

# Endress+Hauser Group Sustainability Report

As a family company, we want to constantly change things for the better. This is why at Endress+Hauser, we insist that business growth remains in line with environmental and social progress. Our report provides a glimpse into how we strive to create sustainable benefits.







Innovative strength: Endress+Hauser invests continuously in research and development; the patent portfolio is larger than ever before.

## Responsibility at Endress+Hauser

**Sustainability concept** We view sustainability as a holistic concept encompassing economic, social and ecological dimensions. All three dimensions are closely linked 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 hand, only economically successful companies can exercise their responsibility in regard to the environment and society.

As a family company, we take special care to think beyond the moment at hand. We think in generations, not in quarters. We pursue long-term goals and want to permanently change things for the better. Thus, the sense of sustainability is deeply rooted in our company culture.

The Spirit of Endress+Hauser, which translates our corporate culture into words, explicitly identifies comprehensive responsibility as one of our core values. We strive to develop trustful and 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 report** We have been publishing a sustainability report since 2014 to document our performance and to describe corresponding measures and concepts. Prior to this, we used a materiality analysis to identify those issues that are important to us and our stakeholder groups and to determine which issues we are in a position to influence. The materiality matrix we developed based on that helped us define suitable key indicators for sustainability.

In recent years, we have created corresponding internal structures and processes to capture the defined key indicators for sustainability on a Group-wide basis. Trailblazers in this area are our production centers, which are required to provide the relevant data for environmental and sustainability audits. Four years ago, we also began collecting and documenting sustainability indicators in our sales centers, which we have now incorporated into our sustainability reporting.

The report covers the fiscal year 2019; the data corresponds to the year-end figures. In cases where Group-wide figures are not yet available, the data includes all Endress+Hauser production centers, the vast majority of our sales centers around the world and our subsidiary Analytik Jena. This year we captured data for the first time for the three Group companies SpectraSensors, Kaiser Optical Systems and Innovative Sensor Technology IST. For better comparison, these three companies have been included in the charts retrospectively. As a result, the figures differ from those published in previous sustainability reports.

**Strategic sustainability indicator** Since 2015, we have been taking part in the EcoVadis annual sustainability audit. This audit examines corporate management systems around the world with respect to corporate social responsibility (CSR) using 21 criteria in the areas of the environment, working conditions and human rights, fair business practices and sustainable procurement. These criteria are based on international standards such as the Global Compact Principles,

the International Labor Organization (ILO) conventions, the Global Reporting Initiative (GRI) standards, the ISO 26000 guidelines and the CERES principles.

With 72 out of a possible 100 points, we once again achieved gold status in the EcoVadis benchmark and improved our score by a total of 20 points compared to 2015. We thus belong to the top 2 percent of all certified companies in our comparison group. In the area of working conditions and human rights, we belong to the top 1 percent. Overall, EcoVadis identified 25 strengths, from child daycare services and health checkups, to regular employee surveys.

This independent audit, which we undergo every year, is an important indicator of our progress in the field of sustainable business management. Apart from the industry comparisons, EcoVadis also provides improvement recommendations. Roughly 60,000 companies around the world have already been certified by EcoVadis.



## Sustainability strategy and sustainable management

**Corporate strategy** According to our corporate mission, more than 14,000 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 to achieve 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, handle risks in a responsible manner and expand our digital expertise.

For laboratory analysis our subsidiary Analytik Jena AG developed its own business strategy in close cooperation with the Group management. It aims to expand and strengthen the product portfolio and address the markets and customers more broadly.

**Shareholder structure** As the shareholder family states in its Family Charter, Endress+Hauser should remain a successful family company. The goal of the Family Charter, created in 2006 and revised twice, is to strengthen solidarity within the family over the long term and consistently isolate the company from family issues.

Various institutions foster the family members' relationships with the company and introduce the younger generation in particular to the company. The success of these efforts is reflected in the Family Council, which makes important decisions regarding the relationship between the family and the company. Since 2019 the younger generation has made up five of the eight representatives on the council.

Furthermore, Sandra Genge, a granddaughter of company founder Georg H Endress, will join the Supervisory Board of Endress+Hauser AG in 2022, becoming the first representative of the younger generation to sit on this board. Two representatives of the family are currently active on the Supervisory Board: Klaus Endress, who serves as President, and Hans-Peter Endress, who will retire in 2022. The members of the family also exert influence on the company as shareholders during the Endress+Hauser AG annual General Meeting.

**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 the results of a process are examined by a second employee. This rule also applies to the members of the Executive Board or the Supervisory Board.

**Corporate culture** The Endress+Hauser Group corporate culture is still heavily influenced by the shareholder family and their representatives in the company. The Spirit of Endress+Hauser explains in written form 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 de-emphasizes profit maximization. The Spirit of Endress+Hauser furthermore contains statements regarding customer relationships, the employees, a culture of 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 comes in the style of a video game.

We expect our suppliers to adhere to the same level of sound ethical behavior and ethical and social principles. This includes the obligation to comply with the German Electrical and Electronic Manufacturers' Association (ZVEI) Code of Conduct, which we verify by means of regular on-site audits.

## 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 instrumentation.

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, construct more efficient operating facilities, erect modern buildings, promote our employees, train young people and support the Group's CSR activities.

With an equity ratio of 75.6 percent, a cash flow from operating activities of 347.3 million euros (without effects from outsourcing of German pension liabilities), plus cash, cash equivalents and financial assets totaling 795.1 million euros (2019 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 our company.



Resource efficiency: Advanced instrumentation facilitates maintenance and reduces the servicing costs of our customers' plants.



We serve customers in various industries and have sales and production centers around the world. Even our largest key accounts represent less than 1.5 percent of our net sales. This minimizes the impact of individual customers, economic cycles, regional or sectoral 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 occupational safety, employee retention and recruiting as well as environmental protection.

**Offering** Our customers are increasingly interested in how they can use our offerings to achieve their own sustainability objectives. Our products, solutions and services help to make processes safer and more efficient. Thanks to superior measurement technology and automation solutions, plants can be operated reliably and in an eco-friendly manner and processes can be designed to conserve resources. That means our global business activities help increase product quality and production safety, save resources and energy, and protect the environment and the climate.

Within the context of operating industrial plants, our instruments require negligible amounts of energy. We nevertheless make a concerted effort to optimize our products so that they diminish our customers' resource consumption. Modern field devices equipped with the Endress+Hauser Heartbeat Technology perform self-diagnostics in the background and create clear status reports with explicit instructions regarding what actions to take. This enables cost-effective maintenance and safe plant operation with extended inspection cycles.

In addition, digital interconnection of measurement technology makes actual conditions transparent and thus permits the optimization of processes and information flows. When it comes to developing new products, an eco-design guideline ensures they are designed as sustainably as possible. This includes material requirements, a design

geared toward longevity and ensuring disposal at the end of the life cycle is as simple as possible.

**Innovation** In 2019 we invested 202.0 million euros in research and development, 9.7 percent more than in the prior year. That equates to 7.6 percent of net sales. 318 patent applications around the world are a testament to the innovative spirit of the Group, which boasts an intellectual property portfolio of more than 8,000 active patents and patent applications.

More than 1,100 employees in research and development ensure that the innovation engine continues to run at full speed. Endress+Hauser also acquires cutting-edge technologies through company takeovers, cooperates closely with universities and institutes, collaborates with customers and partners and invests in start-ups that are capable of accelerating new developments with a great deal of freedom.

**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. This philosophy is reflected in the way we manage our customer and partner relationships. Loyal relationships illustrate that openly sharing ideas, trust-based collaboration and mutual learning bring benefits to all parties involved.

Customers around the world place their trust in us. We try to earn this trust by regularly measuring their level of satisfaction. We systematically analyze those aspects that can be optimized and address them with individual measures 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 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 2019 we paid a total of 81.0 million euros in income taxes worldwide. Our effective tax rate is currently 23.4 percent.

**Employees** Committed and competent employees are the driving force behind our success. They 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. For good reason, the Endress+Hauser claim, People for Process Automation, puts people first.

To provide our employees with a good working environment, we offer performance-based compensation, above-average 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 in a targeted fashion, because only satisfied employees will deliver outstanding performance for our customers.

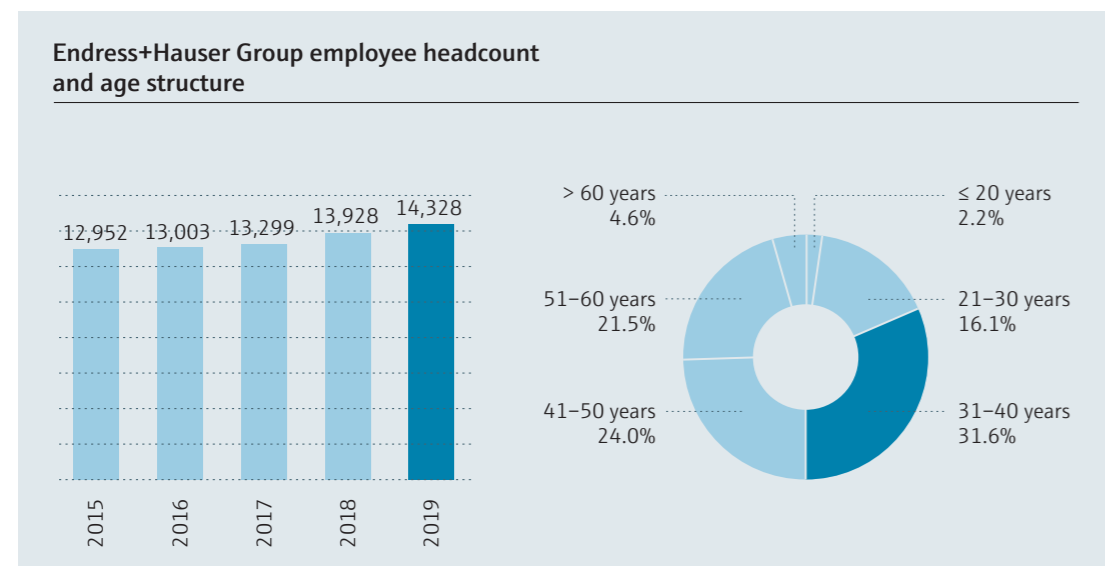
**Workforce in numbers** On average globally, our employees have been working for Endress+Hauser for 10.0 years. The Group-wide turnover rate is 6.6 percent and is thus lower than 2018 (7.7 percent), despite the solid economic environment in many countries with correspondingly low unemployment rates. At the end of 2019, a total of 14,328 people (including temporary employees) were employed by the Endress+Hauser Group (prior year: 13,928).

Diversity is a key principle with respect to our employees as well, reducing risks and 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 2019, people from 104 countries worked for the Endress+Hauser Group. Women represent 29.9 percent of the workforce, which is slightly lower than the prior year (30.1 percent), but still high compared to companies in the industrial sector. The age groups are equally distributed across the Group, with little change experienced compared to 2018.

**Occupational health and 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 time reached 6.8 per 1,000 employees. It was slightly above the previous year's figure of 5.7, but still 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. Company restaurants at numerous locations all around the world offer our employees







Career prospects: Vocational training and further education programs offer our employees the freedom for personal development.

a varied and well-balanced selection of nutritional meals. Our Group companies also develop individual activities for health promotion and prevention.

**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. In 2019 the apprenticeship ratio was 2.2 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 started a dual vocational training program. We are currently training young people there in a one-year course to become electronics technicians, thereby opening up new career prospects for them. A similar apprenticeship program for industrial mechanics is currently being established in the USA.

Another issue which is designed to increase diversity and strengthen our talent pool, is the advancement of female employees. Through our global initiative Women's Integrated Network, we want to make greater use of the potential of working women and over the long-term boost their ranks in management and specialist positions. Serving as a model is a project in the US in which Endress+Hauser doubled the percentage of women in management positions to nearly one-third within four years. This program contains a wide range of measures, from new recruiting approaches and internal mentoring programs, to external networking activities, such as with universities.

As part of the Endress+Hauser Masterclass program, we offered our employees in 2019 a broad range of 1,795 courses, seminars and events. Last year we had 59,116 course bookings, a clear 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 research centers in 36 countries, which we equip with measurement instruments or complete process technology 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.

Our employees are also committed to the common good, which is exemplified by the Group-wide Endress+Hauser Water Challenge that we kicked off in 2019. With this campaign, our employees walk or run alongside a body of water, or swim a specific distance, donating a small amount for each kilometer they complete. The company then doubles the total amount. The proceeds are earmarked for selected aid projects in Asia, South America or Africa that improve access to clean drinking water. We have thus taken our business commitment to a safe, efficient and eco-friendly water supply and transferred it to the non-profit sector.

## Environmental sustainability

**Environmental footprint** Our production is not energy intensive and has only a minor impact on the environment. The major sources of our ecological footprint are building and office infrastructures, commuting to and from work, business travel and material transport.

We nevertheless continually search for opportunities to lower the burden on the environment, such as the construction of energy-efficient buildings, the utilization of sustainable energy or supporting electromobility. We constantly strive

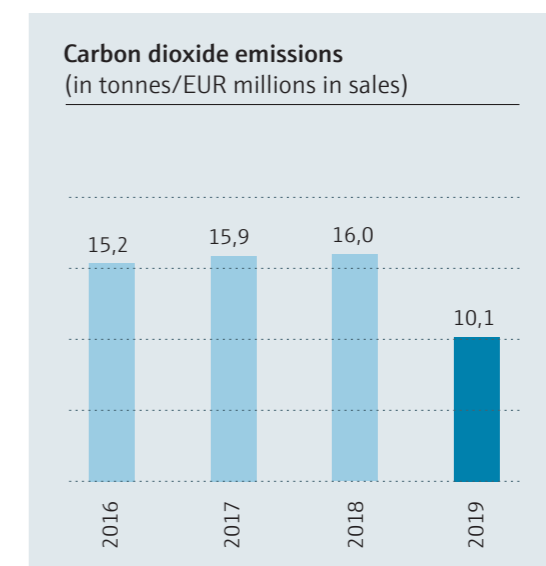
to improve ourselves and enhance existing concepts with innovations. In Canada, for example, we are currently building a new customer experience and process training center that is 100 percent energy self-sufficient. The solar systems installed on the roofs of our buildings provide a combined output of around 1 megawatt peak, which covers roughly 2 percent of our total demand for electrical energy.

We are convinced that many small steps make a difference as well. For example, we have systematically equipped our lighting systems with LED lamps, and the sanitary facilities in our European production centers feature water-saving nozzles. We also support our employees' environmentally aware behavior through, for example, participation in the Bike to Work initiative, which promotes cycling via team-based competitions, or through 'JobRad', a bicycle leasing service in Germany.

**Environmental footprint** To examine our environmental footprint, each year we capture corresponding data related to energy and water consumption, carbon dioxide emissions and waste accumulation. The data encompasses all Endress+Hauser domestic and overseas production sites, our subsidiary Analytik Jena and our sales and support entities all over the world. For the first time this footprint includes three smaller Group companies: the Czech Republic location of Swiss sensor manufacturer Innovative Sensor Technology IST, plus US-based SpectraSensors and Kaiser Optical Systems.

**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 office and IT infrastructures. Energy consumption for heating and electricity has declined over the past few years as a result of measures to increase energy efficiency. In 2019, it amounted to 45.6 megawatt hours per million euros of sales, a decrease from the previous year (48.5 megawatt hours).

**Carbon dioxide** Carbon dioxide is considered the key greenhouse gas produced by humans. 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. In 2019, our European production centers reduced their CO<sub>2</sub> emissions by half through the systematic use of green electricity, as well as by generating renewable energy with their own photovoltaic systems. This improves the overall carbon footprint of the Endress+Hauser Group by a good one-third. In 2019, our CO<sub>2</sub> emissions fell to 10.1 tonnes per million euros of sales compared to 16.0 tonnes per million euros of sales in 2018.

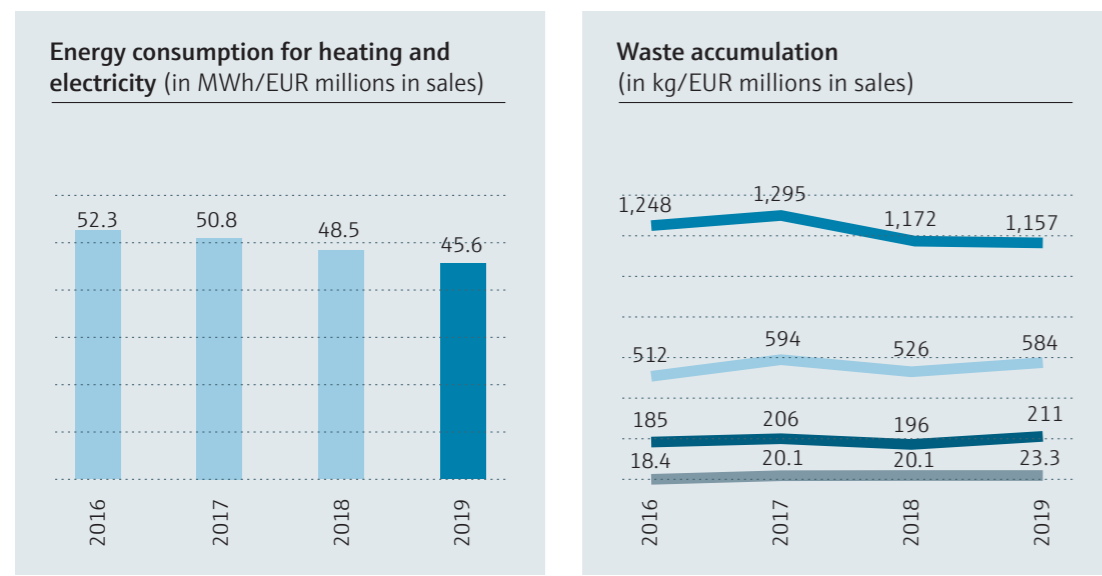
**Water consumption** At Endress+Hauser, water is required primarily for sanitary and cleaning purposes. We successfully reduced our water consumption last year. Water consumption in 2019 was 129 cubic meters per million euros in sales compared to 137 cubic meters the prior year.

**Waste** Waste accumulation within the Endress+Hauser Group fluctuates from year to year in relation to the various types of waste, resulting for example from changes in the product mix or reflecting special effects such as construction work or inventory adjustments. 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 2019 financial year, our worldwide operations accumulated 1,157 kilograms of municipal waste per million euros in sales, a decrease from the 1,172 kilograms the year before. The amount of special waste grew from 196 to 211 kilograms per million euros in sales and the amount of scrap metal increased from 526 to 584 kilograms per million euros in sales. Scrap electronics increased during the reporting period from 20.1 to 23.3 kilograms per million euros in sales.

**Certification and auditing** Sustainability is becoming a focus for our customers as well, some of whom are using the United Nations' 17 sustainable development goals as a blueprint. Dealing with social and ecological standards has long been an integral 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/ISO 45001 (occupational health and safety). Endress+Hauser furthermore analyzes the sustainability of its own business processes by undergoing the EcoVadis audit.



## Imprint

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**Photography** Endress+Hauser, Pino Covino, Deutsche Telekom, Christoph Fein, iStock, Andreas Pohlmann

**Production, design** Kohlstruk Medienmanagement GmbH, Freiburg, Germany  
Birk Grafikdesign, Ebringen, Germany

**Print** Straub Druck + Medien AG, Schramberg, Germany

**Picture editing** vetter mediendesign, Kelkheim, Germany

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This annual report is published once a year in English and German. Read it online via [www.endress.com/financial-results](http://www.endress.com/financial-results) or download our Kiosk app for Android and iOS.

