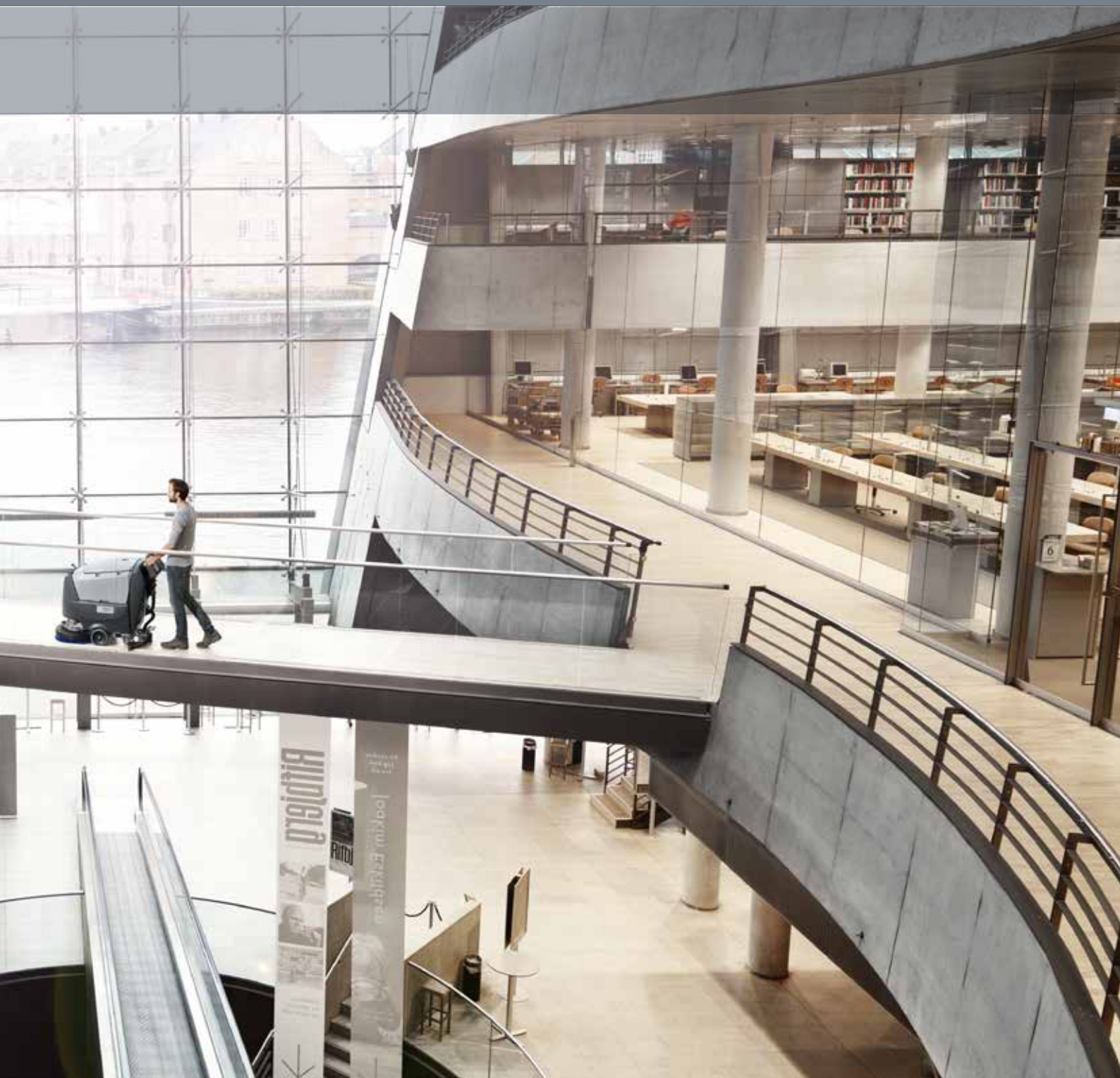


Corporate Social Responsibility Report

2016



UN Global Compact
Nilfisk wishes to protect the environment, safeguard
human and labour rights, and work against corruption





Letter from Executive Management

In 2016, Nilfisk celebrated its 110th anniversary. Across the world, we marked the celebration of 110 years of knowledge and technical insight that began with the company's very first electric vacuum cleaner and now inspires advanced GPS tracking systems and new upcoming autonomous cleaning solutions. Nilfisk has developed and expanded through knowledge, and Nilfisk's activities have become increasingly global.

Throughout its life Nilfisk has been an innovative company and one that has always acted responsibly. Our vast experience makes us able to offer a wide range of high-quality and fully supported cleaning solutions that help people and businesses all over the world to increase their productivity. There is little doubt that, when it comes to responsible business conduct, respect and proactive behavior are essential in a long-term perspective for a company like ours.

We believe that the adoption of the UN Global Compact with respect to human & labor rights, anti-corruption and the environment will help us in our efforts to keep developing our business in a positive direction and at the same time address the growing demand from customers and regulators. At Nilfisk we thus continue to support the UN Global Compact as a governing principle in our sustainability efforts. The present report is our communication to the UN on the progress of these efforts. The report also outlines Nilfisk's performance on corporate social responsibility and diversity in relation to Articles 99a and 99b of the Danish Financial Statements Act related to corporate social responsibility and diversity.

We are pledged to be at the forefront of the professional cleaning equipment industry, constantly challenging ourselves to improve our products and provide the best possible experience for our customers. The competitiveness of our business is based on a continuous effort by us to develop, employ and promote increasingly environmental-friendly products and processes aligned with customer requirements. Further, we believe that environmental issues go hand in hand with health, safety and quality.

To be in constant development and forever challenging ourselves also means setting the bar for our business partners. Thus, one of our goals is to urge all our major suppliers to comply with the principles of the UN Global Compact. We established last year a Social Supplier Audit Unit within our global procurement department. As a result, 82% of our largest suppliers now declare compliance with the UN Global Compact.

In 2016, the company's fundamental policy mechanism, our Code of Ethics, was revised and superseded by a Business Code of Conduct. The vision is to establish a strong compliance mindset throughout our company by ensuring the implementation of this Business Code of Conduct.

Our work with corporate responsibility continues, and we are aware that positive results will be achieved through continued, step-by-step development. The journey will continue in 2017 as we maintain our ambition of enabling sustainable cleaning worldwide to improve quality of life.

Executive Management of Nilfisk

Nilfisk at a glance

Nilfisk is one of the world's leading suppliers of professional cleaning equipment. The company was founded in 1906 on a vision of producing and selling products of the highest quality worldwide. For more than a hundred years Nilfisk has responded to the changing needs of markets and customers, supplying innovative cleaning products and solutions to businesses and homes around the world. Over the years, acquisitions have been made to strengthen our footprint. With 5,600 people working across sales companies in 45 countries and production sites in 9 countries, we collectively carry with us a strong heritage of more than 100 years of cleaning expertise.

Sales entities in
45
countries

5,600
employees

Business model

Nilfisk's mission is to "enable sustainable cleaning worldwide to improve quality of life", and our business model consists of the following key elements:

- Understanding customer requirements
- Translating customer requirements into attractive products and solutions
- Efficiently manufacturing these products, including through efficient sourcing of components
- Effectively and efficiently selling our products and solutions directly to end-customers or our dealers
- Efficiently distributing products to our customers
- Providing Aftermarket services, including parts and accessories, and service, to our customers
- Managing our business in a structured manner, including providing the necessary staff functions to deliver support and follow-up on our business

In 2016, Nilfisk announced a new operating model which was transformed into a new organizational structure. The new structure is intended to realize the full potential of the company's ambitious growth strategy, Accelerate, and to better align the company with customer needs.

Titled **Accelerate+**, the transition supports the execution of Accelerate, which is focused on growing our market share to lead the industry and features a number of initiatives to this

end. Through Accelerate, Nilfisk seeks to grow market share by targeting lucrative market opportunities, including driving the following key initiatives:

- Strengthen front-end
- Drive competitive offerings
- Build strong brands
- Power supply chain performance
- Agile and commercial organization



Our Business Code of Conduct

In 2016, Nilfisk implemented a revised Code of Ethics entitled Business Code of Conduct. This instrument expresses our commitment to promote behavioral standards and accountability throughout the company. It describes the fundamental principles and rules governing the way we act internally and in relation to external stakeholders.

All employees must comply with the Business Code of Conduct and are expected to live our core values. The Business Code of Conduct helps employees in their daily business-related decision-making and interaction both internally and externally. To facilitate compliance we have implemented a company-wide training guide available in 13 languages. Going forward, new recruits will be introduced to our Business Code of Conduct, and employees must be retrained every two years.

The Business Code of Conduct focuses on the entire value chain - how we conduct business in all parts of our organization. It is based on our core values and takes them to the next level - demonstrating our values in action.

Nilfisk's core values are:

- **Customers** – we are customer-driven
- **People** – we know people make the difference
- **Performance** – we want to win
- **Professionalism** – we do things right
- **Quality** – we stand for reliability

Our core values are principles that guide the way we behave and interact. They are the basic elements of how we go about our work. They are the practices we use every day in everything we do.

The Business Code of Conduct describes our policies on the following topics:

- Anti-corruption
- Environment, energy & climate
- Fair competition
- Human & labor rights
- Information security
- Product compliance & quality

The vision is to establish a strong compliance mindset throughout the company by ensuring that the Business Code of Conduct is implemented and that relevant employees are duly trained in key compliance activities by 2020. Furthermore, an updated third-party compliance program will be developed in the years ahead. The contractual obligations of vendors and business partners will be ensured until the finalization of this program.

CSR risks and focus points

Nilfisk operates in many different countries and markets which leads to a number of risks. Some of the principal risks include that we operate in countries where there are cases of violation of human and labor rights, corruption and bribery, and where the environmental focus is not very high. At Nilfisk we have not had any cases of violation reported in 2016, but since it is identified risks in some of our markets it is something that has our highest attention and which we monitor.

In 2016 we have especially been focusing on anti-corruption and our business partners, which is further detailed in specific sections.

At Nilfisk the future plan is to keep up the good work regarding risk assessment and we plan to expand the work in the coming years.

CSR policies

To ensure top-level commitment and local anchoring, the local managements of all Nilfisk entities are obliged to sign a personal Statement of Representation on the principles of the UN Global Compact. The individual statements are then consolidated and signed by the CEO of Nilfisk.

Our policies, actions, goals and plans in respect of the following topics are presented in the sections below:

- Anti-corruption and bribery
- Human & labor rights
- Environment, energy & climate

Anti-corruption and bribery

Fairness is at the heart of the way we do business. Corruption, in all its forms, creates unfair competition, damages innovation and undermines our integrity. Furthermore, such activities are

punishable and can result in severe consequences for both Nilfisk and the employees involved. As a company, we refrain from and oppose corruption and bribery.

No employees may directly or indirectly offer, give or accept money or anything else of value in connection with business dealings in order to obtain an improper advantage.

This is also stated in our anti-corruption policy, which was implemented company-wide via an awareness campaign and training in 2016.

In line with our updated Compliance Landscape, our goals, actions and future plans have been reviewed and revised.

GOALS AND ACTIONS 2016	OUTCOME
Update anti-corruption policy and ensure implementation.	An updated anti-corruption policy covering all employees has been established as part of our new Business Code of Conduct. An extensive company-wide implementation program has been conducted and employees have been trained in our overall anti-corruption approach.
FUTURE PLANS, GOALS AND ACTIONS	TARGETS 2017+
Develop and implement an extended anti-corruption program targeting high-risk areas/employees.	All employees exposed to corruption risks to be further trained and equipped to handle risk situations.
Minimize the risk of direct or indirect corruption involvement.	Review and update our third-party compliance processes in relation to anti-corruption.

Environment, energy and climate

Nilfisk has focus on delivering sustainable cleaning solutions to our customers. For us, this means ensuring effectiveness and productivity and reducing the total cost of operation. We develop cleaning products that work efficiently while using less energy, less water and less detergent. Reducing costs for our customers whilst simultaneously improving our environmental performance is a key element in our sustainability approach. We call it: Green Meets Clean. We strive to overcome this challenge both through our technology development program and through product innovation, e.g. The Horizon program announced in 2016.

The Horizon Program

The Horizon program is a pioneering global program that will deliver intelligent and connected cleaning solutions, giving customers greater control, more flexibility and fundamentally changing the way they clean.

For more than a century Nilfisk has led the way in developing new technologies that deliver cleaning excellence. With The Horizon program, Nilfisk is redefining the industry with a long-term, strategic, program of multiple product launches. These new products will provide the full spectrum of autonomous capabilities, enabling customers to experience self-operating, driverless cleaning options that meet their every need and redefine our view of productivity and total cost of ownership.

The first product in The Horizon program, an autonomous scrubber dryer, will be launched in spring 2017.

Reducing environmental footprint

We strive to ensure appropriate environmental management systems consistent with our activities. We work towards reducing environmental footprint when developing new products and towards ensuring sustainable disposal of life-expired equipment. We conduct our business in a manner that aims to improve the environment, prevents pollution and promotes efficient use of energy, materials and water.

We handle waste conscientiously in an environmentally safe manner and employ recycling programs to minimize waste disposal volumes.

To ensure our commitment and compliance we:

- Regularly monitor changes in environmental and energy legislation
- Control environmental impacts from production plants
- Continuously improve the utilization of our resources
- Work to reduce the risk of pollution and accidents

Furthermore, we involve employees in campaigns and ensure that local managers can identify significant environmental issues. Such issues will be addressed by making action plans going forward.

In 2016, we primarily measured our environmental performance via the following parameters:

- Fuel for heating
- Fuel for cars
- Electricity
- Water consumption
- Transport of goods
- Transport of employees by air

This year, measurement of environmental performance has been based on absolute figures for 2016, not figures relative to 2015. This is because we consider it necessary to set a baseline from which to establish future environmental targets. Instead of measuring CO₂ emissions, we measure consumption in absolute terms, since this is what we have an influence on. We can influence the amount of oil we consume, but not the type of energy source available in many of the countries in which we operate.

The European Engineering Industries Association

Nilfisk plays an important role in external bodies like the European Engineering Industries Association, EUnited. We wish to push the boundaries and lead the industry. By working to set the bar as high as possible Nilfisk ensures the highest possible standard for innovation, not just at Nilfisk, but throughout the industry. This will benefit people, the environment and investors worldwide.

We believe in objectifying standards for the cleaning equipment industry. This because as long as we do not have similar units for product standards it is difficult to measure the environmental as well as the technological progress. We are therefore now engaged on developing objective standards for the cleaning equipment industry, and we have dedicated work and resources to help raise the industry standards for cleaning equipment and bring transparency to customers. Participating actively in industry-related activities, boards and committees enables us to push for an agreement on industry standards to measure the environmental performance of cleaning products. This effort has a secondary effect of reducing product environmental footprint.

By introducing objective standards we will achieve a baseline from which in future we can measure whether we have made real environmental savings regarding our different products.

Examples of EUnited initiatives include:

High-pressure washer boiler efficiency standard: Nilfisk participated actively in defining and promoting the certification scheme, pushing for a quantitative instead of qualitative certification. Nilfisk is an advocate of more efficient solutions and was the first company to specify the efficiency rating on its equipment

Floorcare scrubber performance standard: Years ago Nilfisk realized the need for objective performance standards and initiated work in several areas. One result is a performance standard for scrubbers that has been adopted by the EUnited certification scheme as a qualitative standard. The organization members have now agreed to initiate step two, a quantitative standard

Energy-related Products (ErP) regulation: After analyzing the ErP Eco design regulation in relation to commercial vacuum cleaners, EUnited and the commercial cleaning equipment industry have concluded that the current standard does not reflect a commercial usage pattern. Nilfisk has therefore been commissioned to develop a new performance testing standard for commercial vacuums in order to create better alignment between energy-saving and cleaning performance



ErPs are assessed by the EU Commission in terms of their environmental impact and energy consumption. The underlying Eco design regulations outline minimum energy efficiency requirements for individual product groups, while the corresponding energy labels help consumers choose the most energy-efficient products.

GOALS AND ACTIONS 2016	OUTCOME
Update environment, energy & climate policy and ensure implementation.	An updated environment, energy & climate policy covering all employees has been established as part of our new Business Code of Conduct. An extensive company-wide implementation program has been conducted.
Zero fines for non-compliance with environmental laws and regulations.	No fines reported since 2013.

FUTURE PLANS, GOALS & ACTIONS	TARGETS 2017 AND GOING FORWARD
Conduct an in depth analysis at global level to clearly identify environmental aspects.	Determine which aspects are significant and should be addressed as a priority by our environmental management system.
Develop and implement future targets for the most effective and valuable environmental benefits.	In spring 2017, based on insights, prepare new and more customized indicators and KPIs for managing our environmental impact.

Human and labor rights

The skills, expertise and dedication of our employees are our greatest assets. They are the people who create value for customers, and they are the people who constantly strive to achieve the highest possible industry standards for the benefit of both customers and environment. It is therefore imperative that we provide safe and healthy workplaces for our employees across the world.

In accordance with our policy (stated in our Business Code of Conduct) Nilfisk provides a healthy and safe work environment by creating a workplace which prevents and manages physical and psychological injuries. All employees are committed to continuously identify and mitigate hazards in order to prevent work-related injuries. Working in accordance with certified safety management systems we improve our processes and develop a culture of safe behavior with the ambition of achieving zero accidents.

In 2016, we fell short of our target of less than 5.5 accidents per 1 million working hours, the total number of work-related accidents the same as last year. At selected sites we have established an EHS system and have consequently implemented a large number of corrective actions. Next year we expect to report a positive outcome from this targeted approach,

We respect and comply with applicable laws, regulations, international human rights principles and international labor standards as defined by the UN Universal Declaration of Human Rights and by the International Labour Organisation's Declaration on Fundamental Principles and Rights of Work.

Nilfisk is firmly committed to providing equal opportunity to its employees and will not tolerate discrimination or harassment of any kind. Further, we respect data privacy laws and regulations regarding all our employees.

GOALS AND ACTIONS 2016	OUTCOME
Update human & labor rights policy and ensure implementation.	An updated human and labor rights policy covering all employees has been established as part of our new Business Code of Conduct. An extensive company-wide implementation program has been conducted.

GOALS AND ACTIONS 2016	TARGET	ACHIEVED	STATUS
Improved performance with a short-term goal of less than 5.5 accidents per 1 million working hours. The long-term goal is zero accidents.	< 5.5	8.8	Not achieved

Diversity

In line with our core values, our aim is to be a responsible employer by embracing diversity and a global culture, and by sustaining a healthy and safe working environment. We perceive diversity as a key asset, and as stated in our Business Code of Conduct we are firmly committed to providing equal opportunity to our employees and will not tolerate discrimination of any kind.

In 2016 Nilfisk follows the NKT Group policy on diversity in upper management.

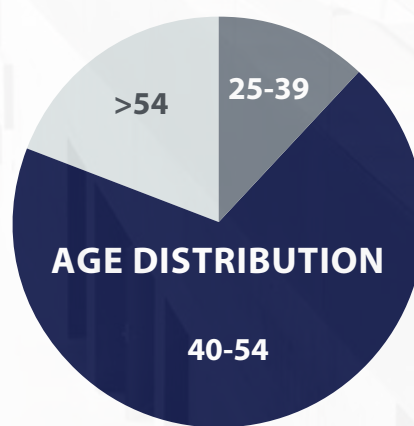
At NKT board level a target of 17% has been set for the proportion of the under-represented gender among AGM-elected members. This target was reached in 2016.

In order to promote equal opportunity for both sexes to attain senior positions, the following actions have been implemented:

- Demand that recruitment firms and headhunters include both sexes in the field of candidates for senior positions.
- Annually monitor the development in diversity, including gender distribution, in the Group's most senior levels of management.
- Increase the focus placed on career plans at the annual performance appraisals held with employees who are potential managers.

In a traditionally male-dominated industry, the main area for improvement is to achieve more balanced gender composition at all organizational levels. A key action in 2016 was to communicate these principles clearly to the organization as part of our Code of Conduct training.

Nilfisk's senior management consists of 45 persons comprising 20 different nationalities. Gender distribution in the top management is uneven, but two of the three women representatives in senior management at Nilfisk are also members of the Executive Management. Age distribution is spread fairly widely, but the 40-54 year age group is over-represented.



Future plans

To ensure dialogue and foster commitment and engagement we will conduct an employee engagement survey in 2017. Furthermore, we want to establish and implement a policy and associated targets for the provision of a more balanced representation of gender in Nilfisk's senior management as well as for the rest of Nilfisk management.

Vendors & business partners

As part of a general due diligence process related to acquisitions, entities set to become part of Nilfisk are screened for human/labor rights (primarily general compliance and employee practices), environmental compliance and anti-corruption, based on an overall risk assessment for the specific company and jurisdiction. Unless the transaction is very significant in volume, this process primarily takes place through management interviews and review of e.g. employee contracts. In general, our purchase agreements require vendors to warrant compliance with the above CSR principles.

Nilfisk has made two acquisitions in 2016, and these entities were duly screened for human/labor rights as described above. No issues were determined.

Our ambition for the future is to continue to consider human and labor rights issues, environmental compliance and anti-corruption risk assessments in incoming mergers and acquisition processes; we will also work on developing a compliance framework for vendors and business partners.

Requirements specifically for our suppliers

Another priority area is to ensure that our suppliers conform to Nilfisk standards and observe the UN Global Compact principles, which are fully integrated in our standard contracts. In 2015 we achieved 71% compliance with UN Global Compact among our largest suppliers. In 2016 we have improved our work in this regard and now 82% of our largest suppliers declare compliance with the UN Global Compact. We will continue our efforts in 2017.

The Social Supplier Audit Unit in our Global Procurement department was established in 2015. Our program interacts proactively with the supplier and assists the supplier with learning and adopting the UN Global Compact principles in all areas, if not already fully implemented. Based on a risk assessment we perform audits in selected high-risk areas. In 2016 the outcome of the Social Supplier Audit focus on our Chinese suppliers was very positive, improving UN Global Compact compliance rate and creating significantly more transparency in our suppliers' behavior in conforming to UN Global Compact principles.

GOALS AND ACTIONS 2016	OUTCOME
Expand our whistleblower system to also enable reporting by external stakeholders.	Anyone at or associated with Nilfisk, as well as external business partners, may report actual or potentially serious concerns.
Run an internal awareness campaign supporting the right to speak out.	In autumn 2016 we completed an international awareness campaign relating to our Business Code of Conduct. The campaign included training in how to use the whistleblower system.

GOALS AND ACTIONS 2016	TARGET	ACHIEVED	STATUS
At end-2016, 80% of procurement (above EUR 50.000 in value) to be supplied by partners agreeing to abide by UN Global Compact principles.	80%	82%	achieved
The UN Global Compact principles are an integral part of Nilfisk's M&A due diligence process and any non-conformities are reported.	100%	100%	achieved

Whistleblower system

Our whistleblower system enables employees to report cases of corruption and other unlawful incidents. Such reports are dealt with by an independent party. All incidents filed during the reporting period were assigned top priority and have been discussed and dealt with by the NKT and Nilfisk Group Managements.

All whistleblower reports have been carefully studied and relevant actions taken. None of the reports submitted in the reporting period necessitated material adjustments in business procedures.

Reporting Principles

Nilfisk deploys three key elements or monitoring progress on corporate social responsibility:

1. Relevant Key Performance Indicators (KPIs) have been developed based on our policies, and corresponding data are collected.
2. An annual Statement of Representation on Corporate Social Responsibility, signed by local managers in the business unit.
3. A whistleblower system, maintained by an external provider, which allows all Nilfisk employees as well as

external stakeholders to raise concerns about seemingly inappropriate conduct, events or circumstances. Facility exists for reporting in a number of languages

Change of reporting period

The reporting period for the CSR report has been aligned with Nilfisk's financial reporting and now follows the calendar year.

Auditing

The present report was not audited by an independent auditor.

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