, and designed to help evaluate different products with each other regarding environmental information.

ITT Flygt began working with LCA and EPD in 1997, and the program has now been expanded to include not only all new products and parts, but also all existing products. By year-end 1999, 22 products (out of a total of about 160 products) and associated parts had gone through LCA. All LCAs are accompanied with EPDs, according to the international standard ISO 14025.

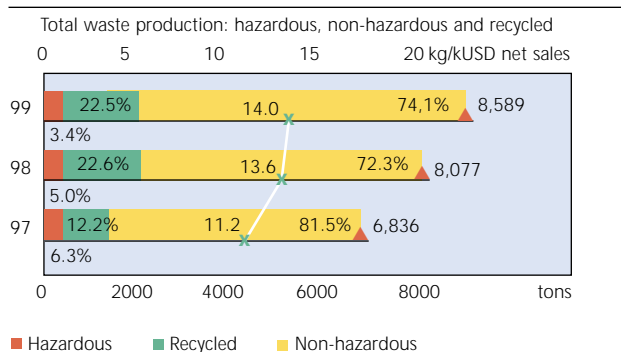
Of the total environmental load created during the complete life cycle of a Flygt product, a sewage pump accounts for 75-95 % of the Environmental Load Units (ELU) during the user phase, due to energy consumption. The corresponding figure for a drainage pump is 35-40%.

Water usage by the ITT Flygt Group

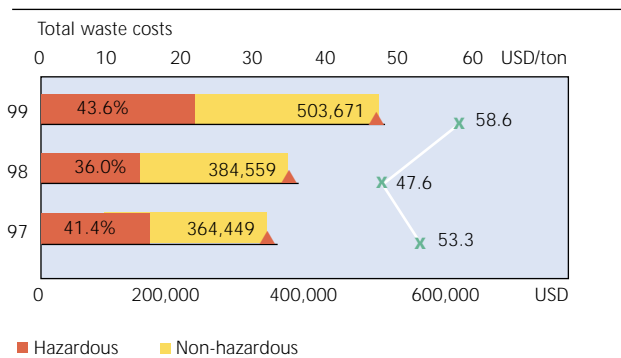


Water consumption has decreased during the last three years, in both total volume and in relation to net sales.

Waste



Total waste production has increased during the period 1997-1999, especially non-hazardous waste. Hazardous waste quantity has however decreased during the same period.



During 1997-1999 the cost for handling waste increased considerably, especially for hazardous waste. The hazardous waste quantity decreased during the same period.

Key issues for follow-up

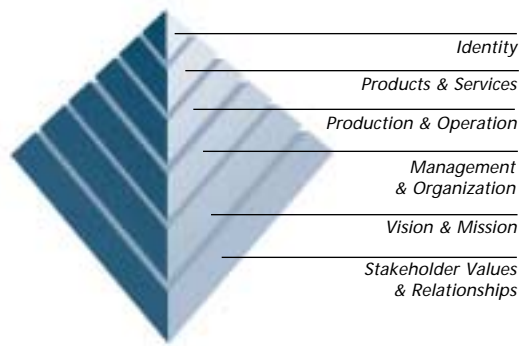
This set of indicators has been established for the purpose of the Sustainability Report 1999. We will use the set as the basis for our efforts to improve our monitoring and reporting. Just as in this Report, it is our objective to maintain a set of indicators that:

- ▲ address economic, environmental and social aspects
- ▲ include quantitative and qualitative information, and
- ▲ provide a transparent, balanced overview of our performance (both positive and negative).

A key area for further work within the group is to streamline the setting of targets through our monitoring and reporting. The development of time-bound performance targets related to key aspects of sustainability and a streamlined measuring system that enables regular reporting and benchmarking are important issues for our efforts to improve the Group's performance. One of the first steps after the publication of this Report is to evaluate this preliminary set of indicators with the involvement of our key stakeholders.

Profile of the reporting entity

This is ITT Flygt



ITT Flygt is owned by ITT Industries, Inc., which is a global engineering and manufacturing company with leading positions in the markets it serves. The company reported 1999 sales of \$4.6 billion from its four segments: Connectors and Switches, Defense Products and Services, Pumps and Complementary Products, and Specialty Products.

Headquartered in White Plains, New York, the company employs approximately 38,000 people around the world. In addition to the New York Stock Exchange, ITT Industries is traded on the Midwest, Pacific, London, Paris and Frankfurt exchanges.

Vision

ITT Flygt shall be perceived as the leading supplier of submersible products, solutions and services for liquid handling worldwide, and thereby contribute to a better environment.

Mission

ITT Flygt shall satisfy professional customers' needs worldwide by providing solutions and services based on:

- ▲ heavy duty submersible pumps and mixers, accessories and related equipment
- ▲ Aeration, SBR (Sequential Batch Reactors) process equipment and related equipment for liquid handling in general, and wastewater in particular
- ▲ complementary products from other ITT Industries units which support ITT Flygt's products

while creating value for customers, shareholders and co-workers.

We are in the business of moving water

The company's major products and services can be summarized as follows: submersible pumps, mixers, aeration systems, monitoring and control equipment, and also after-market sales/services. The products are used in water and wastewater treatment plants; for irrigation; in construction projects; in mining and in effluent handling in industry.

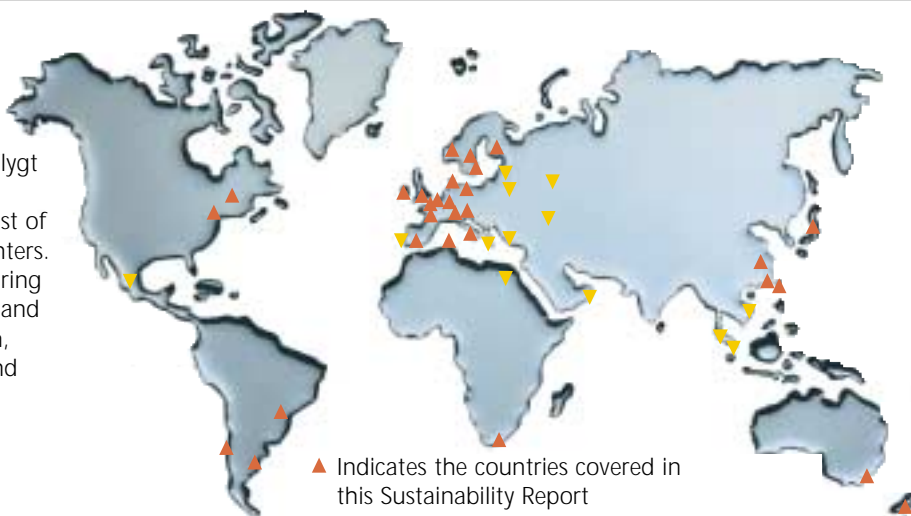


The ambition of further developing pump performance has resulted in a revolutionary type of design. The N-pump has proved far more effective than traditional pumping techniques. This new design is better equipped to combat clogging, and its efficiency is consistently very high throughout the operational period.

Energy usage, an environmental factor of great importance, is between 30-50% lower than with traditional solutions. The N-pump will set the standard for future wastewater pumps thanks to its unique combination of high efficiency and reliability.

Where are we?

With its 37 partly- or wholly-owned sales companies, plus independent distributors, ITT Flygt is present in around 250 sites throughout 130 countries, most of which are sales and service centers. The company's five manufacturing facilities are situated in Lindås and Haninge in Sweden; Pforzheim, Germany; Shenyang, China; and Buenos Aires, Argentina.



- ▲ Indicates the countries covered in this Sustainability Report
- ▼ Indicates countries not included in the report, because of lack of data or information.

Some statistics and facts

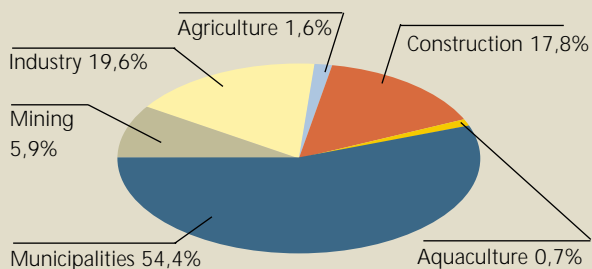
The company employs about 4,000 people globally, of which about 1,500 are working at the sites in Sweden. ITT Flygt's worldwide headquarters are located in Solna, Sweden. The other large wholly-owned companies are located in France, Germany, USA, Great Britain, Canada and Italy. The number of employees in each of these countries is between 190 and 270. The combined number of employees at the manufacturing units totals some 1,475, of which 1,138 are at the Lindås factory in Sweden.

Economic indicators (kUSD)			
	Net Sales	Operating income	Net income
1999	615,681	70,353	44,367
1998	593,424	51,102	30,144
1997	610,362	63,986	39,591

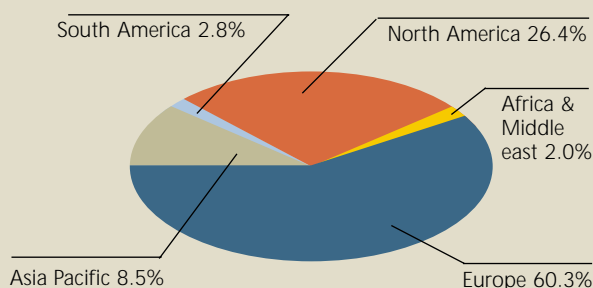
Year 1999 was the best year of the last three-year period regarding net sales, operating income and net income. In fact, 1999 is one of the best years ever regarding economic indicators.

ITT Flygt customers and market:

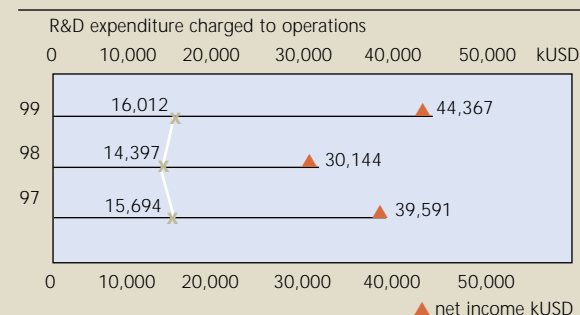
Customers



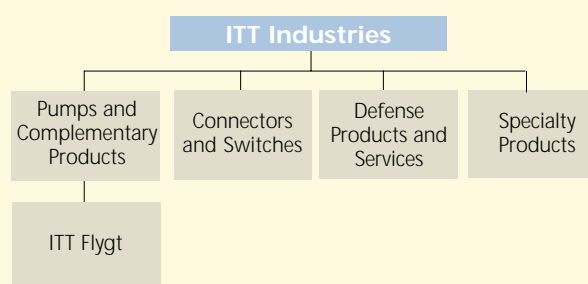
Sales by geographical regions



Research and Development (R&D)



Organization chart of ITT Flygt within ITT Industries



The Lindås facility

The largest manufacturing plant within the ITT Flygt Group is the Lindås factory in Sweden. The factory is certified for ISO 14001 and registered according to EMAS (the Eco Management and Audit Scheme), which requires the publication of dedicated environmental reports for the facility. These reports have been published annually since 1996. The next environmental report for this plant will be presented for the year 2000 (May 2001).

Report and reporting period

The period for the information and data presented in this report covers the calendar year of 1999, which means January 1st to December 31st.

Significant changes during the reporting period

* During 1999 ITT Flygt acquired Sanitaire Corporation (formerly Water Pollution Control Corporation, WPCC), USA. Sanitaire Corporation is the leading designer and producer of aeration products and systems for municipal and industrial wastewater treatment.

* During 1999 newly-built Supply and Distribution Centers (SDC) were put into function in Metz, France and Lindås, Sweden

ITT Flygt has presented corporate environmental reports since 1997.

Industry & business association memberships

ITT Flygt and its partly and wholly owned sales companies are members of a variety of industrial and business associations and other types of organizations. Since the full list of these memberships is extensive, a selection is presented below:

- ▲ International Chamber of Commerce (ICC)
- ▲ Various National Chamber of Commerce
- ▲ The Swedish Trade Council
- ▲ The Federation of Swedish Industries
- ▲ The Association of Swedish Engineering Industry
- ▲ Europump
- ▲ Hydraulic Institute
- ▲ Water Environment Federation (WEF)
- ▲ Swedish Association of Environmental Managers
- ▲ Global Water Partnership (GWP)
- ▲ World Wide Fund for Nature (WWF)
- ▲ Stockholm International Water Institute (SIWI)
- ▲ Green Trade

ITT Industries, CERES and DJSGI

ITT Industries is a member of the Coalition for Environmentally Responsible Economies (CERES). The coalition was formed in 1989, and over the past ten years CERES has emerged as the worldwide leader in standardized corporate environmental reporting and promoting the transformation of environmental management within firms. Formed out of a unique partnership between some of America's largest institutional investors and environmental groups, CERES has pioneered an innovative, practical approach toward encouraging greater corporate responsibility on environmental issues.

In September 1999, ITT Industries was selected to be a part of the first global financial index that tracks the performance of the world's leading sustainability-driven companies. The Dow Jones Sustainability Group Index (DJSGI) includes 229 companies, chosen from a pool of nearly 2,200 companies worldwide, who have shown a sustained commitment to ESH practices, corporate governance and social well-being, among other factors. The Index includes only the top 10 percent of companies in each industry group, based on their sustainability ranking. ITT Industries is included in the manufacturing group.

Key issues for follow-up

- ▲ Publish Sustainability Reports at two- or three-year intervals
- ▲ Key indicators will be presented on the company's web site
- ▲ Dialogues with stakeholders on the web site
- ▲ ITT Flygt Vision to include environmental and social elements

Turning the sustainability concept into reality



Management
& Organization

As part of its long-standing commitment to the environment, the company needs to expand its company policy toward sustainable development. Such an extended policy, and this 1999 Sustainability Report, are the beginning of a journey during which we will continuously monitor and improve our economic, social and environmental performance within the concept of sustainability.

A sustainable development strategy

We see sustainable development as a dynamic process; as a number of steps which we have to take. For many years, we have been working with three separate parts of the sustainability concept. A sustainable development strategy should give us guidance in integrating economic, social and environmental elements and support making trade-offs between them. The strategy will function as an umbrella over our more operational economic, social and environmental policies.

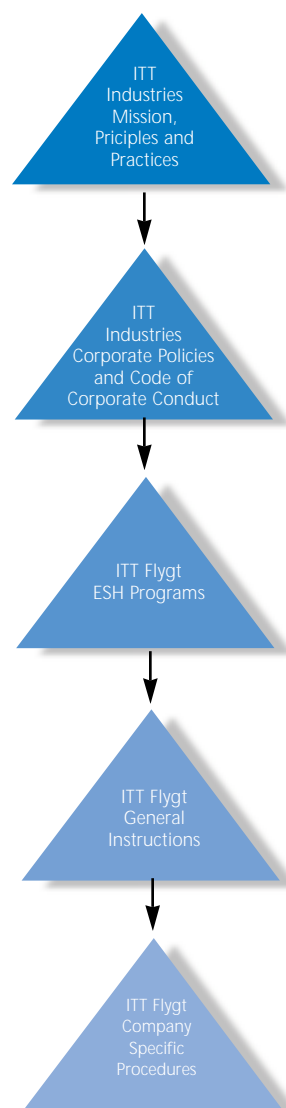
We must develop the strategy in close co-operation with our stakeholders, link it to existing policies, management responsibilities and monitor its implementation. Our customers, employees, management, owner, suppliers, clients, authorities and others will be asked to help in identifying our responsibilities, opportunities and priorities.

The strategy will address and, where appropriate, re-evaluate our:

- ▲ Stakeholder Values & Relationships
- ▲ Vision & Mission
- ▲ Management & Organization
- ▲ Production & Operations
- ▲ Products & Services
- ▲ Identity
- ▲ Communication, measuring and continuous improvement

Policies as the framework for our operations

There are relevant policies in place at several levels within ITT Industries and ITT Flygt. These policies are closely linked and management performance is evaluated on a continuous basis to ensure effectiveness and compatibility.



ITT Industries Code of Corporate Conduct

The Code of Corporate Conduct (CCC) is a guide for the conduct of all staff employed by ITT Industries. Its aim is to help maintain and build ITT Industries' reputation and work in accordance with the highest levels of business ethics and through strict adherence to all legal requirements. The purpose of the CCC is to help ITT Industries as a global company to fulfill its obligations under the laws and public policies of various nations, and to deal fairly with its shareholders, its customers, the communities in which it operates and the general public. It provides our employees with the ethical values for which we stand in our way of doing business.

The CCC specifies responsibilities and addresses issues such as human resources, conflicts of interest, compliance, relationships with Governments, health, environment and safety. The document is distributed in 6 languages. It is the responsibility of the managing director or office head to ensure that all staff know the contents of the CCC.

ITT Industries Mission, Principles & Practices for ESH

Mission

ITT Industries is dedicated to being a leader in environmental protection, human health & safety worldwide. The management of every ITT Industries' company is responsible for achieving this mission as an integral part of its duties.

Principles

According to the company principles, ITT Industries and its employees will:

- ▲ Take all appropriate actions to ensure the safety of employees, customers, users of ITT Industries products and services, and others affected by them.
- ▲ Eliminate or minimize environmental pollution from the conduct of ITT Industries operations.
- ▲ Reduce the creation of waste and dispose of such waste safely and responsibly.
- ▲ Reduce the consumption of natural resources and energy.

Practices

To achieve these principles, every ITT Industries company will:

- ▲ Educate and motivate all employees to conduct their activities in an environmentally responsible and safe manner.
- ▲ Assess the environmental, safety and health implications of new products, processes, capital projects, acquisitions and divestitures prior to implementation.
- ▲ Improve, continuously, in all areas of environmental protection, human health and safety by setting goals and establishing a meaningful set of metrics to measure progress.
- ▲ Participate in relevant community activities and in the development of responsible legislation, regulations, standards and technology.
- ▲ Audit, appropriately, all operations and practices for compliance with the spirit as well as the letter of applicable laws, regulations, and internal requirements, including these principles and practices.

International agreements and conventions

ITT Industries and ITT Flygt aim to be at least in full compliance with both national and international regulations, agreements and conventions. These include the EU and UN standards, agreements and conventions on labor, human rights, environment, bribery and product safety. We are constantly reviewing our policies to examine whether updating is necessary, or if additional efforts are appropriate in order to go beyond compliance.

National laws differ from one country to another, and are partly shaped by culture and traditions. We need to respect such regulations wherever we operate, which may mean going far beyond national legislative requirements. This effort is also sanctioned through the CCC of ITT Industries.

ITT Industries Environment, Safety and Health Policy Manual

Our CCC does not regulate how we shall work with environment, safety and health issues in detail. ITT Industries has therefore developed a manual that serves as a basis for company-wide ESH work. In this manual, management, environmental, safety and health policies are expressed, and guidelines and procedures are provided in order to facilitate their implementation.



ITT Flygt Group General Policies and Instructions

The broad range of ITT Flygt's general policies has an impact on the degree of sustainability within the Group and will be affected by the activities related to the development and implementation of a sustainability strategy. The package of general policies include, but is not limited to:

- ▲ Human Resources Policy
- ▲ Policy regarding Inter-company Exchange of Personnel for Competence Development
- ▲ Product Safety Policy
- ▲ Personnel Communication Policy
- ▲ Purchasing Policy
- ▲ Waste Minimization Policy
- ▲ Logistics Policy
- ▲ Environmental Assessment Procedures for Acquisitions, Divestitures, Leases and Joint Ventures
- ▲ Internal ESH Audit Procedure
- ▲ ESH Organization and Responsibilities
- ▲ Returned Goods Policy
- ▲ Risk Assessment
- ▲ Quality Policy

ITT Flygt ESH policy for all ISO 14001-certified sites in Sweden

ITT Flygt's ESH policy is based on ITT Industries ESH policy. A fundamental requirement in our ESH policy is that it should at least follow the most stringent environmental, safety and health legislation, laws and other legal requirements existing on local, national and international levels. For us, the main reason to establish an ESH policy has been to better define the company's overall and detailed goals and principles, and that this policy should be an integral part of the total ESH strategy of the company. The policy is subject to continuous changes following the results of ESH audits and changing company priorities. The responsibility for such changes lay with top management in collaboration with ESH coordinators. In order to have an efficient monitoring process of the ESH process, targets and goals are clearly established, and in most cases they have a time frame associated with them and are numerically quantifiable.

ESH Roles and Responsibilities

ESH is a line-manager's responsibility. The overall responsibility for ESH within the Group lies with the Director Corporate Operations and ESH.

General managers are expected to operate within:

- ▲ laws and regulations
- ▲ ITT Industries ESH Policy Manual
- ▲ ITT Flygt Group General Policies
- ▲ And in Sweden ISO 14001 and EMAS

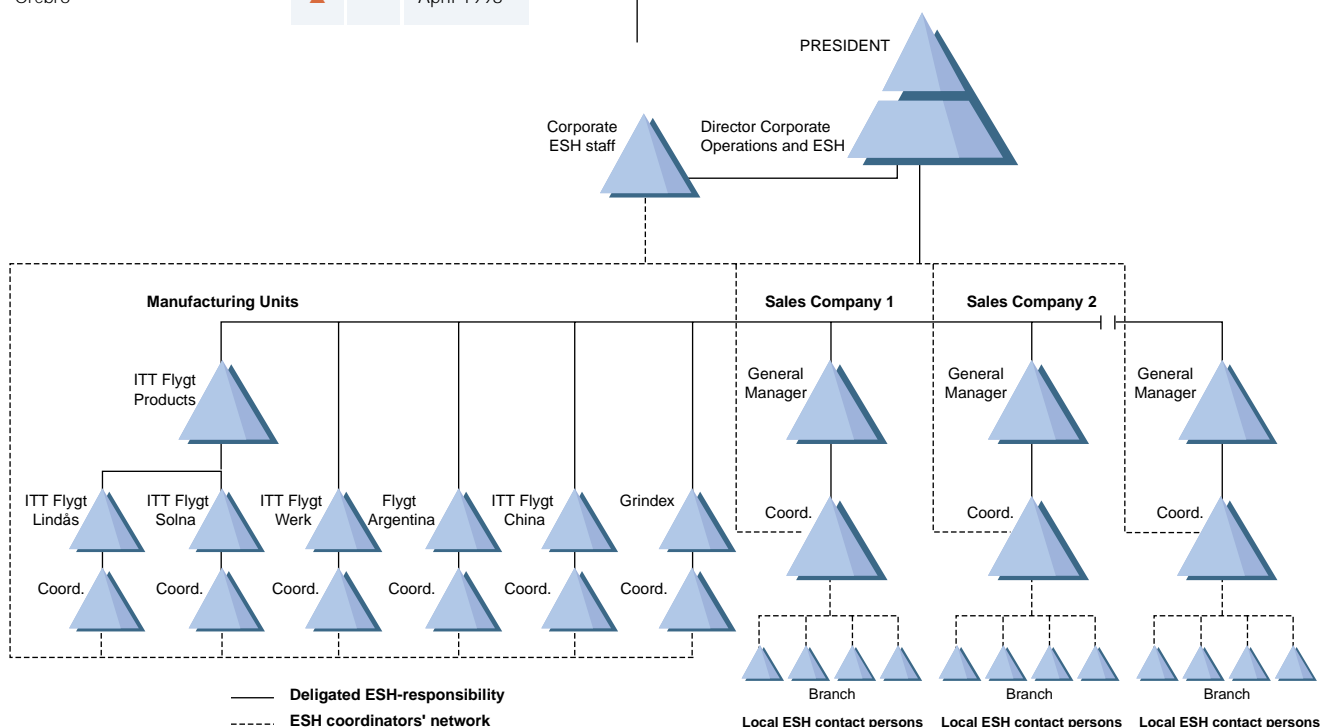
Implementation, monitoring, feedback and further development of internal policies and action plans lies with the ESH co-ordinators at manufacturing units and sales companies. Continuous development of ESH policies is driven by the ESH Steering Council. In addition the Group has two full-time staff working at the corporate level: an Environmental Manager and an ESH Co-ordinator.

Internally, the corporate ESH co-ordinator is responsible for planning and follow-up at the ESH related activities and actions within the Group.

Externally, it is the Corporate Environmental Manager who carries the main responsibility. If questions and complaints arise from the public and media, we have an organizational structure determining how such issues are dealt with. All complaints, including proposals from the public and media, are sent to, and actioned by, the local ESH co-ordinator.

The following sites in Sweden have been certified and registered for ISO 14001 and EMAS:

ITT Flygt in:	ISO 14001	EMAS	Date
Göteborg	▲		April 1998
Haninge (Grindex)	▲		March 1999
Kristianstad	▲		April 1998
Lindås	▲	▲	May 1997
Malmö	▲		April 1998
Norrköping	▲		April 1998
Solna	▲		April 1998
Sundsvall	▲		April 1998
Uppsala	▲		April 1998
Örebro	▲		April 1998



ITT Flygt Group Human Resources Policy

The Human Resources Policy (HRP) is an integral part of the ITT Flygt (and ITT Industries) Policy and Management Systems and the Human Resources Strategic Plan. It is the responsibility of each manager to inform and communicate this policy to his/her employees. The main purposes and objectives of the HRP are to:

- ▲ Make the company an attractive employer
- ▲ Create individual job satisfaction
- ▲ Provide a good working environment
- ▲ Secure satisfying conditions of employment
- ▲ Contribute to a profitable operation

The HRP is organized in a number of sub-policies and is consolidated with the ITT Flygt Group policies/instructions. We consider both short- and long-term planning, in and between units, as crucial in order to secure manpower needs of the Group. To offer lasting and stimulating work, and to create opportunities for job rotation and internal recruitment, is in ITT Flygt's interest and in the interest of our employees.

We will introduce, train and develop every employee so that he/she can perform current and future duties in a highly productive manner, and provide opportunities for each employee to realize his/her interests and ambitions in a manner compatible with the unit's goals and operations, and those of the Group.

Establishing appropriate channels of communication is also an important part of our HRP. These ensure effective communication of the Group's plans, results, financial position and important policy changes. Our HRP also requires us to act as a leader in environmental protection, safety and human health world-wide. This mission is an integral part of each unit's management.

Supply Chain Management

Due to the great importance that we attach to the quality of our products we have deliberately maintained the manufacturing of specific components within the Group. This includes, for example, the production of our electrical motors and seals.

The ITT Flygt supply chain is a crucial part of our production process. The quality and timely delivery of our products are directly impacted if our suppliers fail to supply the ordered goods or services. Key suppliers are assessed on a variety of aspects, including price, quality, delivery and other performance aspects related to environment, health and safety. Past performance is checked against references. In general we aim to establish long-term relationships with suppliers and work in close co-operation with them on

product development and performance. There are relatively few suppliers that can deliver the key parts for our products; consequently, we aim for longer-term relationships and closer co-operation with these suppliers. Largely, supplier contracts run for periods of between 0.5 to 2 years. Some relationships have endured for over 30 years.

In terms of organization, ITT Flygt has a corporate purchasing section that co-ordinates and develops purchasing for the Group and supports the purchasing staff at ITT Flygt sites around the world.

Recently, we have sent a request to a number of our suppliers, asking them to review how they work with environmental issues. This will help us to gain a better understanding of each individual supplier's situation and therefore enable us to formulate more realistic requirements. We encourage, and where necessary support, our suppliers in attaining a better performance. Most of our suppliers are aware of the importance of having comprehensive environmental programs, but very few of them have received certification for ISO 14001.

One of our most important future ambitions is to select a number of suppliers and increase our co-operation with them. This will include close collaboration with them during the development-phase of new products for our use. It is at such early stages that many crucial aspects are dealt with that later will determine the economic, social and environmental performance of an ITT Flygt product.

Key issues for follow-up

- ▲ Identify an ITT Flygt sustainable development strategy
- ▲ Evaluate and update existing policies and guidelines
- ▲ Assess and evaluate the implementation of the ITT Industries Mission, Principles and Practices within ITT Flygt in particular in relation to management, operational and product performance
- ▲ Identify objectives and timeframe for the ISO 14001 certification of ITT Flygt sites.
- ▲ Measure and evaluate how the ITT Flygt Group Human Resources Policy contributes to a profitable organisation and employee satisfaction
- ▲ Assess the functioning of internal communication structure
- ▲ Establish criteria to monitor and evaluate ITT Flygt's leadership role in environmental protection, safety and human health worldwide
- ▲ Develop and implement a group wide supply chain management strategy incorporating all aspects of sustainability

The changing landscape in which we operate



Stakeholder Values & Relationships

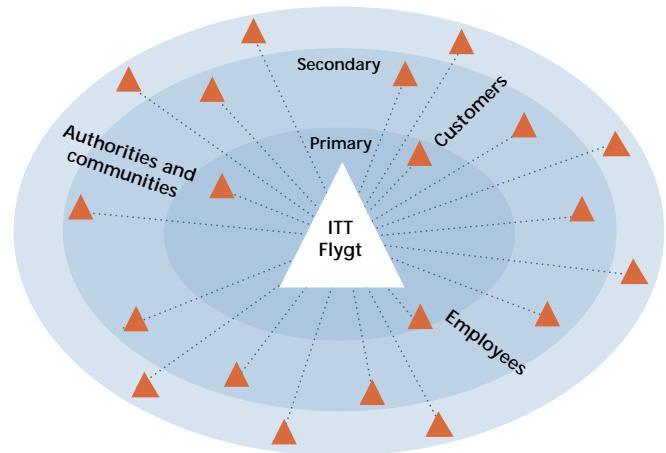
Stakeholder relations are key to the concept of sustainability. Companies, in particular multi-nationals, play an ever more dominant role in shaping development patterns around the world. In addition, stakeholders have become much more interested in how products and services are produced. These developments are both a business opportunity and a liability. Our products are evaluated and judged on price, quality and - increasingly - on how they are produced and how they affect society as a whole. This responsibility requires a rethinking of the existing relationships that we have with stakeholders in society.

We are at the center of a complex web of interests, objectives, driving forces and trends. Being aware and strategic about these added dimensions to doing business as we know it, will be crucial for our current and future market position and development. We need to manage the total picture of stakeholders, understand our own role, and decide on the kinds of relationship that we want to build with each and every one of them.

The basis for our relationship lies in the way in which we communicate with our stakeholders. Key to this is the strengthening of long-term relationships with customers, employees, suppliers, shareholders, civil organizations, authorities and the communities in and with which we work. Fostering these relationships is key for ITT Flygt's future development. Without such relationships our business development becomes a shot in the dark. Sound stakeholder relationships mean that our development can be an objective driven process. This is important, in a company that aims to take a leadership role in a society that demands the highest economic, social and environmental performance.

Our stakeholders

This first ITT Flygt Sustainability Report has focused the need for a much more explicit and structured strategy for stakeholder relations. The Report is an important start in structuring this process. Identifying and prioritizing our stakeholders is a first step. The indicators chosen for this report will be challenged in future stakeholder dialogs and should reflect those aspects that our stakeholders find relevant. Our hope is also that in future stakeholder dialogs we will be better able to encompass different views of our operations, policies, management and products.



Prioritizing stakeholders

All stakeholders play a role in our performance: however, our customers, authorities, communities and employees are presently receiving highest priority (primary). Mapping their needs and objectives is vital in strengthening a fruitful long-term relationship.

A second group of stakeholders (secondary) are those that play a crucial role in our business development, overall performance and in achieving our vision and objectives. These stakeholders include: owners, users, competitors, investors, suppliers and retailers. In addition, a third tier of stakeholders are those groups in society which are directly or indirectly affected by, or can impact, the company's main operations. These stakeholders include local communities, media, the general public, interest groups, non-governmental organizations (NGOs), and international governmental organizations.

One important determining factor in the nature of our relationship with stakeholders is their perspective on sustainable development issues. The intensity of communication and co-operation depends on how the different stakeholders impact, or are affected by, our management, operations and products. Mapping the common ground in these relationships will result in co-operation and support in programs on a variety of issues such as supply chain management, minority recruitment, water management, labor standards and more.

Information exchange is an appropriate form of relationship for a third category of stakeholders. Staying in-touch and keeping informed is an important ingredient in many of the relationships with ITT Flygt's stakeholders. This may be achieved through participation in seminars, roundtables, info-bulletins, regular visits and, for instance, through our Flygt Pilen (internal magazine), Flygt Impeller and Scientific Impeller (customer magazines).

The actual impact, influence and involvement of stakeholders is described separately for management, operations and products in chapters 6, 7 and 8 respectively. Stakeholders have different perspectives and the box illustrates their primary interest in our performance.

	chapter	Shareholders	Owners	Authorities	Employees	Customers	General Public	Suppliers	Users
Management Performance	6	▲	▲	▲	▲	▲			
Operational Performance	7		▲	▲	▲	▲	▲	▲	
Product Performance	8		▲		▲	▲		▲	▲

Stakeholder profiles in brief

Customers

ITT Flygt customers are businesses and authorities. Customers buying our pumps are from a variety of sectors often related to building, construction and maintenance of large industrial and infra-structural facilities such as highways, airports and tunnels. Both private and public sectors use our pumps and mixers for wastewater treatment, irrigation and flood control. An important segment of our market lies with local authorities using Flygt products in municipal water management and wastewater treatment.

Employees

ITT Flygt has almost 4000 employees world-wide. 80% of the workforce is male and the dominant age group is 31-45 years old. The largest site in the Group is the Lindås facility in Emmaboda, Sweden, with 1,138 employees.

Authorities and communities

We have a special relationship with the authorities and with the communities in which we, and our products, work. In addition to being an important customer, authorities are a partner in shaping a good working environment, developing local solutions for manufacturing, transportation and water management, and building a local knowledge base for our current and future employees.

Owners

ITT Flygt is not listed on the stock market. ITT Industries, as the full owner of ITT Flygt, is listed on the stock markets in New York, Midwest, Pacific, London, Frankfurt and Paris. Our performance is therefore also of interest for the shareholders in ITT Industries. For them, we have the obligation of delivering products with the highest possible economic, social and environmental performance. ITT Industries Headquarters are located in White Plains, New York State, USA. ITT Industries has a total of around 35,000 employees and focuses on three different market segments: Fluid Technology, Defense and Electronics, and Automotive. ITT Flygt is a key player within the Fluid Technologies Corporation of ITT Industries.

Suppliers

Our suppliers are located around the world and manufacture a wide range of parts such as small motors, metals, bearings and pump impellers; in addition, they provide transport services, IT services, paints, oils, wires and cables. Most suppliers are located in the regions where production and maintenance facilities are located. European suppliers from the United Kingdom, France, Germany and Sweden supply the largest volume of products and services, in particular for the Swedish and other European members of the ITT Flygt Group. Few suppliers are located in developing countries or countries with transitional economies.

Key issues for follow-up

- ▲ Develop an explicit and coherent approach towards stakeholder values and relationships within an ITT Flygt Sustainability Strategy, including an evaluation of the identified and prioritised stakeholders and an effective way to strengthen and maintain existing relationships.

Standing on common ground



Management
& Organization

As part of ITT Industries, we adhere strongly to the concept of "standing on common ground", which establishes a set of common principles and standards relating to ESH work, and which is applicable on a world-wide basis. ITT Industries is a leader among global companies that have made environmental, safety and health considerations an integral part of doing business. ITT Flygt has not only complied with the greater expectations placed on the ESH work, but has become one of the front-runners within ITT Industries, providing new thinking and concepts as part of the company-wide ESH work.

Authorities

As already stated, ITT Flygt is committed to going beyond compliance and will, as a minimum, adhere to the letter and spirit of all applicable laws in the countries where we operate. This includes not only national legislation, but increasingly also international laws as well as international conventions such as the UN declarations of human rights and the ILO (International Labor Organization) declarations. Violations of laws may result in penalties and fines, as well as exclusion or suspension from government contracts. With the exception of a USD 5 charge (a late delivery of a report to an authority), no company within the ITT Flygt Group had to pay ESH related fines during the past three years. During the past three years, ITT Flygt has had very few reportable spills and leakages: two in 1997 (about 33 liters of xylene and 3 liters of oil) and one in 1999 (about 10 liters of diesel fuel).

Not only is compliance important, but we also believe in using the same strict ESH standards at all sites worldwide. In order to ensure that we adhere to our high ESH goals, every site conducts at least one internal audit every year (1-3 per year depending on the type of scope). The internal audit system is partly based on the ISO 14031 standard. The conducted internal audits have increased from 37 in 1997 to 120 in 1999. In spite of this, there are still three sites within ITT Flygt where no internal audits have yet been conducted.



Employees

To have a good, open relationship between management and employees is a fundamental condition for the success of our company.

The unions represent an important feedback mechanism, making sure that we know when something in our relationship with the employees is not working satisfactorily. For the last 20 years there have been no large acts of dissatisfaction or strikes at any ITT Flygt sites. We have an Ombudsman (Representative) who can be contacted directly by employees if they feel discontent in the workplace, or if they wish to report wrong-doings, such as violation of laws.

For the past 20 years we have increasingly decentralized decision-making and responsibility. We have adopted the concept of "one person - one pump", where one employee is responsible for taking a pump through the entire production process themselves. The pump is then signed by the person responsible for its manufacture.

ESH work represents an important component of management-employee relationships. At the same time, we make sure that every employee knows their own responsibilities, and that the ESH work we are committed to can only be achieved through co-operation at all levels.

Developing competence

The ITT Flygt Education Center for competence development began as the ITT Flygt School in 1995, with the objective of providing technical training for sales people and customers. Increasingly, the Center is becoming a hub for education and skills development. In 1999 the Center organized a total of 166 courses (1 day to 1 week long) for employees, sales staff from around the world and customers from Sweden. Courses for sales staff and customers focus on wastewater technology and ITT Flygt's products and applications. In addition, ITT Flygt educators have been around the world to visit Group companies, in particular sales and maintenance organizations, to give training on these issues.

The Center offers a wide variety of courses for our own employees, including language training (such as Swedish for foreign staff members), computer skills, project management, marketing and more. Staff members can apply for courses with the support from their line manager. The 1500 Swedish employees have received a total of around 30,000 training hours, i.e. 20 hours per employee. Excluding the extensive computer training programs offered during 1999, the Center had a 30% increase in turnover.

Job rotation

It is not easy to produce around 100,000 pumps in 12,000 different versions with a delivery period of 1-8 weeks. High flexibility in manufacturing is key, while safeguarding the highest quality standards. ITT Flygt instituted the "one person - one pump" policy during the 1980s. This responsibility requires a thorough understanding of the total production process. The one person-one pump system is supported with a job-rotation policy where employees are encouraged to work at different locations, on different pumps and different stages of the production process. The multi-skilled employee is a crucial and highly valued ingredient in today's production process.

Historically, ITT Flygt recruited new employees for specific tasks, such as a welder or a machine operator. A consequence of the one person-one pump philosophy is that we are recruiting "production staff". This means that new staff generally have a higher education, and will be able to work on a variety of demanding work assignments.

At an international level ITT Flygt values job-rotation. Today, there are 48 ITT Flygt employees working at other Group sites abroad. The employee will get the opportunity to learn languages and experience new environments. Requirements are that the staff member has something to offer at the new location and that there is an empty vacancy, as well as a need for the new competence.

Management ESH dimension

ITT Flygt works uncompromisingly with the ESH program. The company policy states that every management group should conduct at least three ESH meetings per year. Some 128 ESH management meetings were conducted at our 29 companies during 1999. Although this figure is close to our goal, there are still sites which fail to conduct the minimum level of ESH management meetings.

Employee satisfaction

In March 1999 an internal survey was conducted with 80% of our employees answering questions about their particular work situation. 20 out of 29 units participated, and the survey was conducted in six languages. The result of the survey is possible to benchmark with other companies since a large number of companies use the same survey model.

The survey revealed that:

- ▲ 78% of the employees stated that they could report unsafe conditions or practices in the workplace without being reprimanded for doing so.
- ▲ 79% of the employees believed that the work that they do is important for providing excellent products and services.
- ▲ 88% of the employees felt a commitment to quality and that their management stresses quality.
- ▲ Only 58% said that they were satisfied with the career opportunities available within the company.
- ▲ Only 42% stated that their management did not ask for feedback or ideas.
- ▲ Only 47% of the employees felt that their management let them know when they did a good job.

From this survey, it can be interpreted that the commitment to quality and the sense of pride felt by most employees is positive, even though a large number of employees felt that they did not get sufficient praise from management. It is also evident that the ESH program is widely accepted and that the majority of employees felt safe reporting bad safety practice.

It is disappointing that more than 50% of our employees feel that they were not given the possibility to provide management with feedback. This represents an untapped source of knowledge, and an ambition for ITT Flygt in the near future must be to achieve better employee involvement in the activities of the company.

Corporate management has discussed the implications of the survey results. There are actions being taken to improve employee feedback and empowerment.

Customers

Traditionally, our goal has been to sell as many products as possible. Increasingly, however, we need to look at integrated product solutions where, together with the customer, we find the best option to solve the problem. This often includes more training and service agreements than in the past.

People living in a community expect it to be clean, and they also expect a good working environment for the municipal employees in wastewater treatment plants and other facilities where our products are in use. This is why we have focused on developing more reliable products that have less servicing needs.

Our relationship with customers is not a one-way communication. We are keen to know their views on our products: not only when they have complaints, but also when they think that something works well.

Customer Center

ITT Flygt has developed a Customer Center at the Lindås site as an opportunity to communicate in depth the ITT Flygt production possibilities to customers, potential customers and suppliers. Since the majority of ITT Flygt's production comes from the Lindås facility, this is the best place in which to showcase the company. During a year the Customer Center receives approximately 2,500 visitors from more than 50 countries. The Customer Center has a full time employee responsible for handling these visits. A group of fifteen ITT Flygt employees is responsible for guiding the visitors through the site. Since visitors often have specific technical questions, it is useful to have guides that are able to comprehend the technical complexity of what is being shown. Over the years, the Customer Center has become a forum for better understanding and cooperation between the company, its customers and suppliers. Besides business contacts, the Center is also visited by groups of teachers, students and scientists. Their interest can range from studying the process of, for example, lead-time production to specific technical solutions.

Society

The effects of our operations and products stretch far beyond our immediate customers, and we therefore depend on good relationships with many other stakeholders, including NGOs (Non-Governmental Organisations). These do not normally represent a potential customer group but they have an important role as public policy and opinion makers. Traditionally, we have been involved with NGOs and other organizations that have had some relationship with the water sector or broader environmental issues. Such collaboration includes our leading role as co-founder of the Stockholm Water Conference and sponsor of both the Stockholm Water Prize and the Stockholm Junior Water Prize.

It is very important to have open and honest communication with NGOs. They can provide us with much of the feedback that we need, and help us to identify future water-related problems. We support them not only through financial means but also by participation in meetings, seminars and networks, and sharing our experience with them.



Industry program

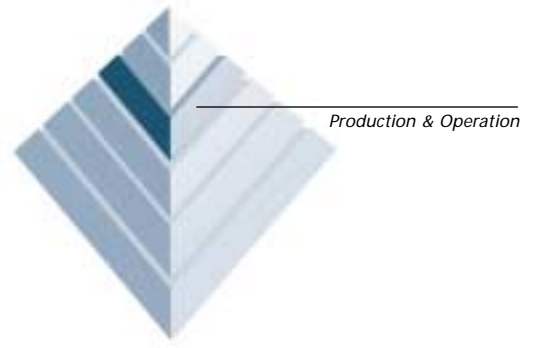
Almost 30 years ago, ITT Flygt initiated a school for special education in metal handling/manufacturing. This has grown into an industry program at a local high school. This Industry program is supported by ITT Flygt with teachers, facilities and machinery. The program is an essential element for ITT Flygt's future.

Some summer courses are linked to the industry program: one in particular has the objective of motivating female students to join the industry program. In the summer of 1999, 12 female students completed this two-week introduction course.

Key issues for follow-up

- ▲ Identify targets for ESH training hours per employee
- ▲ Assess the internal employee satisfaction survey, including the identification of objectives and a timeframe to deal with the highlighted areas for improvement:
 - Regular reviews of performance
 - Encouragement of employees
 - Career improvement
 - Ongoing training for all employees
 - General index of % satisfied employees

People, production and the environment

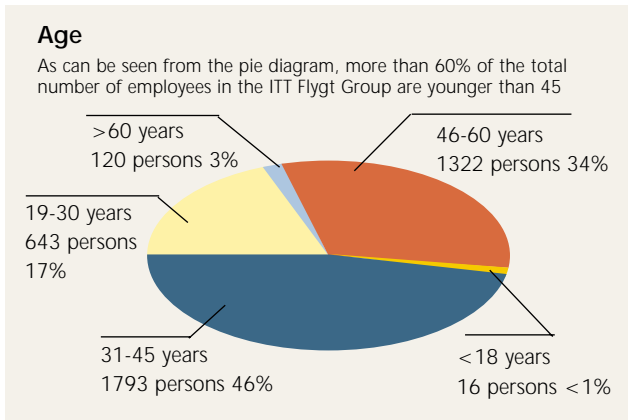


Social aspects

Workforce diversity

Since ITT Flygt is a diverse company operating on an international basis, diversity is a natural factor and management needs to come to terms with this fact. In order to ensure that we offer our employees equal opportunities, the company uses a balanced management system to track the opportunities of development offered to minorities within the company. The system focuses on wage and career development.

The workforce in manufacturing industry is traditionally male-dominated. ITT Flygt is no exception: 80 percent of the workforce is male. 10 percent of the company's management positions are held by women, and the majority of ITT Flygt companies have no women on the company boards. At present, only four companies have any female representation on the company board. A management objective is to increase female representation in management positions and at board level. In Sweden, ITT Flygt has (in compliance with national law) a strategy for increasing equal opportunities between men and women. And again in Sweden, the company uses the services of a recruitment company specializing in female recruitment in order to increase the number of women employees.



Health and Safety

Over the last few years ITT Flygt has integrated a number of new sales offices and service shops into its ESH work and programs. As more companies report their ESH and social performance, difficulties arise in making comparisons between years if no correlating figures are used. This is somewhat evident in the text and figures for the indicators in this chapter. Some fluctuation is simply due to the fact that new companies are continuously coming on board.

By co-ordinating ITT Flygt's sustainability and ESH work with different international standards (e.g. ISO 9000, ISO 14001, SA 8000) we have chosen to focus our improvement work on specific and relevant aspects at our operations. We identify and quantify aspects and prioritize the issues to be tackled and the levels of improvement needed. Our operations can be classified as: two types of manufacturing plants (with and without foundry), offices, service shops, and site jobs.

From the table below it can be concluded that potentially there are a number of operations conducted by ITT Flygt that can have an adverse effect on the environment or the people in production and in service shops. There is no ranking between the five activities, since there can be differences in the size of the sites, the type of activities carried out, the quantity and quality of chemicals used, and so on.

Most of the significant aspects were found at the ITT Flygt factory at Lindås in Sweden. It has the highest number of major (significant) environmental, safety and health aspects.

Type of ESH aspect	Activity				
	Foundry	Manufacturing without foundry	Offices	Service centres	Site jobs*)
Environment aspects					
Use of natural resources	▲	▲	▲	▲	▲
Use of water	▲	▲	▲	▲	▲
Use of energy and fuel	▲	▲	▲	▲	▲
Use of chemicals	▲	▲	▲	▲	▲
Emission to air	▲	▲	▲	▲	▲
Discharge to water	▲	▲	▲	▲	▲
Creation of waste	▲	▲	▲	▲	▲
Noise, smell and particles	▲	▲	▲	▲	▲
Transportation	▲	▲	▲	▲	▲
Suppliers and contractors	▲	▲	▲	▲	▲
Design and selection of materials	▲ ¹⁾	▲	▲	▲	▲
Safety aspects					
Confined space	▲	▲	▲	▲	▲
Electrical work	▲	▲	▲	▲	▲
Lockout and tag-out	▲	▲	▲	▲	▲
Machining	▲	▲	▲	▲	▲
Contractors	▲	▲	▲	▲	▲
Material handling	▲	▲	▲	▲	▲
Health aspects					
Exposure to diseases	▲	▲	▲	▲	▲
Ergonomics	▲	▲	▲	▲	▲
Exposure to physical agents	▲	▲	▲	▲	▲
Exposure to chemicals	▲	▲	▲	▲	▲

1) A function conducted at the office in Solna, Sweden.
 *) Site jobs = work on customers' premises
 ▼ = major aspect (significant) ■ = medium ▲ = minor

For decades, work involving ESH issues has been driven by laws and regulations. More recently, stakeholders have become a driving force for companies to do better than these requirements. Examples of this are customer requests for Life Cycle Assessments and Environmental Product Declaration. The ESH program has a dual purpose: firstly, it is a system to ensure and improve the health and safety of our employees, the users of our products and the environment. Secondly, it is beneficial from the time and cost efficiency point of view.

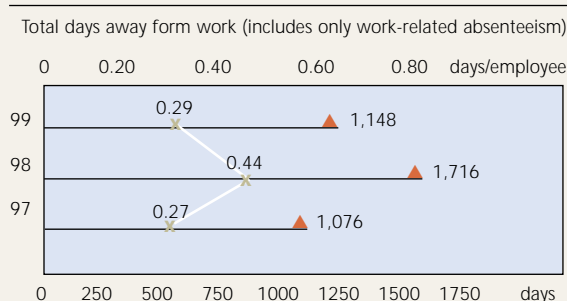
If health and safety issues are to be a success, employees must be committed, aware and interested in following instructions, programs and action plans to reach set goals. Knowledge is acquired through education, training and information. The amount of ESH training hours per employee has been constant over the last two years, at 3.4 hours per employee per year. ESH training represents about 25% of the total training hours given to all employees.

Work-related Injury and Illness cases

Material handling is the most common type of injury at ITT Flygt. The total number of illness/injury cases include those that were not considered serious enough to justify taking time off work. In 1997 there were 89 cases reported, compared with 116 cases in 1999.

Since the Lindås factory is responsible for 29% of the number of employees (and employee hours) during 1999, it is not surprising that many of the injury and illness cases also occur at the factory. Compared with activities conducted at sales offices and service shops, the type of activities at the factory are also quite different, and resulting in more exposure to hazards, risks and so on. Consequently, about 45-60% of the injury and illness cases occurred at the Lindås factory during the period 1997-1999. Site work (work at the customers' premises) also means exposure to hazards and risk for ITT Flygt personnel.

Lost working days



Three incidents that resulted in more than 100 lost working days accounts for the sharp increase in 1998. They were all connected to material handling.

Rehabilitation Center

There has been a rehabilitation program for Swedish employees since the beginning of the 1980s. The program is run by an employee foundation which gets its income partly from ITT Flygt donations and partly from running a sport center in Lindås. The rehabilitation program is constantly working with about 30 to 35 employees. The program focuses on a wide spectrum of health problems, from wear out injuries to drug problems. The rehabilitation program has an agreement with the Swedish Rehabilitation Association, which has facilities on the Canary Islands, Spain. One example of their work has been with employees suffering from psoriasis. By being able to stay at the center for a few weeks in the autumn, this has considerably eased the effect of the disease later in winter. The result is that employees do not have to stay away from work during the winter due to illness.

Human rights

It is difficult to report on human rights issues due to differences in national laws and regulations.

Perceptions, definition and measurement of this social indicator differ a great deal from culture to culture. ITT Flygt complies with the UN Declaration of Freedom of Association and has so far no recorded incidents of disagreement between employer and trade unions.

The unions represent an important feedback mechanism, making sure that we know when something in the management-employee relationship is not working satisfactorily. In the last twenty years there have been no significant acts of dissatisfaction or strikes at any ITT Flygt sites.

ITT Flygt does not accept child labor or forced labor and there have been no reported incidents of either child labor or forced labor. This has not been an issue for the company and there are no indications that this will be an issue in the future. However, we recognize that we lack systems to monitor or control potential child and forced labor at the sites of our business partners.

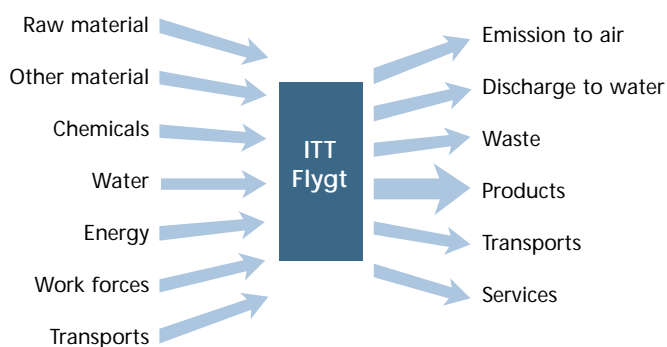
Community involvement

ITT Flygt's relationship with local communities is crucial for its performance both now and in the future. Firstly, municipalities and other local authorities are an important customer. Secondly, these authorities set the environmental, social and economic boundaries for our operations, so good co-operation and understanding is therefore key. In addition, and probably most importantly, is that these communities provide us with employees that will determine our future products and identity.

In Emmaboda, a community next to the Lindås factory, ITT Flygt has developed a close relationship in particular with regard to education and training. It is an important element for the future recruitment of ITT Flygt staff to support a three year Industry Program in co-operation with Emmaboda Municipality. ITT Flygt has also made a special effort to motivate female students to choose a technically-oriented education by offering a two-week summer course in co-operation with a local high school. Furthermore, several students from Kalmar University College are undertaking practical examinations at ITT Flygt.

Environmental aspects

Since this Sustainability Report describes the activities at 29 ITT Flygt reporting companies in different parts of the world, we have not included environmental effect parameters. Instead, we present figures for energy, water and materials consumption, waste production, emissions to air, and discharges to water. Since the factory in Lindås represents such an important and dominant part of some of the indicators, a separate sub-chapter is presented for the factory at the end of this chapter. The monitoring and control programs for the Lindås factory also include effect parameters, especially with regard to the degree of impact upon adjacent terrestrial and aquatic ecosystems.

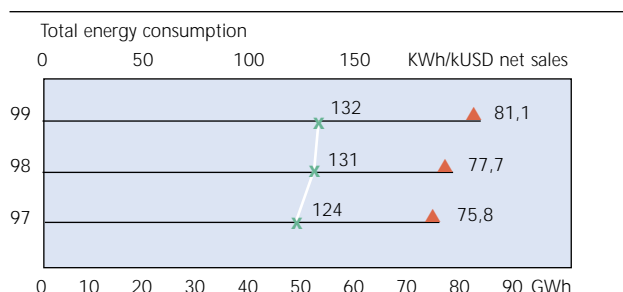


Objectives and target setting

ITT Flygt has no Group-wide objectives and targets identified for its ESH work, except for injury severity, injury frequency (lost working days), waste cost and energy consumption. The Lindås factory in Sweden, having the most significant impact, has ESH targets formulated for the period 1996-2000. These targets are presented in the separate box on the environmental performance of Lindås at the end of this chapter. Targets are also defined for the rest of the ITT Flygt activities in Sweden. Therefore, no additional discussion on objective and target setting is included in the general description of the environmental performance of the ITT Flygt Group.

Energy

The total energy use within the ITT Flygt Group has increased during the last three years, from 75.8 to 81.1 GWh/year. One reason for this increase is that new sites (such as Argentina, China, Spain, Poland and the Sanitaire operation) have been added to the list of reporting sites. The Lindås factory is responsible for 64% of the company's total energy use. Together, the five factories within the ITT Flygt Group are responsible for 73% of the company's total energy use.



In relation to the turnover for the ITT Flygt Group the total energy use has increased by 6%, from 124 to 132 kWh/KUSD during the three-year period.

The trends over the three last years are that natural gas use has decreased, while fossil fuel and biofuel use has increased. However, during the last year there are signs of decreasing use of fossil fuel (oil and coal). In 1999, the use of fossil fuel amounted to 7.2 GWh, of which 4.5 GWh was coal used at the factory in Shenyang, China, and the rest (2.7 GWh) was oil used at 12 different reporting companies. During 1999 about 64% of the total energy usage came from electricity of unknown origin, 12% from natural gas, 9% from fossil fuel and 15% from other sources, such as biofuel and district heating.

Company cars

Within the ITT Flygt Group there are a total of 864 company, personnel (leased) and service vehicles. Together, these account for an estimated 25,240,000 km of annual driving distance - or about 6,355 journeys around the Earth. Assuming a fuel consumption of 1.2 liters/10 km, the total fuel consumed amounts to about 3,030 m³, or about 26.4 GWh. In 1999, ITT Flygt in Great Britain began investigating a program to replace gasoline powered company cars with Liquid Petroleum Gas (LPG) powered cars.

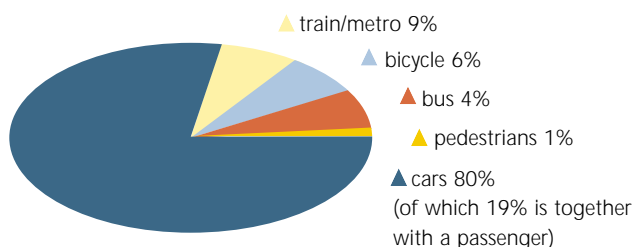
Business travel

Comprehensive business travel is also undertaken annually. Except for travel by company vehicles, the most widely-used method of transportation is by aircraft, and to a lesser degree by train. Figures are not available for the whole Group, but by using information from our travel agency we have made a compilation of the number of journeys to different destinations inside and outside Sweden. As an example, 1999 saw a total of 1882 domestic flights made between Stockholm and Kalmar/Växjö/Ronneby (the three airports closest to the Lindås factory). As shown in the enclosed table, 4,799 journeys were conducted during 1999, of which 64% were conducted inside Sweden. 27% of internal journeys were made by train and 73% by aircraft. However, the cost for air transportation represents 92% of the total. Of all travel within Sweden, some 86% is made between Stockholm and Kalmar/Växjö/Ronneby. When energy consumption and emission figures are available for the company's business travel, this information will be compared with other energy and emission figures.

Destination	Total number of travels			
	Aircraft %	Train %	Boat %	
Inside Sweden	3,062	73	27	<1
To other Nordic countries	313	95	3	2
To the rest of Europe	1,051	94	4	2
North America	143	100	0	0
Latin America	34	100	0	0
Africa	17	100	0	0
Asia	177	100	0	0
Australia	2	100	0	0

Employees transportation to and from work

In 1998, ITT Flygt Sweden (1,544 employees) conducted a survey of employees in Sweden with regard to the ways in which they traveled between their homes and the workplace. About 80% usually used their private cars, and the average distance was 15 km in each direction. Altogether, all Swedish employees traveled about 990,000 km per year just to get to and from work, or approximately 250 times around the Earth. There is no reason to believe that there have been any big changes in employee transportation practices.



Transportation of materials and products to and from the Lindås factory

Another form of fossil fuel consumption within the ITT Flygt Group is the transportation of materials and products to and from customers and sites. Again, complete information for the whole ITT Flygt Group is not available, but a very rough estimate of transportation to and from our factory in Lindås was made for 1997. The figures are not that different from those of 1999. These figures include only transport of products and materials to and from the factory. The most common way to express this type of transportation is to multiply the quantity (tons) transported by the distance (km). This gives the unit tonkm. The figure for transport to the factory was 11,311,400 tonkm and the corresponding figure from the factory was 15,589,000 tonkm.

In the future, it is our intention to estimate the total environmental impact of our energy usage, use of company cars, business travelling, employees transportation to and from work, and the transportation of materials and products to and from the Lindås factory. These estimates will be expressed as CO₂ emissions, as well as some other impacting compounds.

Material use

Our factories are the largest users of materials, other than fuel and water. The most reliable data we have concerning this indicator is for the Lindås factory. Since the factory is ISO 14001-certified and EMAS-registered, documentation for this significant environmental aspect must be monitored and be reliable.

There are two major types of material used at the 126 ITT Flygt service shops around the world: white oil and paint. Oil is used in the pump housing and paint is used for refurbishing the exterior of products. Painting is normally done with a brush or a spray can. At a few locations painting is also done in a paint booth with a spray gun. The estimated total quantities of oil and paint at these service shops are 51,300 and 4,550 kg respectively. These quantities can be compared with the total quantities used at the five factories.

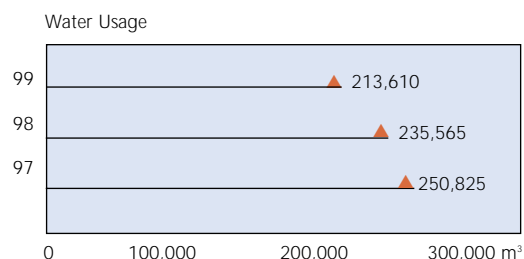
	Oil kg		Paints kg	
	Oil %	Paints %	Oil %	Paints %
126 service shops	51,300	21	4,550	6
Buenos Aires, Argentina	NA	NA	NA	NA
Haninge, Sweden	5,490	2	720	1
Lindås, Sweden	175,338	71	62,299	86
Pforzheim, Germany	12,800	5	4,160	6
Shenyang, China	2,678	1	4,160	1
Total factories	196,306	79	68,079	94
Total	247,606		72,629	

NA= not available

The factory in Lindås, in which 71% of all ITT Flygt-manufactured products are produced, is the main consumer of both oil (71%) and paint (86%).

Water

Nearly all the water used at ITT Flygt units is sourced from municipal or privately owned water companies. However, the Lindås factory also draws some water from the nearby River Lyckebyån, and uses it for cooling purposes at the foundry. The decreasing trend occurs, in spite of increased production during the three-year period. The water usage has decreased by 15% during 1997-1999.



Related to the ITT Flygt Group's turnover, water consumption has decreased from 0.41 to 0.35 m³/kUSD during the period. The five factories within the ITT Flygt Group are responsible for 59% (125,549 m³) of the total water consumption, of which the Lindås factory accounts for 109,515 m³. Water usage at the factories without foundries and service shops is mainly connected with test tanks and pump cleaning.

Land - habitat improvement and damage

In recent years there has been no damage to the natural habitats and lands where ITT Flygt units operates. However, in Lindås a stormwater retention system has been built.



Stormwater retention in Lindås

As a precautionary measure to prevent the discharge of contaminated stormwater into the River Lyckebyån at the Lindås factory, a retention system was built during 1999. The retention system consists of a sedimentation basin, a wetland area and a retention dam, with a total area of about 30,000 m². It provides natural biological treatment for the stormwater before it is discharged into the river. The annual water load to the stormwater system is about 39,000 m³. The estimated cost for creating this system is about USD 590,000. This retention system has a number of beneficial effects: 1) it avoids the discharge of contaminants by acting as a natural treatment plant with sedimentation, denitrification, aerobic and anaerobic decomposition of compounds; 2) it provides the opportunity of testing ITT Flygt products in a natural environment under both short- and long term conditions; 3) it provides a relaxing environment for ITT Flygt employees and other people living in the surroundings, and 4) it is an attractive biotop for flora and fauna.

For several years now, there has been a comprehensive soil and groundwater investigation program in force within the ITT Industries Group. This program can be divided into two parts:

- 1) Quantitative Environmental Survey Program (QESP) for all existing units and
- 2) Due diligence for units when moving from one place to another.

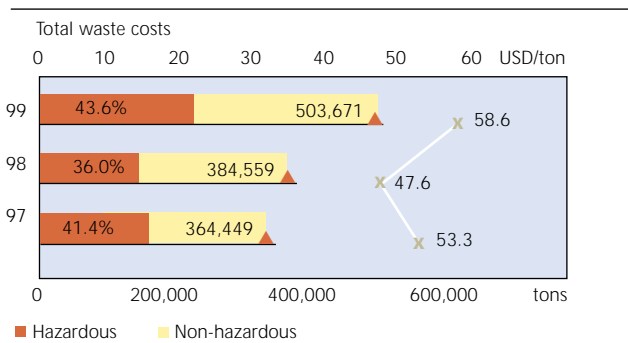
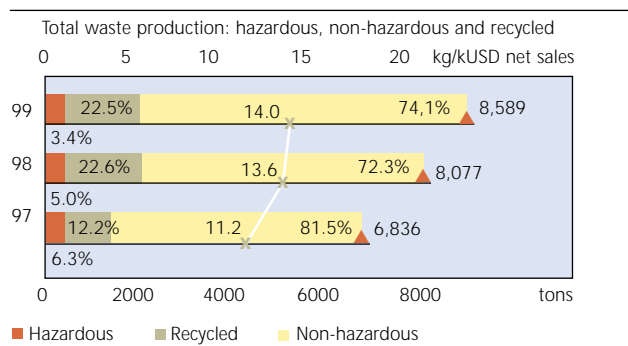
The main objective of these environmental assessments (soil and groundwater) is to identify potential liabilities and quantify exposure to hazardous materials. Contamination by different kinds of pollutants are monitored and compared with national soil and groundwater standards.

ITT Flygt has 171 sites that are subject to soil and groundwater assessments. Of these sites, 40 are offices only, and the rest are either factories (5) or sales offices with service shops (126). It is intended that the soil and groundwater program should be conducted where we operate. At the end of December 1999, investigations at 41 sites had been finalized, 86 had been started and 44 had not yet been initiated. All investigations are scheduled to be finalized by December 2001. The results obtained so far are encouraging, since very limited soil and groundwater contamination has been found. At the sites where contamination has exceeded national standards, remediation has already been conducted. Investigations have yet to be finalized at the Lindås factory, but the results obtained so far do not indicate any risk to employees and community.

Waste - (Non-Product Output - NPO)

The reporting of waste data and information from the ITT Flygt Group is divided into the three categories: cost and amount of hazardous waste; cost and amount of non-hazardous waste; and amount of known recycled waste. However, it can be assumed that parts of the reported quantities of non-hazardous waste also go through recycling or reuse. It is also difficult to get information from municipal, national and/or private waste handling companies about the final destination of the non-hazardous waste.

Waste



As depicted in the second table above, the ITT Flygt Group's cost for waste handling, including both hazardous and non-hazardous waste, increased by 38% from 1997 to 1999. The quantity increased by 26% during the same period. In 1999, the factory in Lindås was responsible for 46% of the cost and 75% of the total amount of waste produced within the ITT Flygt Group.

It can be seen that about 3% of the total waste produced within the ITT Flygt Group belongs in the hazardous waste category, and this is always taken care of by licensed and authority-approved contractors. The bulk of hazardous waste produced at service shops is used oil from serviced products. At the factories the hazardous waste also contains cutting fluid, paint residue and spray booth water. In 1999 the cost for handling and disposal of the Group's hazardous waste amounted to USD 219,627, an increase of 45% compared with 1997. During the same period the quantity decreased by 32%. This means that the cost per ton of hazardous waste has more than doubled. The type of hazardous waste has not changed during the period, so the cost increase can only be attributed to price increases by the contractors: in fact, the cost/ton has increased from USD 353 to 757 during the three-year period. The factory in Lindås is responsible for 72% of the cost, while generating 55% of the quantity.

The Group's cost for non-hazardous waste has increased from USD 213,484 in 1997 to USD 284,044, an increase of 33%. However, the amount of non-hazardous waste has only increased by 14%. This means that the cost per ton has increased from USD 38 to 44.

During the three-year period 1997-1999 the quantity of recycled waste has increased from 837 to 1,931 tons, a 131% increase. The quantity of recycled waste corresponds to 23% of the total waste quantity. This is the same figure as for 1998, but significantly better than for 1997.

The waste figures can also be related to the Group's turnover, and these figures are illustrated in the table below.

Indicator	kg/k USD		
	1999	1998	1997
Total waste quantity	14.00	13.60	11.20
Total waste cost	0.82	0.65	0.60
Non-hazardous waste quantity	10.30	9.80	9.10
Hazardous waste quantity	0.47	0.69	0.70
Recycled waste quantity	3.14	3.08	1.37

Non-Product Output (NPO) Returned to Process or Market

This indicator can be defined as materials which are returned to process or market through recycling or reuse, and are further categorized by material type and by on- and off-site management type. Quantities produced are dependent on the sort of activities carried out at a site and also the type of non-products created. This will also depend on the development of the system for recycling and reuse in the country where the activities are carried out. We have considered defining this parameter by materials in the form of metal scrap, since this is the dominant part of the NPO returned to process and market..

In 1999, the quantity of NPO returned to process and market for the Flygt Group for 1999 was 1,382 tons, of which 91% (1,259 tons) is reported for the factory in Lindås factory. Since the factory in Lindås has its own foundry it is not surprising that metal recycling is quite highly developed and an important part of the environmental performance. The four other additional ITT Flygt factories have also reported significant quantities of materials that are recycled and reused, and this amounts to about 120 tons per factory.

Non-Product Output (NPO) to Land

The total quantity of NPO transported to private or municipal landfills, or used as landfill material in different construction projects (such as roads and landscaping) amounted to about 5,035 tons in 1999. Most of this quantity (4,995 tons, or 99%) was produced at the Lindås factory and consisted mainly of sand from the foundry and construction materials from buildings.

Non-Product Output (NPO) to Air

The only site where monitoring of emissions to air is in force is at the Lindås factory. This monitoring is also requested by authorities and is connected with the production permit. At all the other ITT Flygt sites there is no

monitoring, since the types of activities undertaken do not result in significant emissions to air, with the possible exception of the use of solvent paint containing paint solvents.

A rough estimate of the emission of solvents (Volatile Organic Compounds, or VOC, usually in the form of xylene) from the 126 service shops' use of paint (4,550 kg) is almost 455 kg, if the solvent content is 10%.

Non-Product Output (NPO) to Water

There is no monitoring of the discharges to water of pollutants from ITT Flygt sites, since this is neither requested by laws, regulations or permits, nor motivated by any regard to how the water is used at the factories and sites. The normal type of pollution, coming from toilets and personnel wash rooms, characterizes the sewage water from the sites. However, as a precautionary action many of the service shops are equipped with oil separators before the wastewater enters the municipal sewerage systems. The sewage water from the Lindås factory has been monitored twice during 1997-1999, with the purpose of obtaining information about the quantity and quality of the sewage water leaving the factory.

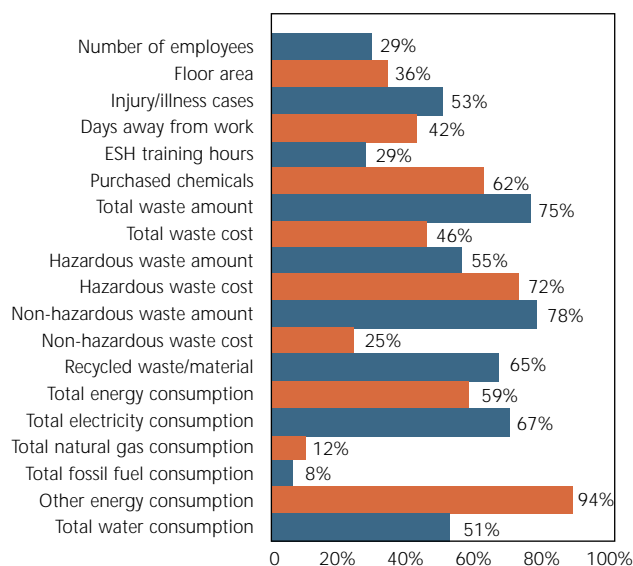
Key issues for follow up

Improve target setting, monitoring and feed-back related to the operational performance of ITT Flygt as defined in the Flygt Group General Policies, the ITT Industries ESH Policy Manual, and the ITT Industries Mission, Principles and Practices. This includes:

- ▲ Identification of indicators and specific targets for resource consumption (e.g. water and different sources of energy), CO₂-emissions, waste generation, recycled waste and hazardous waste.
- ▲ Targets for the use of company (leased) and service vehicles, business travel, and cargo transport by different modes (sea, rail, road, air)
- ▲ Targets for a % female representation in management positions and at board level
- ▲ Monitor and safeguard that ITT Flygt suppliers do not make use of child- or forced labour
- ▲ Assess, develop and implement a 'group-wide' monitoring and reporting system
- ▲ Evaluate and improve target setting for the environmental performance of the ITT Flygt manufacturing site in Lindås

In focus: the Lindås factory

Since the ITT Flygt factory in Lindås is such an important part of the whole ITT Flygt Group, it is relevant to describe this plant separately, and also compared with the rest of the Group. The comparison of the performance of the Lindås plant, with the total Group, is made for 1999 and illustrated by the enclosed figures.



These figures show that the number of employees at the factory represents 29% of all ITT Flygt Group employees. With regard to the type of activities conducted here, it is not surprising that the majority of injury and illness cases also occur at the factory.

Since the Lindås factory is certified to ISO 14001 and registered under EMAS, targets and performance for a number of significant aspects have been identified and are monitored.

Lindås factory performance linked to environmental targets, 1996-2000

- ▲ Use of natural resources – target: decrease by 10%
- ▲ Use of energy and fuel – target: to be determined
- ▲ Use of water – target: decrease the volume by 5%/year
- ▲ Use of chemicals – target: decrease number by 25%
- ▲ Emissions to air – targets: decrease by 10%/year
- ▲ Waste generation – target: volume decrease by 10% (hazardous waste and waste to landfill)

Since the targets are based on the fulfilment by year-end 2000, it is too early to evaluate the outcome based on year-end 1999, but the situation was as follows:

- ▲ Use of natural resources – above target
- ▲ Use of water – well fulfilled by year-end 1999
- ▲ Use of chemicals - below target
- ▲ Emissions to air – above target
- ▲ Waste generation – above target

Energy

The total energy usage at the factory has been between 50 to 52 GWh per year during 1997-1999. However, there has been a remarkable change in the sources for the energy:

	GWh		
	1999	1998	1997
Total energy	51.5	50.1	49.9
Electricity	39.0	38.3	38.9
Natural gas	1.1	1.0	1.1
Fossil fuel	0.6	0.8	1.1
Biofuel	10.8	10.0	8.8

Another interesting fact is that in 1994 and 1995 fossil fuel oil was responsible for 9-10 GWh/year, compared with the 1999 figure of 0.6 GWh. The biofuel part was zero in 1994 and 1995, compared with 10.8 GWh in 1999.

Materials/raw materials

The materials/raw materials monitored for the Lindås factory are; pig iron; copper; alloy metals; graphite; sand and bentonite (a type of clay). A reduction program has been identified (especially for pig iron) as a part of the ISO 14001 and EMAS systems in place.

	tons		
	1999	1998	1997
Pig iron	1,159	1,714	1,970
Copper	484	480	467
Alloy metals	74	248	274
Graphite 1.1	5	171	176
Sand	3,798	2,853	3,046
Bentonite	1,056	769	614

Since the recycling of metal scrap at the factory increased during 1999, compared with earlier years, the use of alloy metals and graphite could be decreased significantly. The reason for the increased sand and bentonite usage at the foundry is connected to increased use of the Coldbox method and Resol method.

Water

The factory has decreased water use by 42% during the period 1997 - 1999: a "saving" of 77,821 m³. This reduction is largely due to the installation of a new cooling tower. A total of 109,525 m³ of water was used during 1999, of which 32% came from the nearby River Lyckebyån, 52% from the municipality and 16% from the company's own wells.

Non-Product Output (NPO)

The total amount of waste produced at the factory has increased from 5,082 to 6,415 tons during 1997-1999. As can be seen from the figure it is mainly the non-hazardous waste that has increased. The cost for handling non-hazardous and hazardous waste has increased remarkable during the three year period, especially for handling hazardous waste. The total amount of waste has increased by 26%, compared with the cost for handling the waste, which has increased by 156%.

	tons		
	1999	1998	1997
Total waste amount	6,415	5,983	5,082
Hazardous waste amount	159	202	324
Non-hazardous waste amount	4,997	4,449	4,519
Recycled waste amount	1,259	1,332	239

	USD		
	1999	1998	1997
Total waste cost	231,276	114,240	90,300
Hazardous waste cost	159,195	51,342	67,200
Non-hazardous waste cost	72,081	63,382	23,100

The 1999 amount of NPO returned to process and market (recycled waste amount) was 1,259 tons. The quantity of NPO to land from the Lindås factory amounted to 4,997 tons. This amount mainly consists of sand from the foundry and construction materials from buildings.

The emissions to air (NPO to air) from the factory are mainly connected to Volatile Organic Compounds (VOCs) from the painting activities, and particles mainly from the foundry. During 1999 the VOCs emission amounted to 26.1 tons. The VOCs contain mainly xylene, buthylacetate and buthylglycol. This quantity is about the same as earlier years (24-27 tons/year).

The discharge to the municipal sewerage system from the factory has been monitored twice during the period 1997-1999 and the result are quite similar. These results indicate that the sewage water from the factory is very much characterised as sanitary water from employees, but with the addition of low concentrations of some metals and apolar aliphatic hydrocarbons.

There have been two reports during the last three years regarding complaints, connected to noise and dust. Actions were taken immediately to solve the problems to the complainants' satisfaction.

Meeting customers' product expectations



Products & Services

Our products represent the face of the company, and they are currently used in more than 130 countries. If they do not perform according to our customers' expectations, we would not be a world leader in submersible pumps, mixers and aeration systems and, ultimately, we would not survive as a company. The requirements are not only of technical dimensions, such as reliability, low service requirements and durability; they also include aspects of environmental friendliness and even social dimensions (such as providing an improved working environment for users). Consideration of these issues is vital for ITT Flygt's future and is a crucial part of our relationship with customers.

We have to know how to deal with changing market places, environmental and social conditions. ITT Flygt products can be found at the heart of many of today's infrastructural developments.

The solutions our customers seek are practical in nature and call for the most economical approach. ITT Flygt's submersible products offer significant savings in equipment, construction, installation and operational costs compared with other similar products. Our products are designed to be compact, silent and unobtrusive.

Customers have traditionally been the key stakeholder link to product performance. The demands placed upon our products have driven subsequent product development and performance. Stakeholders have increasingly become more interested in the environmental and social performance of our products. In response, we have added new priorities to our design concepts.

We are involved in water management at all levels, ranging from local to global issues. Traditionally, public companies/organizations represent a major customer group as pumps are used in public wastewater treatment plants, for pumping wastewater through cities and for other drainage purposes. Pumps for irrigation in agricultural schemes also represent a significant market.

The role of pumps

Providing water services

Our products move water to where it is needed: water to drink, water to clean, water to cool, water to grow. A breakdown of the main uses for water worldwide would give figures something like this: roughly 10% for household/residential; 25% for industry and 65% for agriculture. Per person on average we use around 1800 liters per day counting all uses (around 650m³ per year).

Much of this water is moved to where it is needed by pumps.

Water to grow

Producing food and fibers requires most of our water. One kilo of lettuce needs over 800 liters of water, one kilo rice needs almost 2,000 liters of water. More than 17,000 liters of water are needed to grow a kilo of cotton. During the next 30 years we will need to produce an extra 60 - 100% more food and fibers, and half of this will come from irrigated croplands.

Here, there, everywhere

Pumps are used in industry and mining for all kinds of purposes related to water supply, sewerage and drainage. Flygt submersible pumps are for example used in sewage treatment, the construction of airports, harbors and tunnels, land reclamation and flood protection.

Everyday water

Even in our own houses we are completely dependent on pumps that deliver water to drink and cook, flush our toilet, do the dishes & laundry, shower, and sprinkle the lawn. All this water is first pumped to our homes and then in most cases pumped to the municipal treatment plant.

Product performance in all dimensions

Our involvement in many developing countries introduces new challenges in relation to long-term sustainability issues. Perhaps the best examples are pumps used for intensive irrigation purposes, resulting in decreasing groundwater and shrinking volumes in surface waters. There are many social considerations in this problem: people are completely dependent upon agricultural production for their livelihood. It could be argued that for long-term sustainability, there will have to be a change from large-scale irrigated agriculture to other forms of economic activities and new types of agricultural practices (such as new forms of crops). However, such changes can only be viewed over very long time periods, and would require extensive collaboration between local and national decision makers, international industry organizations and local community groups. While such discussions take place, people's day-to-day livelihood must be secured.

Environmental aspects

Urban development, mass transit, industrial pollution, climatic change and other environmental problems have all left their mark upon the earth. We know we have a role in helping people to create not only a better environment but also a better world as seen from other perspectives. The environmental impact of products has received much attention over the past few decades. Increasingly, customers and also authorities and other interest groups have demanded increased producer responsibility in relation to the environmental impact of various products, not only when they are used but also during the production phase and after they have served their purpose. Community support, donations and active participation in society are all valid ways of providing help, but it is through our products that we can have the most profound effect. A "cradle to grave" approach, where the manufacturing company assumes a responsibility for what it produces, has led to the necessity for Life Cycle Assessments (LCAs) for individual products.

Comprehensive LCAs are associated with the collection, compilation and processing of vast amounts of data. This data may sometimes be incomplete, and this may then necessitate the development and implementation of new data collection and reporting procedures. LCAs help us in answering important questions from customers and local authorities on product performance, and they may identify areas in which we can improve. By improving a product's environmental performance through the selection of the most environmentally-optimal materials or production methods, we actively contribute both to a better environment and the development of more competitive products.

The manufacture of our products involves the use of raw materials, energy and water, and we generate waste during the production phase and after their use. LCAs have helped

us to quantify our impacts on the environment and this also provides us with a tool for developing appropriate actions. Getting more for less is a leading concept valid for our entire production process. We continuously try to develop better products using less natural resources, less energy and less hazardous materials. This must be undertaken without compromising our high quality standards.

Positive strides have been made in recent years in the reduction of the amount of energy needed to both produce an individual pump, and in the amount needed to power it. The newly-introduced N-Pump series, for instance, will pump a given amount of fluid over time while consuming up to 30 - 50% less energy than a traditional pumping solution.

ITT Flygt works with LCAs through the Environmental Priority Strategies (EPS) methodology. EPS was developed in 1989 as a system for designers. Today it is recognized as one of the methods for conducting ISO 14041-43, the International Standard for LCAs. Currently (January 2000), 22 products and numerous spare parts have been evaluated with the EPS methodology. After conducting an EPS, it is possible to evaluate the environmental impacts of a product through an index, called the Environmental Load Unit (ELU). This index is linked to society's willingness to pay for the protection of certain priority areas (biodiversity, biological production, human health, decreased amount of natural resources and aesthetic values). Although such values are very difficult to quantify with great accuracy, it does attempt to equate environmental impacts with monetary values. Through such calculations, we estimate that 75-95% of the total ELU derives from the user phase of a sewage water pump, and 35 - 40% for a drainage water pump. This is almost entirely related to energy consumption. This demonstrates how important it is for us to further focus on the energy efficiency of our products, and to work in close collaboration with our customers to find optimal solutions.



N-Pump Model 3153 was evaluated as part of the LCA methodology.

	Life Cycle Assessment Comparison (in Environmental Load Units (ELU))			
	Production Phase	User Phase	End-of-life Phase based on recycling	Total
Conventional submersible pump (ELU)	1250	5750	-564	6430
New N-Pump (ELU)	1070	5070	-396	5740

The ELU has also highlighted the importance of reuse and recycling, in particular where some heavy metals and other hazardous materials are concerned. Closer study is needed in how to simplify separation; recycling and reuse processes through improved product design; and in exchanging the use of certain raw materials.

Environmental Product Declaration

We have adopted the Environmental Product Declaration (EPD), according to the ISO 14025 standard, as an important tool for us in informing our retailers and customers of the environmental properties of our products. As a base, we use the international standards being completed through ISO 14040-43 on LCAs. The EPD is not only a necessity which we feel obliged to follow through government directives, but also increasingly acts as a marketing tool. Our customers become more and more aware of the environmental impacts of products, and standardized systems help them to evaluate our products against other competing products on the market. This has encouraged us to perform better.

Social aspects

Our products can have a profound social impact on users, and an important goal for ITT Flygt has always been the development of products that improve the working environment for the personnel concerned. Many of our products are used in wastewater treatment plants or for complicated drainage purposes. Here, improved product performance leading to less service requirements and higher functionality is crucial. Servicing and repairing pumps has been considered an unpleasant part of the job. Improved product performance has dramatically decreased the need for repairs and service during the user phase of a product, and this has led to higher satisfaction among staff.

Research and Development (R&D)

Constant product innovation and improvement are vital to a company such as ITT Flygt. We have to anticipate what the market will require in the future, and maintain a continuous process of developing new products to meet these needs. In 1999 the company invested 3% of net sales on R&D. The corresponding figure related to the net income was 36%.

It is a goal that our products should contain a minimum in number of parts, have maximum material homogeneity and consist of parts that can be easily dismantled for exchange and recycling purposes. At the same time, we are committed to using decreasing amounts of toxic harmful substances, less material and energy for production and use, and yet maintain and increase product performance.

Key issues for follow-up

- ▲ Develop criteria, i.e. as an element in the new sustainability strategy, to assess the environmental, social and economic impacts of our products in (for example) intensive agriculture and aquaculture and in conflict or post-conflict situations.
- ▲ Conduct a survey to monitor and evaluate the social performance of ITT Flygt products among customers (and N-Pump performance in particular).
- ▲ Identify targets and time frames for the application of LCAs on ITT Flygt products and parts.
- ▲ Identify targets and time frames for the further improvement of energy efficiency during the user phase of ITT Flygt products.



"Rags would get stuck in the pump impellers, and pumping efficiency would go right down," says Kenth Andersson, Chief Engineer of Nässjö pumping station in southern Sweden. **"It was important to lift the pumps once a week to clean them out by hand.**

That left my stomach feeling disordered for the whole weekend. Since we installed the new N-Pump, we've had no problems and the station has been in operation around the clock. Everything works as it should."



The patented design of the new N-Pump's impeller combines very high pumping efficiency with clog-resistant characteristics.

All the new N-Pumps feature a unique hydraulic design which maintains peak pumping performance over longer operational periods – especially in fluids with a high waste or solids content.
The result: better efficiency in handling wastewater, less maintenance and lower costs.

Find out what Kenth and others have to say about the new N-Pumps. Ask for your free copy of the N-Pump video. Call for more information, or visit us at www.flygt.com/verige

Flygt
ITT Industries
Engineered for life

Advertisement promoting ITT Flygt's N-Pump range.

How do others see us?

The sustainability overview is a summary of how we are perceived by our key stakeholders. This perception creates our identity, something that we have been trying to nurture and build throughout the years. Here, we offer an overview based upon an independent newspaper article published in 1999. This article sums up some key aspects of our achievements, our relationship with the community of Emmaboda (the location of our largest manufacturing site) and other stakeholders such as our employees, customers and our parent company.

The accompanying article appeared in Aftonbladet, a Swedish national evening newspaper, on the 2nd February 1999. It is translated into English from the original text written by Rolf Alsing, Karl-Olof Andersson and Olle Svenning.

Through a long tradition of co-operation with the community of Emmaboda, ITT Flygt has built a model where private enterprise goes hand in hand with economic development, social responsibility and environmental protection. This model is a practical case where lessons can be learned by policy makers, companies and civil organizations.

2.5% unemployment in Emmaboda compared to 8% in the rest of the nation. ITT Flygt is actively engaged in the training and motivation of future employees, in particular female, from the local community of Emmaboda.

ITT Industries is actively developing its Fluid Technologies Corporation. It believes in the future of this activity and acknowledges the role of ITT Flygt as its mainstay in this effort with major annual investments in research & development, production and infrastructure.

The newly developed N-Pump is technically advanced, having a self-cleaning impeller and providing much better (cleaner) working conditions for those involved in its maintenance and operation.

Aftonbladet 2 February 1999

Emmaboda has the answer to growth

Do we have miserable conditions for business development? Or is it great to do business in Sweden? Is foreign capital good or dangerous for Sweden? These are some of the questions that will be tackled tomorrow by Parliament in a session dedicated to "growth". Fuel for discussion are the plans of Swedish multinationals such as Astra, Volvo and Ericsson. Starting positions are well known. The business climate is great, says the Government; it's at a low, says the opposition.

In Emmaboda there are many of the answers about the Swedish business climate. In today's globalising world, Emmaboda represents the last outpost of the Swedish model. Unemployment is at 2.5%, the industrial workforce is around 50% compared to 19% nationally. ITT Flygt, the locally dominant pump manufacturing company, employs 1200 people. 96% of the products are exported. Productivity has doubled since 1980. Every year ITT Flygt's owner invests another 100 Million SEK. If the rest of Sweden looked like Emmaboda we would bath in honey and radiate confidence.

Everyone shall learn to do everything

What is the truth behind the progress and the high degree of industrial employment in Emmaboda? Its expertise, quality, security and diversity. It is not a simple handy-craft that leaves the factory. Probably the world's most advanced environmentally sound submersible pumps are being produced here. Every pump is technically advanced and equipped with IT elements. ITT Flygt's Pump factory used to look like any other manufacturing plant. It was an assembly line, impoverishing working assignments. If one needed a bathroom break,

one had to pull a cord and ask for temporary back-up. Today the assembly lines are gone. The manufacturing site is broken down into units with smaller work teams. The objective is that all staff are able to undertake a wide variety of tasks. Every year a week of training is reserved for each employee. More knowledge and expertise is rewarded with more compensation. Wage development here is higher than the industry average.

CEOs, politicians, scientists and union leaders may discuss preferable models for skills development and world-class products, but behind the cascade of words it is more industries like ITT Flygt that they are after.

American Owner, Swedish Management.

The Swedish model in Emmaboda lies in American hands. ITT Industries owns the company. However, the management is Swedish, so is the board and the union is present at all levels. As long as the professional skills and products are leading globally, profitability is up, ITT Industries will continue to invest Millions here. It was precisely that lack of capital for development that made the previous Swedish owners sell the company to the Americans in the 70s. Emmaboda shows that there are no given answers to the impact of foreign ownership in the business climate. However, those companies that ignore negative opinions and focus on expertise, maintaining the unique Swedish way of co-operation and letting employees grow, have all the chance of being best in the world. Emmaboda will surely not be mentioned in the parliamentary debate. But Sweden, Volvo and politicians could learn much there. Here we find expertise, quality and diversity.

Today most of the employees can perform several jobs. A number of employees think they have more challenging and changing working conditions as a result. Employees are individually responsible for the assembly, testing and timely production of a pump. Their personal signature stands for quality and accountability.

The purpose is to motivate and reward employees who reach objectives and performance targets set in close co-operation with management. A new compensation/salary framework is being developed to support this philosophy and will be implemented in the near future.

The ITT Flygt identity stands for expertise, quality, safety and diversity. In addition we aim to play a leadership role in environmental and social performance. Stakeholders, including the media, help us in shaping and communicating this identity.

Almost 100% of employees are union members at the Lindås factory. Management and union representatives work together towards common goals.

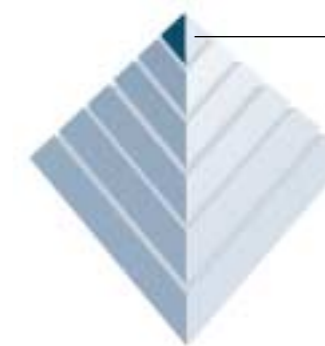
Stakeholder involvement has achieved much in Emmaboda. With stakeholder involvement as a key element in our sustainability efforts, we intend to learn lessons from the community and continuously improve on our performance within Sweden and throughout the ITT Flygt Group around the world.

Our next steps

We consider this first Sustainability Report as the start of a new journey. We have achieved much in terms of economic, environmental and social performance: however, an integrated approach to these issues and the inclusion of a more stakeholder-oriented way of working still requires us to reflect and improve upon existing practices. Sustainability is something that illustrates that the whole is more than the sum of the parts. People - our employees, customers and communities - would prefer to live in societies, not economies.

Next concrete steps for us are to:

- ▲ strengthening our sustainability strategy
- ▲ streamline and integrate our target setting and our monitoring and reporting systems within the economic, environmental and social areas
- ▲ improve a strategy for the active involvement of our key stakeholders throughout the company
- ▲ develop a vision and mission building on the sustainability strategy and the notion that ITT Flygt is a company in the business of providing water services
- ▲ enter into a debate with our stakeholders to evaluate this sustainability report and learn lessons
- ▲ continue our support of the GRI and contribute actively to the development of the sustainability reporting guidelines, and
- ▲ further anchoring of the sustainability concept within the ITT Flygt group and ITT Industries around the world.



Contacts and additional information

Contact information

This Sustainability Report is available as a pdf-file on ITT Flygt AB's web site: <http://www.flygt.com/sr99>. A Summary is available in print and can be ordered from ITT Flygt headquarters in Sweden.

The 1999 ITT Flygt Annual Report is also available.

For questions and comments about this report, or to request the printed Summary of this report, write, phone, fax or e-mail to:

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Verification

This report has not been verified by a third party. It is our objective to present a well-balanced, transparent overview of ITT Flygt's values, policies, management, operations and products. All information is checked and to the best of our knowledge, verification would not have added value in terms of credibility. Collecting data for sustainability reporting has forced us to think about the streamlining of our economic, social and environmental management systems. These systems are currently not optimally coordinated and in support of each other. Much of the existing data is qualitative and collected in an ad-hoc manner. The project team for the sustainability report assessed the data on reliability, relevance and transparency.

The Project team

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- ▲ Lena Juhlin, ERM Dynamo
- ▲ Johan Kuylenstierna, ERM Dynamo

This report is the responsibility of, and has been approved by, the ITT Flygt Management Team headed by Leif E. Carlsson, CEO ITT Flygt AB until January 2000 and Anders Hallberg, CEO ITT Flygt AB from January 2000.

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