

# Endress+Hauser Group Sustainability Report

As a family company, we want to combine long-term economic success with ecological and social progress. This strategic orientation has proven resilient in the crisis year 2020. The Covid-19 pandemic demonstrates how intertwined different systems actually are and how important responsible action is. In this report we provide an overview of how we create sustainable benefits through our work and our products.

## 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 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 are capable of making a long-term contribution to society and the environment.

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 central 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 REPORTING

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. The relevant metrics are recorded worldwide.

The report covers the 2020 fiscal year. The data corresponds to the year-end figures. In cases where Group-wide figures are not yet available, the data includes all production centers as well as the vast majority of our sales centers around the world.

### STRATEGIC SUSTAINABILITY INDICATOR

Since 2015, we have been taking part in the EcoVadis sustainability audit. 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. About 75,000 companies around the world have already been certified by EcoVadis.

With 72 out of a possible 100 points, we once again achieved gold status in the EcoVadis benchmark in early 2020, improving our score by another 4 points compared to the previous year. We thus belong to the top 2 percent of all certified companies in our comparison group. We have already initiated a follow-up audit in February 2021 but did not receive the results by the editorial deadline of this sustainability report at the beginning of April.

## Sustainability strategy and sustainable management

### CORPORATE STRATEGY

According to our corporate mission we 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.

This strategy proved stable in terms of resilience in the crisis year 2020. We succeeded both in protecting people's health and supporting our customers around the world in the best possible way. We only experienced short production interruptions in China, India, Italy and South Africa due to official orders. We ensured material availability at all plants as well as our ability to deliver worldwide. Besides, we were able to avoid reduced working hours almost completely and did not lay off any employees as a consequence of the crisis.

Last but not least, improvements concerning the digitalization of our business – in our products, in collaboration with our customers and in our internal processes – helped through the crisis. We were able to provide support to our customers remotely, work closely with them and help maintain their productivity. This proved of utmost importance especially in systemically relevant businesses.

In laboratory analysis, Analytik Jena made an active contribution toward fighting the pandemic with its expertise in PCR technology. Our subsidiary supplied necessary equipment and materials to numerous organizations, e.g. to the emergency hospital in Wuhan, China.

The experience obtained from the coronavirus pandemic will be incorporated into our future strategy 2027+. We started drawing up the strategy in the past year and have scheduled the Group-wide rollout of the enhanced strategic framework for fall 2021.



### 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.



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1  
 Mobility: Bicycle leasing services promote ditching the car.

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 Resources: Briquetting metal chips facilitates the recycling of metalwork scrap.

3  
 Energy: A 'wind tree' generates green energy at the German Gerlingen site.

**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 and Supervisory Board, respectively.

**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. Last but not least, a strong sense of solidarity is evident in the corporate culture we live by. This team spirit also became visible in the 2020 pandemic year.

Our sales centers in Japan and Thailand, for example, supplied hygiene masks, disinfectants and protective equipment to China during the early stages of the pandemic. In return, Endress+Hauser China later distributed 300,000 protective masks to affiliated companies in countries that suffered severely from Covid-19. Endress+Hauser Liquid Analysis manufactured disinfectants in its Waldheim, Germany facility to supply locations in Germany and Switzerland.

**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 must be familiar with the guidelines of the Code of Conduct in accordance with their duties and responsibilities. The main content is conveyed via an interactive training module.

We expect our suppliers to adhere to the same level of sound ethical behavior and to observe ethical and social principles. This includes the obligation to comply with the German Electrical and Electronic Manufacturers' Association (ZVEI) Code of Conduct. We verify the compliance 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 automation.

To us, profit is not the goal but the result of good management. The vast majority of our earnings remain 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. Doing this, we reinforce the company's future sustainability and resilience in times of crisis.

With an equity ratio of 77.0 percent, a cash flow from operating activities of 439.4 million euros plus cash, cash equivalents and financial assets totaling 945.0 million euros (2020 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.

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, which minimizes the impact of individual customers, economic cycles, regional or sectoral business developments, currency fluctuations, political crises or natural disasters. So far, this is evident even during the coronavirus crisis.

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 more efficient, safe and resource-conserving. That means our global

business activities help to 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 devices require negligible amounts of energy. More serious effects would be malfunctions leading to a production disturbance or an interruption of operations. In addition to comprehensive quality management from development through production to operation of our instruments, predictive maintenance concepts are playing an increasing role in further reducing the risk of unexpected failures. Modern field devices from Endress+Hauser equipped with Heartbeat Technology perform self-diagnostics in the background and create clear status reports with explicit instructions for action. 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 special requirements for materials, a design geared to longevity and simple disposal at the end of the life cycle.

### INNOVATION

In 2020, we invested 195.1 million euros in research and development. As in the previous year, this corresponds to 7.6 percent of our net sales. 276 patent applications around the world filed for the first time are a testament to the innovative spirit of the Group. In 2021, we want to launch a record number of 74 new products. The intellectual property portfolio further increased in 2020, now boasting more than 8,900 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 and expertise 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



Good prospects: 332 young people receive their vocational training at Endress+Hauser.

- 1 Processes: Adapted workflows prevent Covid-19 infections in the canteens.
- 2 Prevention: Distancing, hygiene and masks allow for safe working in manufacturing.
- 3 Online: Seminars and trainings are held in a virtual space.

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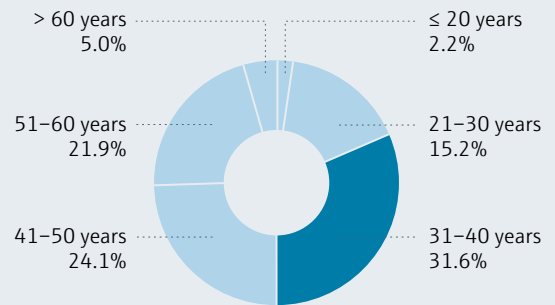
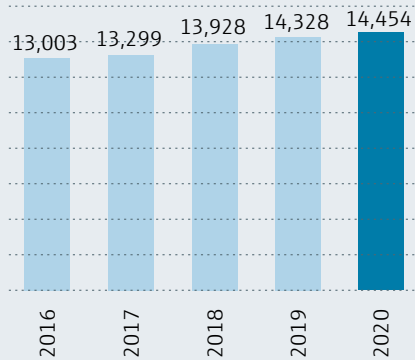


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### Endress+Hauser Group employee headcount and demographics



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 2020 we paid a total of 82.7 million euros in income taxes worldwide. Our effective tax rate is currently 24.5 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.

To create a good working environment for our employees, 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.

During the pandemic year of 2020, we made the health of our employees our top priority: early on, we responded to the coronavirus outbreak with travel restrictions and issued Group-wide guidelines for dealing with Covid-19 as early as February. The guidelines include comprehensive hygiene measures and organizational concepts to prevent infection with SARS-CoV-2. We actually succeeded in avoiding infections within the company with only a few exceptions.

About 10,000 employees around the world, more than two thirds of our staff, have worked from home some of the time. We tried to make up for the physical distance through emotional

proximity by intensifying communication and shifting department and company meetings to a virtual space. Depending on the local situation, Endress+Hauser granted parents up to five days to arrange childcare during lockdowns or to take care of it themselves at short notice.

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.

A current evaluation of the data derived from recent employee and customer surveys illustrates that employee engagement and customer retention are directly related. Only motivated employees provide outstanding service to our customers. Measuring and describing the interconnection between employee and customer satisfaction in different areas enables us to take targeted measures and assign appropriate priorities.

### WORKFORCE IN NUMBERS

On average globally, our employees have been working for Endress+Hauser for 10.3 years. The Group-wide turnover rate was 5.0 percent and thus lower than the previous year (2019: 6.6 percent). At the end of 2020, a total of 14,454 people (including temporary employees) were employed by the Endress+Hauser Group (prior year: 14,328). There were no layoffs as a consequence of the pandemic. Apart from only a few justified exceptions, reduced working hours could be avoided.

Diversity is a key principle with respect to our employees as well, reducing risks and making us more resilient in times of crisis. A diverse workforce increases productivity, encourages innovation, strengthens customer retention and helps us compete for talent.

At the end of 2020, people from 101 nations worked for the Endress+Hauser Group. Women represent 29.6 percent of the workforce, which is slightly lower than the prior year (29.9 percent), but still high compared to other companies in the industrial sector. The age groups are equally distributed across the Group, with little change experienced compared to 2019.

### 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. In 2020, the number of occupational accidents with lost time reached 5.5 per 1,000 employees, a significant decrease compared to the previous year's figure (6.8), which in part results from the reduced office hours and travel activity of our employees.

We initiate accident prevention, risk awareness and work safety measures at our locations. 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 a varied and well-balanced selection of nutritional meals. In the course of the

previous year, we provided several online actions and 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.

One of our targets is increased diversity: Endress+Hauser makes an effort to attract the best employees, independent of gender, age, ethnic origin, religious or philosophical beliefs or sexual orientation. In this respect, a special focus is on the promotion of women. By 2030, Endress+Hauser wants to increase the share of women in management positions to around 30 percent and on the whole attract more women. The targeted proportion of women in the workforce is 40 percent.

To reach this goal, our global initiative called Women's Integrated Network (WIN) has defined five areas of focus: an employer brand that appeals to women, a staff development program that is geared toward women as well as men, flexible work models, measures against unconscious bias in recruitment and the use of networks to draw the attention of female professionals to Endress+Hauser. Apart from that, female role models in the company should become more visible.

Currently, Endress+Hauser is testing an artificial intelligence platform designed to advertise vacant positions in a manner that appeals to more diverse target groups. With regard to wages, a policy will be implemented to increase comparability and transparency to promote fair remuneration.

Furthermore, Endress+Hauser made a strong commitment to train and educate young people. Particularly in Germany and Switzerland, we train the vast majority of our specialists internally. In 2020, 332 young people were undergoing vocational training with us, which corresponds to a trainee ratio of 2.3 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. That has not changed, even in the pandemic year of 2020.

We allow freedom for personal growth and development of our employees. With this in mind, 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. Thanks to a high level of digitalization within the company and against the backdrop of contact and travel restrictions, we were able to quickly move our employee training and development programs to a virtual space. We recently began offering part of our workforce access to LinkedIn Learning, a platform boasting more than 16,800 virtual courses.

## 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. 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.

In 2020, a team at Endress+Hauser Temperature+System Products located in Nesselwang, Germany shared its expertise in the field of digital learning and virtual knowledge transfer with staff members at the charity Humedica, enabling them to increasingly contact their supporters online, thus ensuring their humanitarian work in more than 30 countries around the world in times of pandemic.

The Endress+Hauser Water Challenge, a Group-wide initiative, has been running since 2019. In charity runs, employees all around the globe raise funds to improve worldwide access to clean drinking water; the company then doubles the total amount. The funds go to select aid projects in Asia, South America or Africa. 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. As a result of the pandemic, CO<sub>2</sub> emissions from business travel decreased significantly in 2020. We generally seek opportunities to reduce impacts, for example by constructing energy-efficient buildings, using renewable energy or supporting electromobility.

Our product center Endress+Hauser Flow in Reinach, Switzerland, for instance, reduced the relative emissions of greenhouse gases by 44 percent from 1.68 to 0.95 tonnes of CO<sub>2</sub> equivalency per million euros of sales over the last five years, backed up by ongoing investments promoting energy efficiency. Moreover, the facility obtains electrical energy only from renewable sources. According to a survey conducted by the magazine Bilanz, the newspaper Le Temps and the statistics portal Statista, the location ranks among the top 20 most climate-conscious companies in Switzerland. The product center aims to operate the Reinach facilities in a climate-neutral manner by 2030.





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1 Communication: The lock screen points out basic Covid-19 rules and calls for mindfulness.

2 Solidarity: The coronavirus pandemic shows the importance of unity in times of crisis.



Diversity: Endress+Hauser strives to increase the share of women in the workforce and to recruit more women for management positions.



We also look for possible savings in our supply chain. Our new logistics hub located in Wörrstadt, Germany will not only bundle shipping of all products from European production facilities to the respective customers, but in addition receive and redirect material supplies to the manufacturing sites. Sending the shuttle trucks delivering the products back with loads of supply parts eliminates about 75 percent of empty trips. Thus, the ecological footprint of the entire supply chain is improved. Beginning in 2022 we will employ electric trucks for these transports, resulting in CO<sub>2</sub> reductions of about 1,200 tonnes per year.

We also support our employees' environmentally aware behavior, for example through participation in the Bike to Work initiative, which promotes cycling via team-based competitions, or through JobRad, a bicycle leasing service in Germany. Furthermore, we increasingly offer the necessary charging infrastructure to visitors and employees using electric cars at our locations.

**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 domestic and overseas production sites and the great majority of our sales and support entities all over the world.

**ENERGY**

For an industrial enterprise, energy consumption for plants and machinery in facilities of the Endress+Hauser Group is comparatively low. The production centers use a large amount

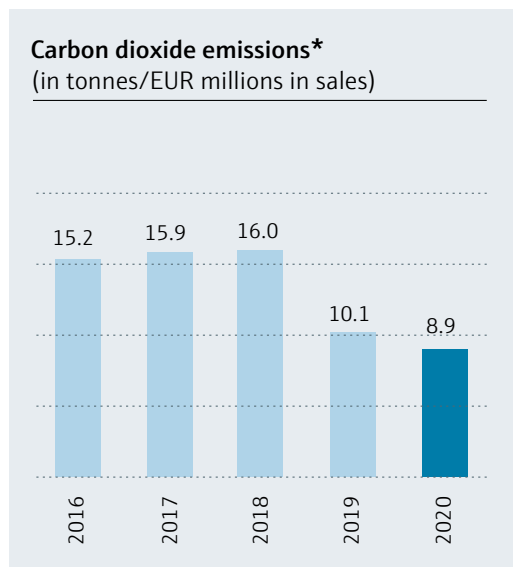
of the energy for heating and lighting, as well as for the office and IT infrastructures. Energy consumption for heating and electricity had declined in recent years as a result of measures to increase energy efficiency. Partly due to the vigorous ventilation of buildings because of the pandemic, it increased again to 49.7 megawatt hours per million euros in sales in 2020 (2019: 45.6 megawatt hours).

**CARBON DIOXIDE**

Thanks to a systematic use of green electricity, our European product centers significantly reduced their CO<sub>2</sub> emissions in 2019. On that basis, the Endress+Hauser Group improved its overall carbon footprint by more than one third. In 2020, during the Covid-19 crisis, CO<sub>2</sub> emissions decreased further to 8.9 tonnes per million euros in sales (2019: 10.1 tonnes). Our employees significantly reduced business trips due to movement, travel and contact restrictions.

**WATER CONSUMPTION**

At Endress+Hauser, water is required primarily for sanitary and cleaning purposes. Since in 2020 more than two thirds of our workforce was working from home at least some of the time, water consumption decreased to 115 cubic meters per million euros in sales (2019: 130 cubic meters).



\*) excluding Innovative Sensor Technology IST

## 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 figures.

In the past financial year, our worldwide operations accumulated 1,134 kilograms of municipal waste per million euros in sales, a decrease from 1,190 kilograms the year before. The volume of hazardous waste increased from 211 to 229 kilograms per million euros in sales, while the amount of scrap metal shrank from 494 to 396 kilograms per million euros in sales. The volume of electronic scrap decreased in the reporting period from 21.3 to 19.6 kilograms per million euros in sales.

## CERTIFICATION AND AUDITING

Sustainability is increasingly becoming a focus for our customers, some of whom are using the United Nations' 17 sustainable development goals as a blueprint. How to deal with social and environmental standards is 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/ISO 45001 (occupational health and safety) as well as, in some instances, ISO 50001 (energy management).

Endress+Hauser furthermore analyzes the sustainability of its own business processes by annually undergoing the independent EcoVadis audit. The audit evaluates management systems of companies regarding Corporate Social Responsibility (CSR) based on 21 criteria grouped into the topics of environment, labor

practices and human rights, fair business practices and sustainable procurement. These are based on international standards including the Global Compact Principles, the International Labour Organization (ILO) conventions, the Global Reporting Initiative (GRI) standards, the ISO 26000 guidelines and the Ceres Roadmap.

