

# Endress+Hauser Group Sustainability Report

At Endress+Hauser, economic responsibility is inextricably linked to responsibility for the environment and society. This stems from our conviction that we must strive for sustainability if we want to be successful not only today, but also tomorrow and the day after.



## Responsibility at Endress+Hauser

**Sustainability report** From our experience in process engineering we know that you can only control that which you measure. This is one of the reasons why we are submitting a Group sustainability report for the first time in 2014. We have to know where we stand, so that we can fulfill our responsibility as a company.

For years, we have been capturing a wealth of figures distributed across the Group companies that provide information about our economic, social and ecological sustainability. A trailblazer in this area is not least our production centers, which are required to provide this type of data for environmental and sustainability audits. However, most of these figures have not been consolidated for the Endress+Hauser Group as a whole until now.

The figures we are providing for this sustainability report are still not as complete and uniform as we would like. For us it's nevertheless important to take this first step, which we also view as our obligation. Our aim is to gain an overview, make progress visible and be able to articulate changes. Only then will we be in a position to influence and improve developments.

**Sustainability concept** Responsibility plays a significant role in Endress+Hauser's corporate values. We strive to develop loyal relationships with customers, employees and shareholders and maintain an open and constructive dialog with these stakeholders. For us, acting responsibly as a corporation also means being environmentally aware and conserving natural resources.

We view sustainability as a holistic concept that possesses 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.

**Employee Code of Conduct** Our foundation rests on a deeply rooted corporate culture. The Endress+Hauser Credo clearly formulates the guiding principles that apply to our daily work. The values and beliefs that are important to us are set down in the Spirit of Endress+Hauser. We maintain a Group-wide Code of Conduct that each employee must commit to. All of these guidelines embody ideas and principles for sustainable action.

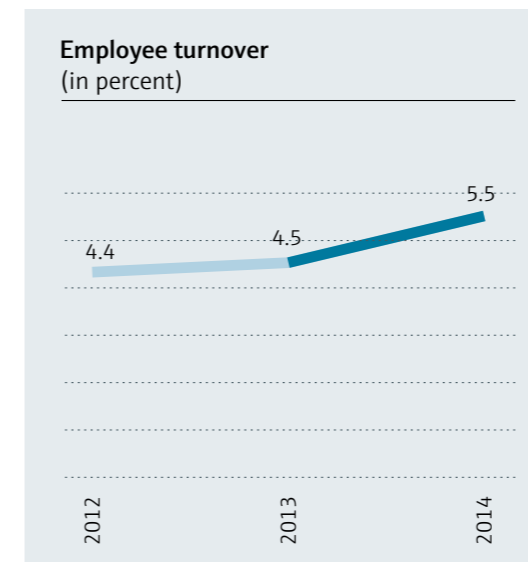
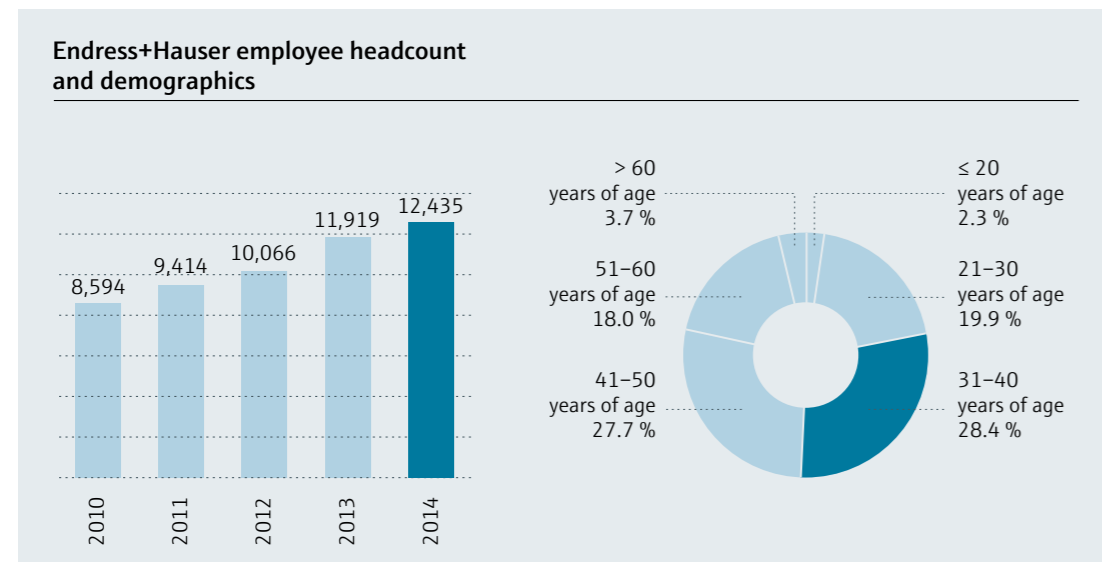
The Code of Conduct encompasses guidelines for products and services, personal integrity, corporate integrity, personnel policies, company assets and corporate responsibility. To ensure that our employees adhere to the Code of Conduct, we employ awareness training and education programs. In 2014 we began the roll-out of a Group-wide e-learning tool that raises the awareness of the risks of bribery and corruption and teaches employees correct behavior. Tangible scenarios help solidify this topic and an exam at the conclusion of the training program tests the participants' knowledge.

Participation in the e-learning program is mandatory for all sales center and support organization employees, as well as for production center employees who have contact with customers, suppliers and authorities. There are plans over the mid-term to incorporate the training into a Group-wide program for new employees that we are currently developing.

**Code of Conduct for suppliers** The Code of Conduct obligates Endress+Hauser to act in a sustainable and ethical manner that is beyond reproach in all areas of the business. Because our suppliers play a significant role in helping us meet these responsibilities, we also expect them to maintain strict adherence to these ethical principles in areas such as working conditions, environmental protection, safety, health and management systems.



Positive perspective: we encourage our employees' careers and personal development with a wide range of internal training programs and other measures.



<sup>1</sup> Based on all Endress+Hauser production centers worldwide; not including Analytik Jena, Innovative Sensor Technology IST, Kaiser Optical Systems and SpectraSensors

## Economic sustainability

**Family-owned company** Because we are a family-owned company, we do not think in terms of the next quarter, but in terms of the next generation. Our goal is the pursuit of long-term, ongoing business success, which we strive to achieve through a clear strategic direction and prudent corporate behavior. The family shareholders want to continue to participate in shaping this sustainable development into the future. This commitment is outlined in the Family Charter created by the Endress family in 2006.

The objective of the charter is to strengthen the solidarity of the Endress family and to keep family issues removed from the company. Furthermore, fixed institutions were established that integrate young members of the family. The Family Council makes important decisions regarding the relationship between the family and the company. Including the third and fourth generations, the Endress family has grown to more than 65 members.

The family exercises decisive influence over the company at the Annual General Meeting. The eight children of company founder Dr Georg H Endress and their families each own 12 percent of the company. Another 4 percent is held by the non-profit Georg H Endress Foundation. In addition, two members of the Endress family sit on the Supervisory Board of the Group.

**Corporate strategy** One of our guiding principles is that we concentrate on business we understand. The products and services are built entirely on our core expertise in process measurement engineering. Our comprehensive portfolio of sensors, instruments and systems for process automation is complemented by an array of service offerings and comprehensive solutions.

We prefer to develop and enhance our core expertise from within the company. Acquisitions help us obtain additional expertise and open up new markets. One example is our stake in Analytik Jena, a manufacturer of analytical instrumentation and bioanalytical systems. This move was aimed at expanding our activities into laboratory instrumentation, a field closely linked to process automation. With this strategy we want to be at the customer's side at the beginning of product and process development and bolster our core business over the long term.

We serve customers in various industries and have sales and production centers around the world. Even our largest key accounts represent less than one 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.

For us, profit is not the ultimate aim, but the result of good management. The vast majority of our earnings are re-invested in the company to develop better products, open up new markets, purchase more efficient plants, construct new buildings, train our employees and educate young people.

Our equity ratio, which we raised to 68.3 percent in 2014, testifies to the financial strength of the Endress+Hauser Group. It allows us to manage on our own all of the investments required for a successful future, thus safeguarding the independence and autonomy of the company even in economically challenging times.

**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, led by the CEO. Organizational regulations outline 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 critical and 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 always examined by a second employee. This rule applies also for the members of the Executive Board.

## Social sustainability

**Our employees** The skills, commitment and loyalty of our employees is the foundation of our business success. We offer our workforce fair compensation, generous social benefits and attractive opportunities for career development.

In 2015, for the first time we defined a Group-wide standard for employee surveys. The primary aim is to determine the satisfaction level among our employees and be better able to understand their needs, attitudes and expectations. 16 Group companies have already carried out surveys using the new standard. We want to use the results to enhance employee satisfaction, because only satisfied employees will deliver outstanding performance for our customers.

**Energy consumption**  
(in megawatt hours per EUR millions in sales<sup>1</sup>)



<sup>1</sup> Based on all Endress+Hauser production centers worldwide; not including Analytik Jena, Innovative Sensor Technology IST, Kaiser Optical Systems and SpectraSensors



Broad support: Endress+Hauser supplies customers around the world in various industries with an extensive portfolio of products, services and solutions. This provides the company with a high degree of independence and stability.

**Training and education** The professional and personal development of our employees is a matter of interest for all of us. Through Endress+Hauser Masterclass, we offer our employees a comprehensive range of internal training programs and courses. Masterclass currently lists nearly 2,000 different offerings. Last year we had more than 40,000 course bookings, an increase of more than 6,000 from the previous year.

We continually enhance these offerings and adapt them to the needs of our business and our overall requirements. We have established a Group-wide 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.

Particularly in Germany and Switzerland, we train the vast majority of our specialists internally. We offer trainees highly qualified supervision and extensive hands-on experience. Endress+Hauser had more than 320 trainees in 2014. That represents around 2.6 percent of the workforce. For many years, we have been in a position to offer nearly every apprentice a job upon completion of their vocational training program.

Many of our trainees elect to follow up with a further course of study at a university. Vocational training programs are supplemented by so-called dual and integrated study programs that involve a combination of internships in the company and theoretical studies at a technical college or a university.

**Education partnerships** Our commitment to training and education includes cooperation with various schools and universities. Education partnerships have a long tradition at Endress+Hauser. We maintain relationships with education facilities and training centers in 36 countries around the world, which we equipped with measurement instruments or complete process training units that give trainees hands-on experience with our technology.

Our aim is to stir young people's enthusiasm for technology and to enhance the quality of their education. Both we regard as our social obligations. At the same time, education partnerships also help us position Endress+Hauser an attractive employer. Because these activities are the responsibility of the Group subsidiaries, there is no central accounting of the money spent on training partnerships. Furthermore, the activities often involve equipment donations and personnel resources (guest lectures and professional advice) instead of money.

One noteworthy project was launched in Laos in 2014. At the Lao-German Technical School in the capital city of Vientiane we are helping develop the country's first training program for instrumentation specialists by supplying a process training unit, all teaching material and a web-based training course. We are also training the trainers. The project is being partially funded through a 200,000 euro grant from the German Federal Ministry of Economic Cooperation and Development, as well as a 250,000 euro contribution from Endress+Hauser.

**The workforce in numbers** One important contribution that we make to society is the creation of employment. Worldwide, we added 516 new jobs last year. The global workforce, including temporary positions, grew to 12,435, an increase of 4.3 percent. In pure numbers, Europe

experienced the highest growth with the addition of 300 jobs. Percentage wise, the Asia-Pacific region developed at the fastest pace with an increase of 5.4 percent.

Demographically speaking, the Endress+Hauser workforce is distributed evenly and remains unchanged from the previous year. At nearly 30 percent, the ratio of female employees is relatively high compared to other companies in the industrial sector.

We were able to fill many open positions with internal candidates. Numerous employees have been with the company for many years, including some who began their training with us. This high level of loyalty is reflected in a low Group-wide turnover rate of 5.5 percent. Even in regions where job changes are not uncommon, an above-average number of our employees remain committed to the company. The slight increase from last year may be related to the positive economic development in nearly every part of the world.

**Occupational safety** Endress+Hauser expanded its training program in the area of occupational safety in 2014. The measures that were implemented for accident prevention, risk awareness and work safety had a positive effect. The number of occupational injuries that led to lost working days have decreased significantly over the past several years. With respect to the Endress+Hauser production centers, the statistics fell to a low of 11.6 occupational injuries per 1,000 employees.

## Environmental sustainability

**Environmental impact** 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 design our production to be as energy and resource efficient as possible and to optimize our products so that they diminish our customers' resource consumption.

The following data encompasses all domestic and international Endress+Hauser production centers. It does not include Swiss sensor manufacturer Innovative Sensor Technology IST nor Analytik Jena, Kaiser Optical Systems and SpectraSensors, which recently joined the Group. Also not incorporated in the statistics is any environmental impact that stems from our sales and support centers, such as from our office and IT infrastructures and employee travel.

**Energy** Energy consumption for plants and machinery is low. The production centers use a large part of the energy for heating and lighting, as well as for the office and IT infrastructures. Heating and electrical energy consumption remained stable with 60.7 megawatt hours per million euros in sales in 2014 compared to 60.4 megawatt hours the previous year.

**Carbon dioxide** Carbon dioxide emissions decreased from 18.5 to 17.0 metric tons per million euros in sales in 2014. This significant reduction was the result of commissioning a cogeneration plant at the Maulburg production center and more efficient utilization of a cogeneration plant in Gerlingen, Germany. Both plants are equipped with absorption coolers which convert waste heat to cooling energy. By using cogeneration plants we draw less electrical power, which is

tied to a relatively high level of carbon dioxide emissions since Germany relies on a large share of coal-fired power plants. Another reason for the drop is the mild winter in 2013/14.

**Water consumption** At Endress+Hauser, water is required primarily for sanitary and cleaning purposes. Water consumption in 2014 was 167 cubic meters per million euros in sales compared to 155 cubic meters the prior year. The increase is a consequence of the additional demand for cooling water for the cogeneration plant that was commissioned in Maulburg.

**Waste** Last year the Endress+Hauser production centers accumulated 826 kilograms of waste per million euros in sales compared to 824 kilograms the year before. The volume of electric scrap decreased from 28.7 to 20.7 kilograms per million euros in sales during the same time period. Special waste increased to 201 kilograms per million euros in sales from 191 kilograms the year before. Fluctuations resulted mainly from the different time frames in which the disposal companies collected the waste.

We are striving to reduce the volume of special waste in particular through a variety of targeted measures. One example is our center of competence for flow measurement engineering in Reinach, Switzerland where the glass beads used in the grit blasting process for treating the surface of metal parts were recently replaced with steel beads. This reduced the accumulation of special waste by 40 tons a year.

Compared to the previous year, 2014 saw an increased accumulation of scrap metal at our production facilities from 778 kilograms per one million euros in sales to 872 kilograms. This rise can be partly explained by the strong demand for large-diameter flowmeters, which produce more waste when they are machined.

In order to ease the recycling of scrap metal, the center of competence for level and pressure measurement engineering in Maulburg, Germany commissioned a plant that presses stainless steel shavings into compact pellets while cleaning them of any residual cooling lubricant. The center was able

to reduce waste at the site by two-thirds. The metal pellets also bring a higher price from the disposal companies and the residual cooling fluid can be re-used in production.

**Certification and auditing** All Endress+Hauser Production Centers are certified in accordance with ISO 9001/14001 and OHSAS 18001 (Occupational Health and Safety Assessment Series). An increasing number of Endress+Hauser customers are demanding an audit in accordance with the so-called Supplier Ethical Data Exchange (Sedex) guideline. With Sedex, a recognized certification organization examines the extent to which a supplier lives up to its social responsibilities. The company must satisfy several guiding principles with respect to workers' rights, employee satisfaction, occupational safety and health and environmental protection, in addition to meeting general legal requirements. Endress+Hauser completed the Sedex audit last year with flying colors.

Moreover, Endress+Hauser also carries out an EcoVadis audit each year to assess the sustainability of its business processes. EcoVadis aims to improve the environmental and social practices of companies by leveraging the influence of global supply chains. Endress+Hauser once again successfully completed the EcoVadis audit in 2014.

