

# Endress+Hauser Group Sustainability Report

As a family company, we think in generations, not quarters. We strive for economic success, but not at the cost of environmental standards or our social responsibility. We strongly believe this is the only path to sustainable success as a company.



## Responsibility at Endress+Hauser

**Sustainability concept** We view sustainability as a holistic concept encompassing an economic, social and ecological dimension. All three dimensions are closely linked to and dependent on each other. Only when we are able to fulfill our social and ecological responsibilities can we achieve long-term economic success. On the other side of the coin, only economically successful companies have the long-term ability to advocate environmental and social responsibility.

Our family company has a deeply ingrained sense of sustainability. The Spirit of Endress+Hauser, which translates our corporate culture into words, explicitly identifies comprehensive responsibility as one of our central values. We strive to develop loyal relationships with customers, employees and shareholders and maintain an open and constructive dialogue with these stakeholders. For us, acting responsibly as a corporation also means being environmentally aware and conserving natural resources.

**Sustainability reporting** In 2014 we laid the groundwork for comprehensive Group-wide sustainability reporting. Beforehand we defined those issues that are most important to us, analyzed their significance to the company and various stakeholders and ascertained to what extent these issues can be influenced by us. The materiality matrix that grew out of this effort helped us develop suitable key indicators related to our sustainability.

In recent years, we have created corresponding internal structures and processes to capture the defined key indicators on a Group-wide basis. Trailblazers in this area are our production centers, which are required to provide this type of data for environmental and sustainability audits. The report covers the fiscal year 2017. The data corresponds to the year-end figures and includes key indicators from all of the Endress+Hauser production facilities around the world, as well as from the Analytik Jena subsidiary.

Two years ago we also began capturing and documenting relevant sustainability indicators in our sales centers. Before we evaluate and incorporate this data into our sustainability report, we want to collect it for an additional year to ensure comparability and reliability.

## Sustainability strategy and sustainable management

**Corporate strategy** According to our corporate mission, more than 13,000 employees globally support our customers to improve their products and manufacture them more efficiently. Our goal is to further expand our position as a leading provider of products, solutions and services for process and laboratory automation. How we intend on achieving this goal is outlined in our Strategy 2020+.

We established a set of ambitious goals under the framework of this strategy, the core of which is formed by seven strategic focal points: promote the further development of our employees, strengthen our international network, deepen the industry focus, align our portfolio more precisely, improve our order and delivery chain, take only manageable risks and expand our digital expertise.

**Shareholder structure** As the shareholder family states in its Family Charter, Endress+Hauser shall remain a family company. The goal of the Family Charter, created in 2004 and revised in 2015, is to strengthen the family bonds over the long term and consistently keep the company at arm's length from family issues. Various institutions foster the family members' relationships with the company, paving the way for the younger generation in particular to become active.

A Family Council makes important decisions regarding the relationship between the family and the company. As shareholders, the family exercises influence over the company at the Annual General Meeting. In addition, two members of the Endress family currently sit on the Group's Supervisory Board – Klaus Endress as President and Hans-Peter Endress as a member of the board.

**Management and corporate governance** The Endress+Hauser Group comprises a network of legally independent companies managed and coordinated by Endress+Hauser AG. Management is in the hands of the Executive Board of Endress+Hauser AG, chaired by the CEO. Business and organizational regulations define the responsibilities and roles of the Executive Board and the independent Supervisory Board.

The Supervisory Board as a supervisory and advisory body is granted an important role in corporate governance. Its task is to oversee the work of the Executive Board by providing constructive feedback. Fundamental and far-reaching decisions are taken with the approval of the Supervisory Board. We apply the 'four-eye' principle across the entire Endress+Hauser Group. That means two or more employees participate in each business process or that the results of a process are examined by a second employee. This rule also applies to the members of the Executive Board.

**Corporate culture** The Endress+Hauser Group corporate culture is still heavily influenced by the shareholder family, especially through the legacy of company founder Dr Georg H Endress and our long-serving CEO and current Supervisory Board President Klaus Endress. The Spirit of Endress+Hauser explains in words what distinguishes this culture and establishes important values and principles.

Without specifically referencing the principle of sustainability, the Spirit of Endress+Hauser relies on numerous aspects of sustainable corporate management. Key elements of the corporate culture include comprehensive responsibility for the company, a commitment to ethical behavior and a management principle that deemphasizes profit maximization. The Spirit of Endress+Hauser furthermore contains statements regarding customer relationships, the employees, quality and communications.

**Ethical behavior** The Endress+Hauser Code of Conduct provides a binding, Group-wide guideline for dealing with customers, coworkers, partners and suppliers. It encompasses guidance on products and services, personal integrity, corporate integrity, personnel policies, company assets and corporate responsibility.

All employees are obligated to be familiar with the Code of Conduct in accordance with their tasks and responsibilities. The main content is conveyed via an interactive training module that feels like a video game. Endress+Hauser was



The human factor: As a technology company, Endress+Hauser is dependent on highly qualified professionals and young talent.

recognized last year for its forward-looking training program by research and consulting firm Brandon Hall Group.

From our suppliers we expect the same level of sound ethical behavior, thus tying together adherence to ethical and social principles, which we monitor through regular on-site audits. We are in the process of obligating our partners, one-by-one, to adhere to the ZVEI (German Electrical and Electronic Manufacturers' Association) Code of Conduct.

## Economic sustainability

**Business approach** We concentrate only on businesses we understand and which are a good fit for us. This is the foundation of our sustainability-aligned business approach. Our portfolio is based on our core expertise in process and laboratory automation. To us, profit is not the goal, but the result of good management. The vast majority of our earnings are reinvested in the company to develop better products, open up new markets, purchase more efficient

plants, construct modern buildings, promote our employees, train young people and support the Group's philanthropic endeavors.

With an equity ratio of 70.2 percent, a cash flow of 312.6 million euros and liquid assets of 411.3 million euros (2017 fiscal year figures), we are well positioned to make the investments needed to ensure a solid and successful future, without relying on external sources, and to grow our Group from within. This ensures the independence and autonomy of Endress+Hauser.

We serve customers in various industries and have sales and production centers around the world. Our largest key accounts represent less than 1.5 percent of consolidated sales. This minimizes the impact of individual customers, economic cycles, regional or sectorial business developments, currency fluctuations, political crises or natural disasters.

Our understanding of responsible corporate management includes fair wages and working conditions, adherence to social standards and the efficient and smart use of energy and resources. Measures aimed at improving sustainability include issues such as work safety, employee retention and recruiting and environmental protection.

**Production and products** Although our production has a low impact on the environment, we nevertheless continually search for ways to reduce it further. We make a concerted effort to optimize our products so that they diminish our customers' resource consumption.

We contribute to sustainability and sustainable growth through our products, solutions and services as well. With our support, our customers aim to operate their plants safely, reliably, cost-effectively and in an environmentally friendly way. Therefore our global business activities help to improve quality of life, conserve resources and protect the environment.

**Innovation** In 2017 we invested 170.7 million euros in research and development, 3.8 million euros more than the prior year. That equates to 7.6 percent of our net sales. We brought 57 product innovations to the market and introduced 571 new device options. 261 patent applications around the world are a testament to the innovative spirit of the Group, which boasts an intellectual property portfolio of 7,479 live patents and patent applications.

Innovation is driven mainly through in-house research and development activities. Endress+Hauser also acquires cutting-edge technologies, works together with universities and institutes, collaborates with customers and partners, and invests in start-ups that have widespread freedom to spur new developments at a fast pace.

**Customer, partner and supplier relationships** Long-term success is possible only by sharing ideas and maintaining a constant dialogue. We are convinced that combined strengths make us more successful. We live out this philosophy in our relationships with customers and partners. Loyal relationships show that openly sharing ideas, trust-based collaboration and mutual learning bring benefits to all participants.

Customers around the world place their trust in us. This is something we try to justify by regularly measuring their level

of satisfaction. We systematically analyze those aspects that can be optimized and address them with individual measures because we want to continually improve. Regular survey cycles reveal long-term developments and make the success of the various actions visible and measurable.

## Social sustainability

**Social responsibility** We view creating and retaining secure jobs as an important part of our social responsibility as a company. In addition, the taxes generated by our operations make a significant contribution to social well-being around the world.

In our Code of Conduct we commit ourselves to adhering to applicable laws and regulations. That means not only following the letter of the law, but the respective spirit. For this reason, we refrain from developing tax avoidance strategies and reject any business structures designed to evade taxes. We utilize tax advantages and tax relief only to the extent they accrue in the course of normal business operations and only if we are legally entitled to them.

We strive at all locations to maintain a transparent, professional and constructive working relationship with tax authorities. This includes providing correct and timely information. In 2017 we paid a total of 66.5 million euros in income taxes worldwide, 1.7 million euros more than the prior year. Our effective tax rate is currently 24.1 percent.

**Employees** At Endress+Hauser, the central factor for and driving force behind our success is a capable and dedicated workforce. Our employees create relationships with our partners based on trust, drive product innovations forward and generate added value for our customers, thus forming the essential foundation of our growth and profitability.

To keep our employees' motivation at a high level, we offer performance-based compensation, generous social benefits, attractive opportunities for career development and a comprehensive program that allows them to strike an effective work-life balance, including access to childcare services and flexible work models. We furthermore invest in the health of our employees and promote their growth through targeted personnel development and training programs.

We strive to continually improve our attractiveness as an employer. We monitor the satisfaction of our employees with regular surveys based on a Group-wide standard to ensure the results provide a comparison. We utilize the outcome of the surveys to align the company with the needs of the workforce in a targeted fashion and to enhance employee satisfaction, because only satisfied employees will deliver outstanding performance for our customers.

**Workforce in numbers** The Group-wide turnover rate for Endress+Hauser is 6.4 percent, slightly higher than 2016 (5.5 percent). This reflects the solid economic environment in many countries, where unemployment is correspondingly low. In 2017, a total of 13,299 people (including temporary employees) were employed by the Endress+Hauser Group (prior year: 13,003).

Diversity is a key principle with respect to our employees as well, making us less susceptible to external influences. Employee diversity increases productivity, encourages innovation, strengthens customer retention and helps us compete for talent.

At the end of 2017, people from 98 countries worked for the Endress+Hauser Group. Women represent 29.9 percent of the workforce, a figure that rose slightly from the prior year (29.4 percent) and which is relatively high compared to companies in the industrial sector. The age groups are equally distributed across the Group, with little change experienced compared to 2016.

**Occupational safety** With respect to Group-wide occupational safety, we put significant effort into ensuring our employees enjoy a safe, pleasant and productive work environment. The number of occupational accidents with lost days was 9.6 per 1,000 employees. This represents a slight increase from the prior year (9.3 per 1,000 employees), but nevertheless remains at a low level.

We initiate accident prevention, risk awareness and work safety measures at our locations depending on the business activities and the local environment. Our occupational safety specialists are generally involved in workplace-related decisions at a very early stage. Cafeterias at numerous locations all around the world offer our employees a varied and healthy selection of nutritional meals.

### Young talent and personnel development

As a technology company, we depend on highly qualified professionals and young talent. To attract new employees, the Endress+Hauser Group strives to continuously improve the working conditions for its employees and strengthen its internal and external image with targeted employer branding.

Endress+Hauser made a commitment to train and educate young people. Particularly in Germany and Switzerland, we train the vast majority of our specialists internally. Endress+Hauser had 301 apprentices in 2017, which equates to an unchanged trainee ratio of 2.4 percent. For many years, we have been in a position to offer virtually every apprentice a permanent position upon completion of their vocational training program.

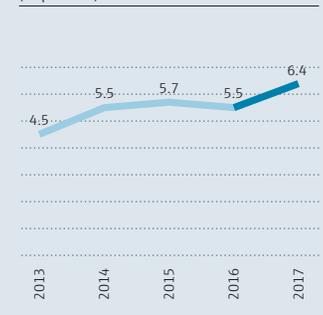
We view the training of young people worldwide as an important part of our social responsibility. With this in mind, at our production facility in Aurangabad, India we have begun the development of a training and education program comparable to the vocational training offered in Germany and Switzerland.

Through Endress+Hauser Masterclass, we offer our employees a broad range of courses, seminars and training

Endress+Hauser Group employee headcount and demographics



Employee turnover (in percent)



Occupational injuries with lost working days (per 1,000 employees<sup>1</sup>)



<sup>1</sup> Based on all Endress+Hauser production centers worldwide and Analytik Jena

and education events that currently number more than 1,500. Last year we had nearly 59,000 course bookings, a noticeable increase compared to the previous year. We established a strategic goal of setting aside 2.5 percent of all personnel expenses for training. This equates to roughly five days of training per employee each year.

**Social engagement** Endress+Hauser is engaged in volunteer activities wherever the company is located in the world. We sponsor select projects involving social, cultural, educational, scientific and sports activities, as well as the promotion of young talent. In the area of charitable contributions, we focus our assistance mainly on non-profit initiatives and social organizations.

We maintain research and education partnerships with scientific facilities and training centers around the world. We enjoy close partnerships with 15 universities and research institutes. We maintain relationships with education facilities and training centers in 36 countries, which we equip with measurement instruments or complete process training systems.

There is no central accounting of the money invested in our broad range of charitable and sponsor activities, and in our research and education partnerships in the form of monetary and equipment donations and personnel resources, because these activities are the responsibility of the Endress+Hauser Group subsidiaries.

## Environmental sustainability

**Environmental footprint** As a globally active Group of companies, it is necessary for us to consume energy and resources. We nevertheless strive to continually reduce the amount of resources consumed by our business operations and

production facilities, as well as the resulting emissions and pollutants, and thus our overall impact on the environment.

To examine our environmental footprint, each year we capture corresponding data and key indicators related to energy and water consumption, carbon dioxide emissions and waste accumulation. The data encompasses all Endress+Hauser domestic and overseas production sites, and since 2015 Analytik Jena. Not incorporated in the figures are three smaller Group companies: Swiss sensor manufacturer Innovative Sensor Technology IST, plus US-based SpectraSensors and Kaiser Optical Systems. To date, neither have we incorporated the environmental footprint of our sales and support centers.

The numerous buildings constructed by our sales centers around the world in recent years all satisfy very stringent energy efficiency standards. The new building at our sales center in Brussels, Belgium is a shining example. The usable floor space was doubled, while at the same time reducing energy consumption by half to less than 15 kilowatt hours per square meter per year. The building is nearly energy-autonomous thanks to the use of geothermal probes and solar panels.

**Energy** Energy consumption for plants and machinery is comparatively low. The production centers use a large part of the energy for heating and lighting, as well as for the office and IT infrastructures. Energy consumption for heating and electricity has remained stable over recent years for the most part. For 2017, it amounted to 61.6 megawatt hours per one million euros of sales, a decrease from the previous year (65.3 megawatt hours).

**Carbon dioxide** Carbon dioxide is considered the key man-made greenhouse gas. Experts estimate that it contributes as much as 60 percent of the increase in the greenhouse effect. It thus plays a significant role in the anthropogenic impact on the climate. We are pleased to report that our

CO<sub>2</sub> emissions have remained relatively constant since 2011. In 2017, CO<sub>2</sub> emissions fell slightly to 16.6 million metric tons per one million euros of sales compared to the previous year's 16.8 metric tons per one million euros of sales.

**Water consumption** At Endress+Hauser, water is required primarily for sanitary and cleaning purposes. We successfully reduced our water consumption last year. Water consumption in 2017 was 133 cubic meters per million euros in sales compared to 148 cubic meters the prior year.

**Waste** Waste accumulation within the Endress+Hauser Group has generally remained at a constant level over recent years. Based on the various types of waste, from year to year we experience greater fluctuations that result from changes in the product mix, for instance, or because of special effects such as construction projects or inventory clearances. Because the information regarding the amount of waste is derived from the disposal company invoices, the various pickup schedules also influence the yearly numbers.

In the 2017 financial year, the Endress+Hauser production centers accumulated 957 kilograms of waste per one million euros in sales, an increase from the 911 kilograms the year before. The amount of special waste increased from 285 to 308 kilograms per one million euros in sales, and the volume of scrap metal rose from 736 to 893 kilograms per one million euros in sales. This increase stemmed from the disposal of decommissioned production equipment at a single location. The amount of electric scrap again slightly decreased from 16.7 to 16.6 kilograms per one million euros in sales during the same time period.

**Certification and auditing** Sustainability is becoming a focus for our customers as well. How to deal with social and environmental standards has long become a vital part of many procurement processes. All Endress+Hauser production centers are certified in accordance with ISO 9001/14001

(quality management and environmental management) and OHSAS 18001 (Occupational Health and Safety Assessment Series). Endress+Hauser furthermore analyzes the sustainability of its own business processes by undergoing the EcoVadis audit.

EcoVadis operates a global platform to evaluate suppliers in accordance with ecological, social and ethical criteria. Structured reporting methods make it possible to understand how a company performs with respect to the environment, society and ethics. The results also highlight areas where there is room for improvement. More than 20,000 companies use EcoVadis to reduce risks, create transparency and build trust.

Endress+Hauser scored 66 out of 100 points in the 2017 EcoVadis sustainability audit to achieve gold status. The audit examines 21 criteria in the areas of environmental protection, work conditions, business practices and procurement. Endress+Hauser scored above-average in all areas to make it to the top two percent of all companies that were evaluated.

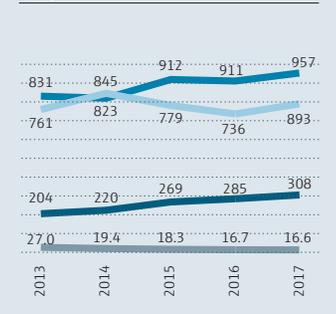
**Energy consumption for heating and electricity** (in MWh/EUR millions in sales<sup>1</sup>)



**Carbon dioxide emissions** (in metric tons/EUR millions in sales<sup>1</sup>)



**Waste accumulation** (in kg/EUR millions in sales<sup>1</sup>)



■ Waste  
■ Scrap metal  
■ Special waste  
■ Electric scrap

<sup>1</sup> Based on all Endress+Hauser production centers worldwide and Analytik Jena

