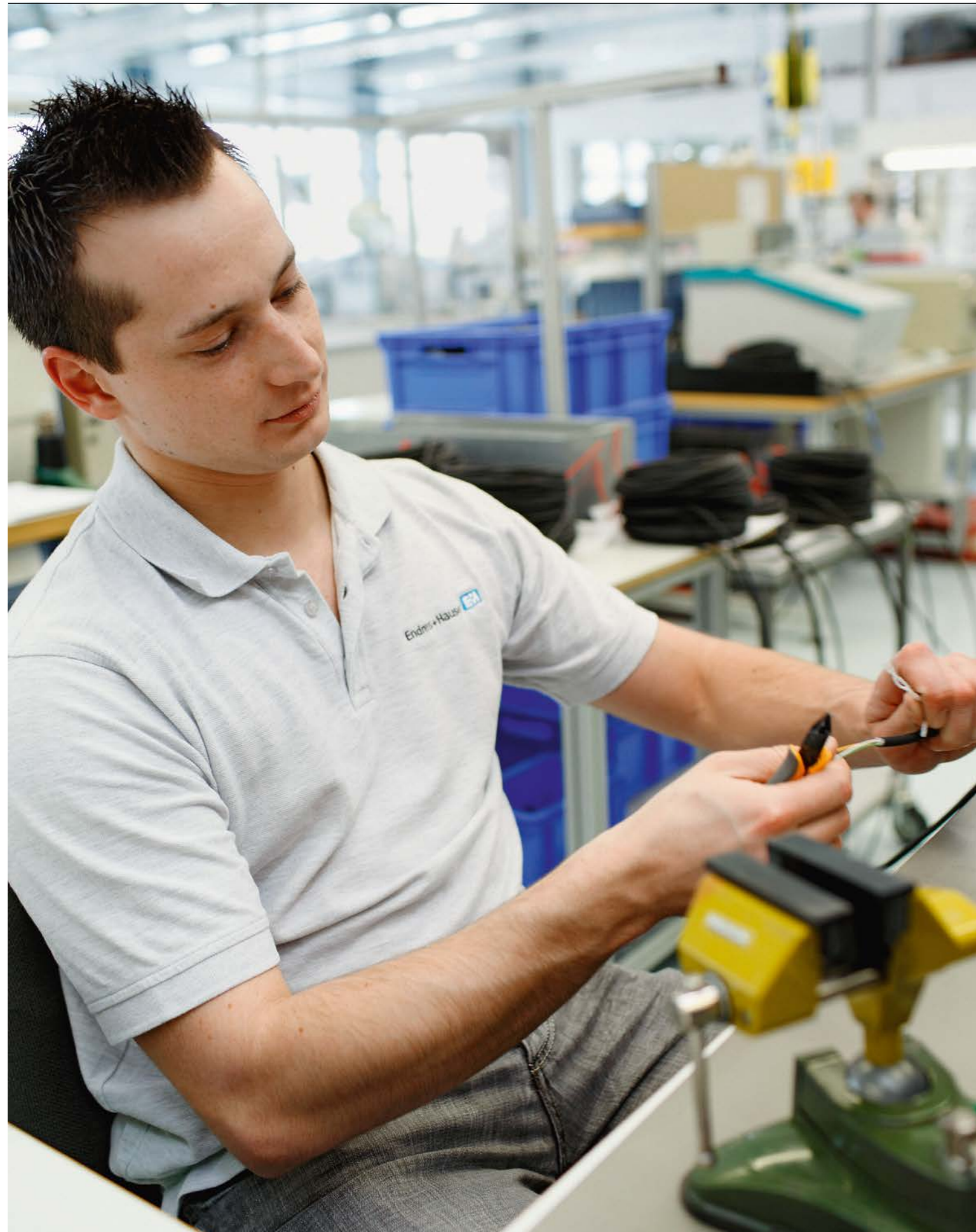


# Endress+Hauser Group Sustainability Report

At Endress+Hauser, the term sustainability means ingrained responsible conduct. Our sustainability report documents how we implement our sustainable strategy in corporate actions.







A start in working life: more than 300 young people are currently completing vocational training at Endress+Hauser.

## Responsibility at Endress+Hauser

How can we satisfy the needs of the current generation without endangering the foundation of future generations? In 2015, we decided to bring the environmental protection measures that we have long practiced together with our far-reaching societal and social commitment with the aim of establishing a comprehensive sustainability management program. We see this as a consistent enhancement of our corporate responsibility. It's only through this foundation that we are able to create value. Our sustainability management program is tasked with measuring the environmental, economic and social impact of our commercial activities, which in turn helps us better direct our actions over the long term.

The content of this report stems from our materiality matrix – which we rely on to establish the sustainability indicators, measures and goals – as well as from the actions and projects that we carried out last year. In addition, we continuously measure our success based on the results of the EcoVadis audit, which examines the sustainability of our business processes every year. We also regularly determine the level of satisfaction with our company within the framework of complex customer and employee surveys. By combining these non-financial performance indicators with economic indicators such as growth in sales, return on sales, productivity and equity ratio, we gain a holistic picture of how the company is developing from a sustainability standpoint.

The report covers the fiscal year 2016 timeframe. 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.

## Sustainable strategy and sustainable management

Guided by our corporate mission, roughly 13,000 employees globally help our customers improve their products and manufacture them more efficiently. Our goal is to further expand our position as a leading provider of measurement instruments, 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 that we use to orient our activities: 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.

**Family company** As a family company, sustainable development is just as important as operational excellence. We think in terms of long timeframes and contexts and rely on the sustainable expansion of our economic position and the satisfaction of our customers, employees and shareholders.

The origin and core of this corporate sustainability thought process is the Endress shareholder family, which today has more than 70 members, including the third and fourth generation. For more than 10 years, a Family Charter has outlined the key guidelines with the aim of strengthening the cohesion of the shareholder family over the long term and keeping family issues removed from the company. 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. The eight children of company founder Dr Georg H Endress and his wife Alice, together with their descendants, each own 12 percent of the company. The remaining 4 percent is held by the non-profit Georg H Endress Foundation. 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.

**Corporate culture** Our special corporate culture, cultivated over the course of many years, is what drives us. It is deeply rooted in the company and in the way our employees think and act. It connects us and guides us. At the heart of our culture are attitudes, values and beliefs set down in the Spirit of Endress+Hauser. They represent a firm foundation of our corporate philosophy, strategy and business policies and serve as a mandatory orientation for sustainable collective actions and work activities at Endress+Hauser.

As a Group-wide set of mandatory behavior guidelines based on our system of principles and values, the Endress+Hauser Code of Conduct defines concrete directives and frameworks for interacting with customers, co-workers, partners and suppliers. It encompasses guidelines for products and services, personal integrity, corporate integrity, personnel policies, company assets and corporate responsibility that all employees and bodies must adhere to. Everyone in the company receives compliance training through a Group-wide e-learning program. Roughly 9,700 employees have meanwhile participated in this anti-bribery training program. A Group-wide program on our Code of Conduct is currently in preparation and will be implemented this year.

Because they are partners in our network, we also expect and demand ethical conduct and strict adherence to these ethical principles from our suppliers, based on the code of conduct of the German Electrical and Electronic Manufacturers' Association (ZVEI).

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

As a supervisory and advisory body, the Supervisory Board 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.





Giving and taking: Endress+Hauser offers employees opportunities for personal and professional development.

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 also applies to the members of the Executive Board and the Supervisory Board.

## Economic sustainability

Over the past decades of sustainable growth and the successful establishment of our global business, we have created a solid foundation for our future capabilities. To ensure that our economic growth is sustainable in multiple contexts, the term sustainability is anchored in our principles as a vital aspect of our business and we use it to guide our entire corporate thinking and actions.

**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. For us, profit is not the ultimate aim, 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, develop our employees, train young people and support the Group's philanthropic endeavors.

Our high equity ratio testifies to the financial strength of the Group. It allows us to manage all of the investments required for a successful future and for developing the Group by ourselves, thus safeguarding the independence and autonomy of the company even in economically challenging times.

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 future-oriented sustainability concept also opens up new economic growth opportunities. Sustainable approaches to product development are playing an increasing role, for instance. Sustainability also provides new business

opportunities in the services business. In this regard, we are aiming to open up new markets and sectors. By utilizing sustainability-aligned supply chains and an awareness of regional distinctions, we are furthermore looking to create substantial competitive advantages.

Company-specific sustainability measures include organizational- and process-related issues such as occupational safety, employee retention and recruiting and environmental protection. We interpret corporate responsibility as encompassing fair wages and working conditions, adherence to social standards, the efficient use of energy and the intelligent use of resources.

**Products** We want to make a contribution to sustainability and sustainable growth through our products, solutions and services as well. Our comprehensive portfolio of sensors, instruments and systems for process and laboratory automation is supplemented by services and complete solutions. Our products help to improve quality of life, conserve resources and protect the environment. By using our products, solutions and services, our customers aim to make their systems more reliable, cost-effective and environmentally friendly. What's more, we continually

strive to improve our order and supply chain because our customers expect perfection across the board, from proposal to delivery. Sustainability also applies here.

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.

**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. Those who strive for success in the global markets must constantly improve things and re-think learned processes. Our partnerships and customer relationships show that continually sharing ideas and approaching one another with an open mind leads not only to success, but to the gratification derived from achieving more together. Long-term relationships with our customers and partners are more important to us than short-term success. For us, reliability is a key value that is based on reciprocity.



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. These regular survey cycles do more than reveal long-term developments. They also make the success of the various actions and changes visible and measurable.

## Social sustainability

**Responsibility for our employees** At Endress+Hauser, the central factor for and driving force behind our success is a capable and dedicated workforce. Because our employees drive product innovations forward and create added value for our customers, they represent the key foundation of our growth and profitability.

To keep our employees' passion for their work at a high level, tie them to the company and attract new talent, 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 measures, the latter supported by systematic personnel development programs and training and education services. Last but not least, we promote Group-wide ideas management by encouraging our employees to suggest improvements within their own areas and across the Group.

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. Employee feedback is important to us. 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 impact of these efforts is reflected in the high degree of employee loyalty. The Group-wide turnover rate is only 5.5 percent, somewhat lower than 2015 (5.7 percent). In 2016, the Endress+Hauser Group global workforce, including temporary positions, grew to 13,003 from 12,952 the previous year. Demographically speaking, the Endress+Hauser workforce is distributed evenly and remains unchanged from 2015.

Endress+Hauser grants all equally qualified employees the same career development and promotion opportunities. We embrace diversity and benefit from it. We currently have employees from 100 countries around the world. At 29.4 percent, the ratio of female employees is relatively high compared to other companies in the industrial sector.

**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. We initiate numerous accident prevention, risk awareness and work safety measures at our locations independent of the activity and the local environment. Our occupational safety specialists are generally involved in workplace-related decisions at a very early stage. Endress+Hauser furthermore expands its occupational safety training programs on a continuing basis. The number of occupational accidents that led to lost working days decreased significantly over the past several years. With respect to the Endress+Hauser production centers and Analytik Jena, the statistics rose slightly to 9.3 occupational injuries per 1,000 employees to remain at an overall low level.

The cafeterias at numerous locations all around the world offer our employees a varied and healthy selection of nutritional meals. We place a high value on the extensive use of organic, locally grown ingredients in the kitchens.

**Young talent and personnel development** As a technology company, we depend on highly qualified professionals and young talent to maintain our innovative strength and safeguard the success of the business. 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.

Through our talent management activities, we foster the development of our employees on an ongoing basis, particularly the younger generation. We view the training and education of young people as an important sociopolitical and corporate obligation. Through Endress+Hauser Masterclass, we offer our employees a broad range of courses, seminars and training and education events that currently number more than 1,500. Last year we had over 49,000 course bookings, a slight decrease compared to the previous year. In recognition of the fact that personnel development is an important part of our strategy, we 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.

For us, personnel development begins with recruiting and hiring the best minds for our company. For this reason, 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. With 306 trainees by the end of 2016, which represents around 2.4 percent of the global workforce, Endress+Hauser is a key vocational trainer in the regions where it operates. For many years, we have been in a position to offer virtually every apprentice a permanent position 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 at the German and Swiss locations are supplemented by dual or integrated study programs that involve a combination of an internship in the company and theoretical studies at a technical college or a university.

**Social responsibility** As a company that is always thinking ahead, Endress+Hauser ties its corporate vision to active engagement. We strongly believe that as an internationally successful and recognized Group of companies, we are obligated to take an active role in shaping society. Because we benefit from the unique conditions offered to us at our numerous locations around the globe, we are active at the local level.

We believe a central element of our sustainable strategy involves making a conscious effort to carry out our social responsibilities wherever we employ people by helping improve the quality of life or supporting the social structures in these regions. It's for this reason that 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.

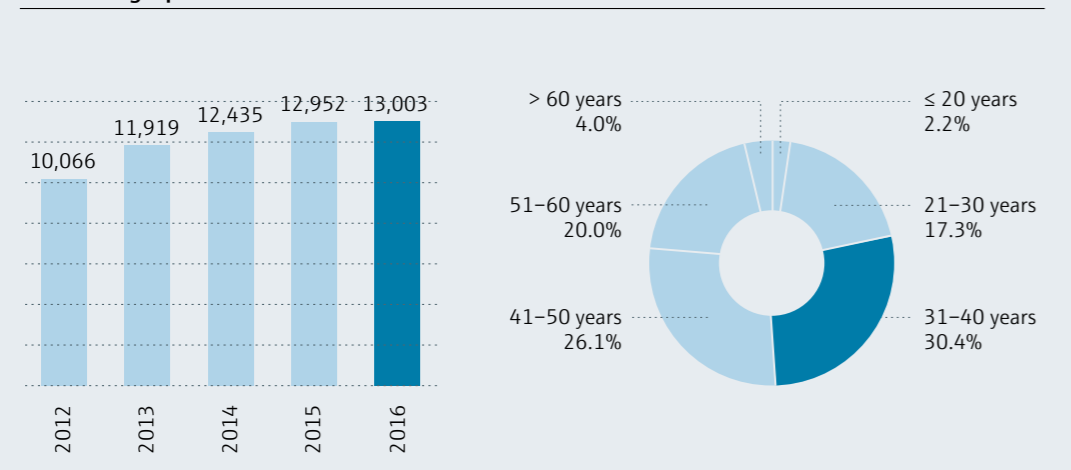
We maintain research and education partnerships with scientific facilities and training centers around the world. We depend on talented young people becoming enthusiastic about technology and science and recognizing the career opportunities that this field can open up. We maintain relationships with 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

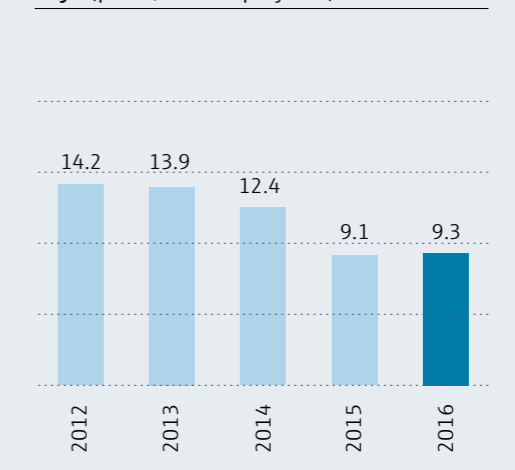
Endress+Hauser Group employee headcount and demographics



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; not including Innovative Sensor Technology IST, Kaiser Optical Systems and SpectraSensors.

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. This yields new comparative values that are also retroactive to previous years. 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, we have not incorporated the environmental footprint or impact of our sales and support organizations, such as through the office and IT infrastructure. This also applies to our entire travel activities. Although we still do not include the quantitative impact of this area today, we take it into account from a qualitative standpoint. In order to decrease travel-related energy consumption and the resulting emissions, we make a concerted effort to minimize the amount of business travel. One way we do this is through our corporate IT infrastructure, which we increasingly rely on for digital communication tools such as video and teleconferencing.

**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 2016, it amounted to 65.3 megawatt hours per one million euros of sales, a slight increase from the previous year (60.2 megawatt hours).

We continually emphasize the issue of energy savings across the entire Group, identify potential energy savings at the individual locations and develop corresponding measures in order to decrease our environmental footprint.

One example is Analytik Jena AG, which put a photovoltaic system into operation at its headquarters in Jena. A total of 580 solar modules covering a 1,000-square-meter area are installed on the roof and facade of the company's building. The system generates around 125,000 kilowatt hours of green energy annually.

**Carbon dioxide** Carbon dioxide is the planet's principal man-made greenhouse gas, whose rise can have a nearly unforeseeable impact on the climate. We are pleased to report that our CO<sub>2</sub> emissions have remained relatively constant since 2011. In 2016, CO<sub>2</sub> emissions rose slightly to 16.8 million metric tons per one million euros of sales compared to the previous year (16.1 metric tons per one million euros of sales).

**Water consumption** At Endress+Hauser, water is required primarily for sanitary and cleaning purposes. Water consumption in 2016 was 148 cubic meters per million euros in sales compared to 157 cubic meters the prior year.

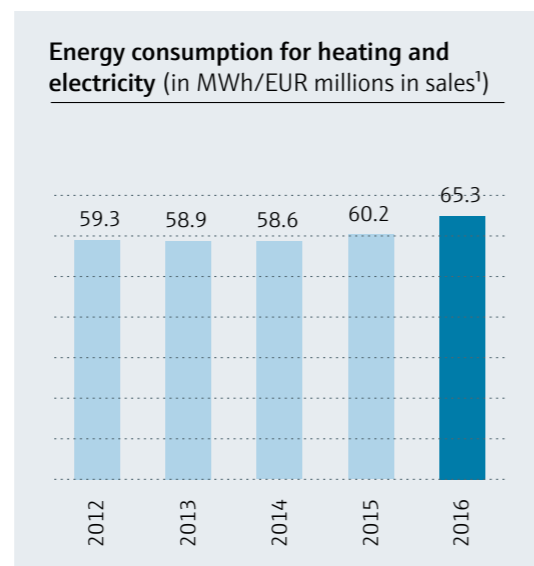
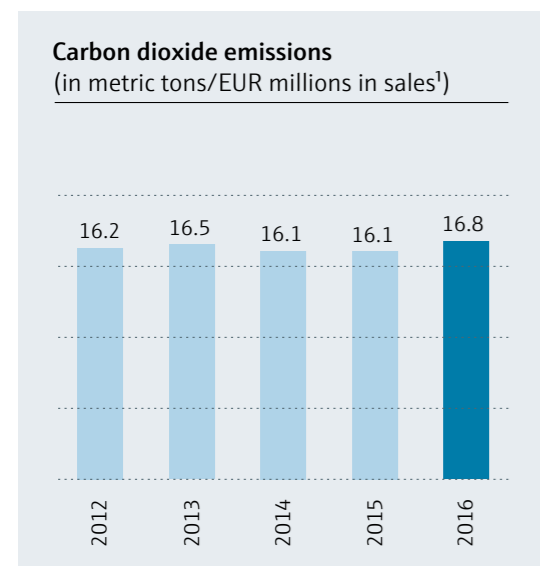
**Waste** Waste accumulation within the Endress+Hauser Group has generally remained at a constant level over the past years. Last year the Endress+Hauser production centers accumulated 911 kilograms of waste per one million euros in sales, a slight decrease from the 912 kilograms the year before. The volume of electric scrap decreased from 18.3 kilograms per one million euros in sales to 16.7 kilograms during the same time period. The amount of special waste increased once again from 269 to 285 kilograms per one million euros in sales. It should be noted, however, that the fluctuations resulted mainly from the different timeframes in which the disposal companies collected the waste.

Compared to the previous year, 2016 saw a decrease in the volume of scrap metal from 779 kilograms per one million euros in sales to 736 kilograms. This development can be partly explained by the fluctuating demand for large-diameter flowmeters, which produce more waste when they are machined.

**Paper consumption** Although we are still unable to quantitatively measure paper consumption across the Group, it's in our interest to continue reducing the volume of paper per employee through increased reliance on digital documentation. That aside, the sustainable quality of the paper we use is important to us. As part of the procurement process, we order recycled, FSC-certified paper purchased through environmentally responsible sources. We also use this yardstick when we place printing orders.

**Certification and auditing** At the Endress+Hauser Group, the annual EcoVadis audit plays a primary role in sustainability management. The vision of the EcoVadis Group is to improve the corporate environmental and social practices of companies by leveraging the influence of global supply chains and assessing the sustainability of the business processes of the companies that it audits. The issue of sustainability has become a focus for many of our customers, where decision and selection processes are derived from structured and objective evaluations carried out by independent auditors. With this in mind, the Group defined the EcoVadis audit, which we successfully completed once again in 2016 with an above-average rating of 58 points, as one of our key strategic indicators.

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 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.



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