



NILFISK CSR REPORT 2019

Developing sustainable and innovative cleaning solutions



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Introduction

The Nilfisk CSR report covers the financial year from January 1, 2019, to December 31, 2019, and contains our Statutory Statement for Corporate Social Responsibility and Diversity in the Board and Management per section 99a and 99b of the Danish Financial Statements Act and the non-financial mandates of other European countries, where Nilfisk has production and distribution sites. The report also serves as our Communication on Progress report to the UN Global Compact (UNGC).

Throughout 2019, Nilfisk made progress on transforming internal data collection processes to capture data globally from all sites. Hence, CSR-related focus on the environment and climate involved establishment of concrete targets for reducing global climate footprint; these targets were aligned with the Science-Based Target Initiative (SBTi). Nilfisk continued to focus on product quality to enable smarter, more innovative cleaning solutions. We also successfully certified our Chinese production site, in accordance with ISO 14001:2015.





Committing to run a **sustainable business**

During 2019, we saw good progress in the execution of our strategy, Nilfisk Next, with a specific focus on globalizing the company and working towards global structures, processes, and tools. In relation to our work with Corporate Social Responsibility (CSR), this globalization also drove several initiatives: the establishment of global CSR initiatives and programs; the definition of global CSR targets in multiple areas; and the collection of data across markets, to ensure that we measure and accelerate progress.

Climate and environment are key focus areas in our approach to CSR at Nilfisk. Across the value chain, we have worked for years to reduce the environmental impact of our products and operations. For example, in our product development, we look for ways to reduce the amount of water and detergent used by the solutions we deliver to the market.

In addition, over the course of 2019, we initiated a comprehensive collection of data concerning use of resources and generation of emissions at every Nilfisk site. This collection gave us an overview of our global resource consumption, specifically with regard to heating, waste, use of electricity, and water, as well as carbon emissions from our company's car fleet.

This detailed overview has enabled us to make a firm commitment to reducing our carbon footprint and addressing the risks related to climate change.

We remain committed to supporting the Science Based Targets initiative (SBTi) and setting science-based targets for our emissions. This is a globally acknowledged approach, and the only global initiative that directly links a company's carbon-emission targets to the Paris Agreement, and associated global efforts to keep global temperature rise below 1.5°C. No later than 2030, Nilfisk is committed to reducing its carbon footprint, resulting from direct emissions and emissions from purchased electricity, by at least 35% compared to the 2018 baseline.

We see this commitment as an integrated aspect of our actions as a responsible global company – with employees in more than 40 countries worldwide, and with customers using Nilfisk solutions in over 100 countries. Through our commitment, we proudly continue our efforts to create long-term value for people and the environment.

In addition, we believe that our commitment to the Science Based Targets can drive our efforts at turning climate risks into business opportunities. One example will involve pursuing innovation within our product portfolio, and engaging with our suppliers on their climate performance in the coming years.

Because our commitment to upholding our responsibilities is critical, CSR must remain an integral part of our business and operations, everywhere, every day – and with our CSR strategy, we clearly acknowledge and take responsibility for our impact on the communities we are part of.

For 10 years, Nilfisk has been a signatory member to the United Nations' Global Compact (UNGC), and we continue to support the UN's guiding principles in our efforts to develop not only our business, but indeed our products and services, as well. Throughout 2019, we widened our commitment to the UN's Sustainable Development Goals (SDGs) by adding one more of the SDGs to our CSR approach.

I am proud to see how our employees across the globe continue to be part of the transformation of Nilfisk, redefining industry standards and ensuring that we stay focused on running a sustainable business for the benefit of our customers, shareholders, stakeholders – and planet.

Hans Henrik Lund
CEO

About Nilfisk

Since the development of its first vacuum cleaner more than a hundred years ago, Nilfisk has responded to the changing needs of markets and customers, supplying innovative cleaning solutions to businesses and homes around the world.

At present, Nilfisk brings over a century of experience to the manufacture and sale of high-quality cleaning equipment.

Founded in 1906, Nilfisk is now a global company, operating in over 40 countries, with 4,900 employees working at development centers, production facilities, and sales companies. Our position as one of the world's leading suppliers of professional cleaning equipment, is maintained by our continuous focus on innovation and improvement of our products.

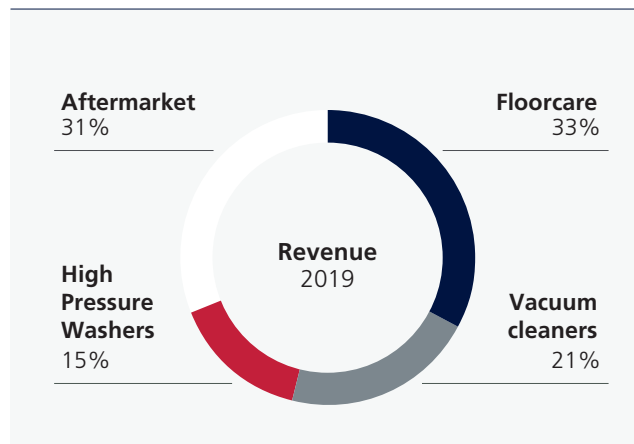
1906 Founded	967 mEUR Annual revenue in 2019
4,900 Employees	Our mission: We enable sustainable cleaning worldwide to improve quality of life

Our business model

To support a clean environment, Nilfisk offers an industry-leading product portfolio, along with significant aftermarket support. Our products and services are offered in more than 100 countries, and help improve the sustainability performance of our customers, and partners, by:

- Improving human health
- Helping protect the environment
- Enhancing customer profitability

Industry-leading product offerings with significant aftermarket support



Our products and services are offered to our customers through a business model built on a conscious use of resources with focus on creating and capturing value for our customers, society, employees, and shareholders.

Our customer base operates in a wide range of sectors and industries, and customers range from large global contract cleaners that buy fleets of machines across the product range to smaller businesses buying a single machine.

Based on in-depth customer insights, our product development, marketing, and sales activities are targeted three overall business verticals, named Industry, CCI and ABCA:

Industry covers areas like manufacturing and warehouse & logistics, in which cleaning becomes an integrated part of the ongoing optimization and automation of facilities and production. CCI covers contract cleaners and institutions such as retail and education, where optimization of the cleaning task is a key focus, as well as exploiting new and flexible ways of cleaning supported by new digital opportunities. ABCA refers to Agriculture, Automotive and Building & Construction. Cleaning solutions to these industries reflect that areas like health and safety are particularly important to these customers, as well as regulatory requirements to the equipment are high.



Our business model

Nilfisk is an established global supplier of cleaning solutions and services. We are among the market leaders in the professional cleaning equipment industry, which has an estimated annual value of 7.5 bnEUR.

Through a combination of direct and indirect sales, we service contract cleaners, retailers, industrial customers, institutions and many more across more than 100 markets.

Our business model is based on creating value for our customers. There is a universal need for cleaning, and the effect of clean is valuable everywhere. By providing high-quality cleaning solutions and services, we enable our customers to increase their productivity. Cleaning has a measureable impact for our customers, but also for the general public, who benefit the most from living and working in a clean environment.



Value chain – risk assessment

Nilfisk remains committed to ensure that its entire value chain is considered when evaluating the range of potential risks posed by its business activities. These risks are taken into consideration during preparation of our materiality assessment and CSR strategy. Doing so ensures that we address crucial environmental and social aspects for our business and stakeholders, while also prioritizing global sustainability development and opportunities.

We continuously evaluate risks, assessing their potential impact, prioritizing the greatest threats, and working proactively to mitigate them.

If significant risks arise through our operations, they are analyzed and reported to both the CSR Board and the Nilfisk Leadership Team, after which specific actions to mitigate them are identified and agreed upon.



Value chain – risk assessment



Raw material extraction

Mining of scarce minerals, extraction of crude oil for production of plastic and/or climate effect from crude oil, biodiversity, spills, human rights, labor rights, corruption, and conflict minerals.



Suppliers (production)

Human rights, labor rights, equality, corruption, energy consumption, fresh-water use, CO₂ emissions, waste, dangerous substances, and resource use.



Nilfisk

Human rights, labor rights, equality, resource use, energy consumption, fresh-water use, pollution, waste, CO₂ emissions, corruption, and work safety.



Transport

Particle pollution, CO₂ emissions, traffic safety, and facilitation payments.



Dealers

Human rights, corruption, labor rights, work safety, and energy consumption.



Customers

Customer health and safety, product compliance, dangerous substances, energy consumption and water use.



General public

Energy consumption, water use and detergent pollution, general public health and safety.



Disposal

Waste, product compliance, pollution, and labor safety.

Stakeholder engagement and materiality assessment

As part of the bi-annual self-assessment of our CSR strategy and approach, we revisited and updated the materiality analysis, which is based on extensive interviews with various stakeholders. Nilfisk recognizes the importance of continuous input from stakeholders, both internally and externally. We aim to engage with key stakeholder groups on an ongoing basis, in order to understand their expectations and collect insights on how to further improve our CSR efforts and approach.



Customers:

Throughout 2019, Nilfisk conducted interviews with customers to understand their expectations, and to learn how Nilfisk's CSR activities are perceived by the companies we deal with. In addition, Nilfisk's Insights & Analytics team conducted a Sustainability Survey with customers to obtain an improved understanding of the extent to which sustainability matters within the cleaning industry. Topics such as the environment and climate, as well as customer health and safety, were ranked as the most important for our customers when choosing a supplier. In relation to these topics, there was significant customer demand for supportive data that could illustrate progress and results. The aforementioned findings reconfirmed that Nilfisk is on the right track regarding implementation of clear targets and goals, and prioritization of the most critical sustainability issues.

Shareholders:

Nilfisk made sure to interview both potential and current shareholders of Nilfisk. Some of Nilfisk's biggest investors have an opportunity to clarify the direction, in which they would like to see Nilfisk's CSR activities progress. Companies that are not currently shareholders in Nilfisk also had the opportunity to explain why they had not yet chosen to do so, and what would need to be done differently for investment to take place. The findings are similar to the feedback gathered by our customers, which indicated that investors expect to see the same continual focus on the setting of concrete targets for measuring the progress of various CSR commitments.

Employees:

Nilfisk employees are important stakeholders in the company's strategic direction and success. By conducting interviews with staff from various functions and departments, Nilfisk develops a better understanding of actual global and local CSR trends.

We believe it is crucial to maintain an ongoing conversation with our employees on CSR topics. These interviews have made it clear that our employees have a strong focus on occupational health and safety, and the health and safety of customers. It is clear that our employees want to be part of an organization, that they can generally be proud to work for.

In 2019, Code of Conduct training was conducted for Nilfisk's senior leaders, and more than 70% of them recognized the importance of CSR-related issues within their specific work area, while over 90% expressed belief that Nilfisk's CSR strategy and programs are focused on the most important topics. Our senior leadership also feels a strong responsibility for driving CSR programs internally and externally.

Stakeholder engagement and materiality assessment

To goal of our materiality assessment framework is to present those material issues most important to Nilfisk, which are also recognized by our stakeholders, and those with highest importance with regard to our business activities. Together with the identified risks in the value chain, they provide the foundation for strengthening our CSR-strategy.

Our materiality assessment is inspired by GRI principles and guidelines, and the elements of Nilfisk's CSR-strategy are structured according to the GRI framework.

The stakeholder analysis we conducted, combined with the value-chain risk-assessment findings, that helped identify the most material issues, has resulted in the following updated materiality assessment, where each material issue is captured and managed in one of four specific CSR-strategy areas:



Climate and Environment



Society



Customers



Workplace

Risks in the value chain

Energy consumption, environmental pollution, dangerous substances

Energy consumption, CO₂ emissions, air pollution, particle pollution

Raw-material extraction, resource use, waste, fresh-water use, detergent pollution

Anti-corruption, data privacy, integrity, fraud and conflict of interest, compliance

Human rights, labor rights, CO₂ emissions, waste, resource use

Traffic safety, particle pollution, climate effects, business license to operate

Customer Health and Safety, product compliance, dangerous substances, energy consumption and water use

Human rights, labor rights, diversity and inclusion, work safety

Material topic

Environmental compliance

Emissions

Energy

Solid/liquid waste

Materials

Water

Anti-corruption, ethics and integrity

Customer privacy

Anti-competitive behaviour

Supplier social and environmental assessment

Human-rights impact assessment

Local communities

Customer health and safety

Marketing and labelling

Total cost of ownership

Child labor

Non-discrimination

Forced and compulsory labor

Diversity and equal opportunity

Training and education

Occupational health and safety

CSR strategic sub-area

Environmental Responsibility

Climate Action

Circular Economy

Good Governance

Sustainable Supply Chain

Local Communities

Customer Health and Safety

Value of Clean

Labor Rights

Diversity and Inclusion

Employee Development

Occupational Health and Safety

Nilfisk's CSR strategy and approach

Nilfisk's CSR strategy and approach address the issues material to Nilfisk, its stakeholders and the risks identified within our value chain.

The United Nations Sustainable Development Goals (SDGs) serves as strategic guidance for our work with CSR, and ensure that Nilfisk works towards more sustainable development in the future.

The SDGs refer to the 2030 Agenda for Sustainable Development, which comprises 17 goals for ending poverty, protecting the planet, and ensuring global prosperity through a new sustainable-development agenda. Nilfisk has identified and selected specific SDGs.

In 2019, we added one more SDG to our CSR strategy, to reflect our increased focus on reducing carbon footprint. Consequently, Nilfisk now works strategically with SDGs 3 "Good Health and Well-Being", 12 "Responsible Consumption and Production", and 13 "Climate Action". SDGs 3 and 12 have specific targets that cover a broad range of sustainable development issues, and throughout the report, we show how our activities specifically support the achievement of these targets and fulfillment of the SDGs.



Nilfisk works to improve quality of life through its products, which help keep schools, hospitals, and many other locations clean. We believe good health and well-being are fundamental human rights, and this philosophy is integral to our methods for developing cleaning solutions. That is why SDG 3, "Good Health and Well-Being," is one of the global goals we support. We are currently pursuing the following specific targets within SDG 3.

- SDG target 3-9 Reduce illnesses and death from hazardous chemicals and pollution

Nilfisk acknowledges its role in the promotion of responsible consumption and production patterns. As a global company, it is important that we play a role in active decisions which impact the environment positively. In doing so, we contribute directly to SDG 12, "Responsible Consumption and Production."

We are currently pursuing 3 of the 11 specific targets that make up SDG 12.

- SDG target 12-2 Sustainable management and use of natural resources
- SDG target 12-5 Substantially reduce waste generation
- SDG target 12-6 Encourage companies to adopt sustainable practices and sustainability reporting

In 2019 we saw increased focus on our climate impact and related actions, which resulted in expanding the scope of our carbon footprint data-collection, and alignment with the Science Based Target initiative (SBTi)¹.

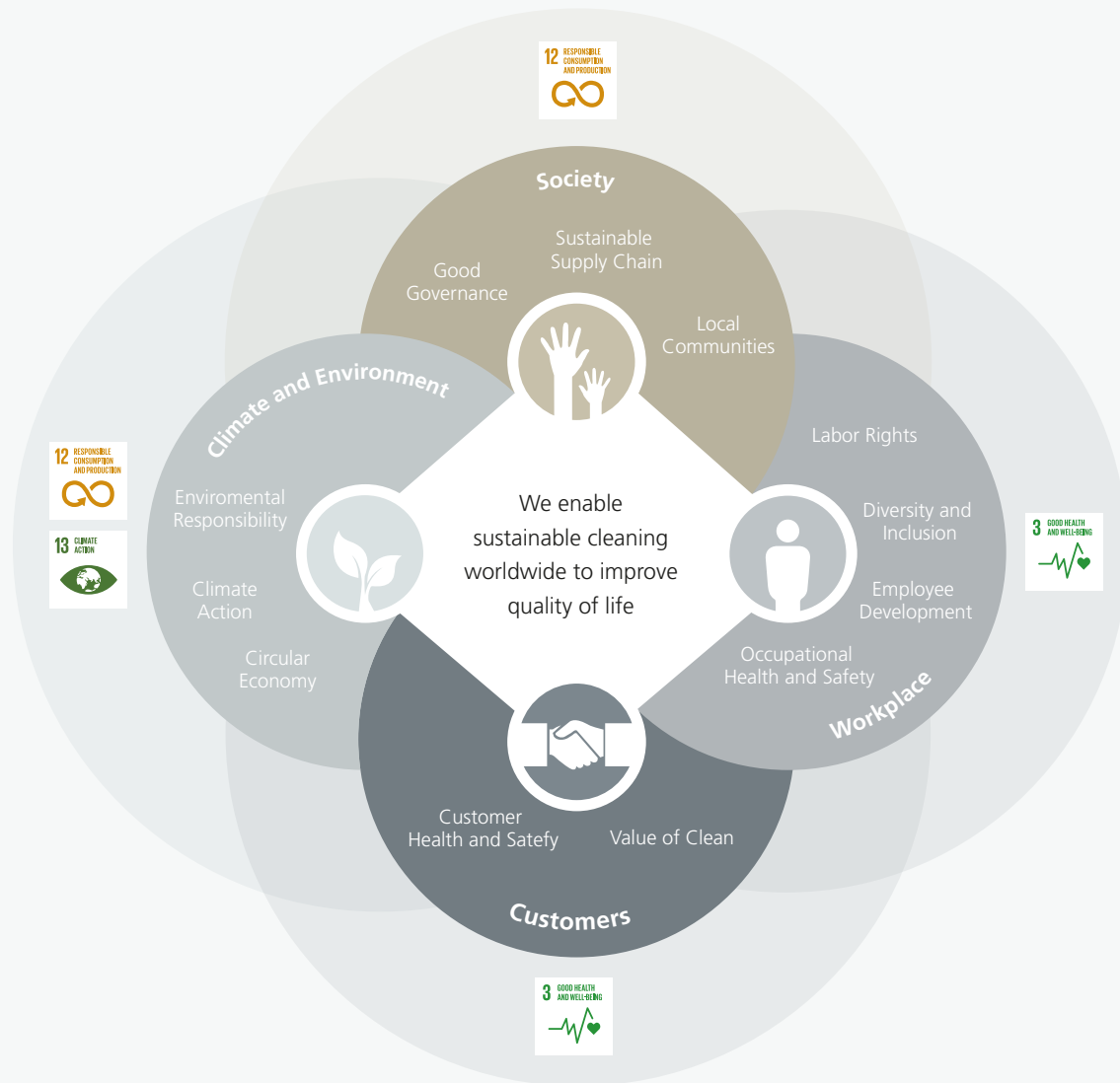
These actions reflect our ambition and commitment in terms of managing our climate impact. Nilfisk continues to acknowledge its role in society, and the importance of reducing its global carbon footprint in order to ensure a more positive environmental impact on the part of our business operations. Nilfisk is ready to actively contribute to SDG 13 "Climate Action" and incorporate it into the company's updated CSR strategy.

Throughout 2019, Nilfisk has worked to update its CSR strategy as part of a bi-annual self-assessment of its CSR approach. This work includes an updated materiality analysis, ensuring that the Nilfisk strategy reflects those developments, within the field of sustainability, that are considered important to our business and stakeholders.

In order to maximize the value of our contribution, we have adjusted some of the sub-areas that are reported on, in order to ensure alignment with the overall business strategy. The updated approach is the one that Nilfisk believes is the best for guiding future business and related decisions.

Nilfisk's CSR purpose is to enable sustainable cleaning worldwide to improve quality of life. This is the foundation of Nilfisk's CSR strategy, which encompasses four main areas and 12 sub-areas, aligned with UN SDGs 3, 12, and 13. By integrating CSR into core business activities, setting targets and initiatives with long-term value in mind within each of the CSR sub-area, we believe we will be able to achieve Nilfisk's CSR goals.

NILFISK'S CSR STRATEGY



CSR Governance

In 2019, the Nilfisk Leadership Team established a CSR Board, consisting of senior managers, covering all relevant areas of the Nilfisk business. The Nilfisk CSR Board members are vital CSR ambassadors, and are responsible for setting strategic directions for CSR within the Nilfisk Group, contributing to further integration of CSR into the business.

Daily operation and coordination of our CSR activities is managed by the CSR team, which engages with each CSR Board member's teams to identify potential opportunities for collaboration and contribution to the fulfillment of our CSR objectives and targets. Significant CSR opportunities are developed into concrete business cases, and presented to the CSR Board for review and approval.

CSR GOVERNANCE STRUCTURE

"To ensure that corporate social responsibility is anchored across our business, we created a CSR Board, in 2019, with members from key global functions. Each CSR Board member is responsible for making sure that CSR efforts are rooted in their business area, while also encouraging employees throughout the organization to support, and work closely with, the CSR team."

– Camilla Ramby, EVP, Chief Marketing Officer, Chair of the CSR Board





Climate and Environment

Environmental Responsibility · Climate Action · Circular Economy

In 2019, we continued our efforts to reduce Nilfisk's environmental and climate impacts. We committed to, and established Scope 1 and 2 GHG emissions targets aligned with Science Based Target initiative and made progress on setting science-based targets for our Scope 3 GHG emissions. In addition, we certified our production in China, in accordance with ISO 14001:2015 and rolled out environmental management training for all certified sites.



Our climate- and environment-related work is established globally as part of our Code of Conduct, more specifically its Rule governing Climate and Environment.

Environmental Responsibility

It is becoming more and more important for companies to demonstrate how they identify, manage, and mitigate their environmental impact, and to implement the right systems for ensuring a positive impact on the environment through improved operational efficiency.

As such, Nilfisk is in the process of certifying towards the ISO 14001:2015 Environmental Management System (EMS) standard implementation and certification. By demonstrating commitment to the integration of ISO 14001:2015, and performing audits, we have been able to identify areas for further improvement of resource efficiency, waste reduction, the management of environmental risks, and compliance with environmental obligations on a local and global level.

In 2019, we reaffirmed our commitment to reducing environmental impact, and our focus has been on improvement of environment and climate-centric performance through optimization of internal structures, systems, and processes.

To accomplish this, we have revisited our strategy in relation to ISO 14001:2015-certification and the goal of certifying all European sites to select those global sites with the highest environmental impact. This was a continuous process throughout 2019, and we collected and evaluated data in order to identify the right priorities. As a result, in

2019, our Dongguan product development and production site received ISO 14001:2015 certification, and EMS training has been rolled out to all certified production sites.

Going forward, we will continue our efforts to increase employee engagement and training within the environmental work and related initiatives, along with extension of ISO 14001:2015-certification to our highest-risk production sites. For example, beginning in 2020, we will begin the process of certifying all our sites in the Americas in accordance with ISO 14001:2015.

"In 2019, Nilfisk aligned our Quality and Environmental policies with the Nilfisk Next strategic business direction. Nilfisk's Global Quality team, with support from the whole organization, has been working to implement a stronger Quality and Environmental Management System, and spreading it to other sites where it was previously non-existent. Our ultimate goal is to contribute further to the success of Nilfisk Next and Nilfisk's Corporate Social Responsibility work."

– Amanda Espinosa, Global Quality Project Manager



Climate Action

In 2019, Nilfisk reaffirmed its commitment to protecting the environment by focusing on reducing our carbon footprint and maintaining waste prevention protocols at our sites around the world. We continued to improve our environment- and climate-related systems, and we identified science-based targets in order to reduce Nilfisk's climate-related impact.

The impact of climate change is becoming increasingly visible. In 2019, the World Economic Forum ranked climate-related risks – including extreme-weather events, failure to either adapt to or mitigate climate change, and natural disasters – as numbers 1, 2, and 3 respectively on the list of top 5 global risks². This confirms, the urgency with which businesses must address climate-related impact and set ambitious long-term strategies towards doing so.

Strengthening our global climate-action commitment

Over the course of 2019, Nilfisk worked extensively to develop a global overview of the company's carbon footprint within key business operations, product performance and its supply chain. By working off of the guidance of CDP, which is an international non-profit organization that supports companies with reporting their greenhouse gas emissions (GHG), we have calculated our Scope 1 (direct) and Scope 2 (indirect) emissions, and established a 2018 baseline of our carbon footprint to serve as the foundation for tracking of progress.

Within Scope 1, direct emissions, resulting from fuel combustion and fleet use at our sites, were calculated. For Scope 2, we have calculated our electricity consumption. In addition, we have taken steps to calculate Scope 3, where two major categories have been identified: Purchased goods and services and Use of sold products, comprising more than 70% of our Scope 3 emissions.

In order to calculate the baseline, we gathered Scope 1 and 2 GHG emissions data from our sites in 2018. To simplify and streamline our data collection, we have integrated a cloud-based system called Resource Advisor, provided by our partner Schneider Electric, to capture, contain, and visualize all resource- and energy-related data provided by our sites around the world. We are now able to track and monitor our global Scope 1 and 2 GHG emissions data, and this contributed to the establishment of a baseline for 2018.

To ensure that our work will contribute to keep global temperature rise under 1,5°C and minimize climate change impacts, we worked throughout 2019 to establish global targets for Scope 1, 2 and 3 GHG emissions, in accordance with Science Based Targets Initiative (SBTi) guidelines.

SBTi supports companies in the establishment of greenhouse-gas reduction targets, based on the latest climate-science knowledge and the goals of the Paris Agreement. As such, our targets are aligned with the Paris Agreement, Intergovernmental Panel on Climate Change³ mitigation pathways, and science-based approaches and methods of calculation.

For Scope 1 and 2, we have set and committed to a science-based target, which is as follows:



Minimum 35% reduction in absolute Scope 1 and 2 GHG emissions by 2030, compared to 2018 baseline year*

*Target subject to validation by SBTi

Scope 1: Fleet, fuels and heating

Upon calculation of our Scope 1 emissions, we identified that the most significant part of our carbon footprint is generated by our fleet. Based on this, several initiatives were immediately defined to help limit our greenhouse gas emissions. For example, in 2019, Nilfisk worked to establish a new global car policy, setting concrete emissions targets to minimize the climate change impact of our fleet and align with our overall strategic CSR direction and science-based target.

Scope 2: Energy consumption

Purchased electricity comprises 95% of our Scope 2 emissions, and our sites track and deliver data on their energy consumption through Resource Advisor. As a result of our global energy-consumption data tracking, we are now able to establish targets and identify energy-efficiency projects globally across Nilfisk to reduce our energy consumption.

In 2019, we initiated series of audits to comply with the Energy Efficiency Directive 2012/27/EU at our European sites, which will provide us with potential actions to reduce Nilfisk's energy consumption and switch to renewable alternatives, wherever possible.

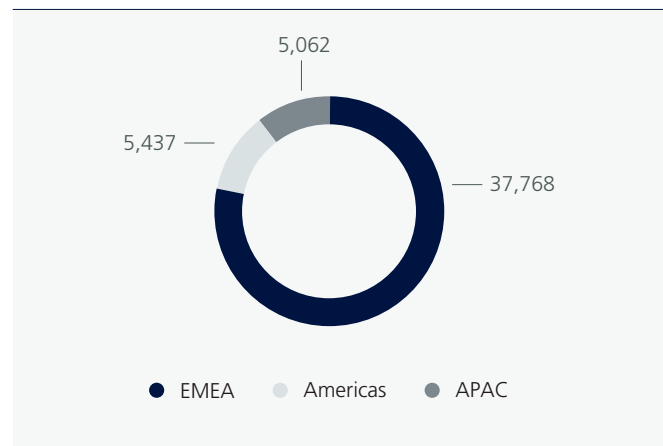
Scope 3: Purchased goods and services and Use of sold products

In addition, we are now able to calculate our actual carbon footprint in relation to Scope 3 emissions in two categories: Purchased goods and services and Use of sold products and have taken the steps to define Scope 3 science-based targets for these two categories. During 2020, the CSR team will work together with procurement teams, along with those involved in product design and product management, to better understand our suppliers' environmental and climate performance, as well as the impacts of our products throughout their life-time. We will continue focusing on optimization of our product portfolio, and the implementation of innovative technologies that can help us limit Scope 3 emissions.

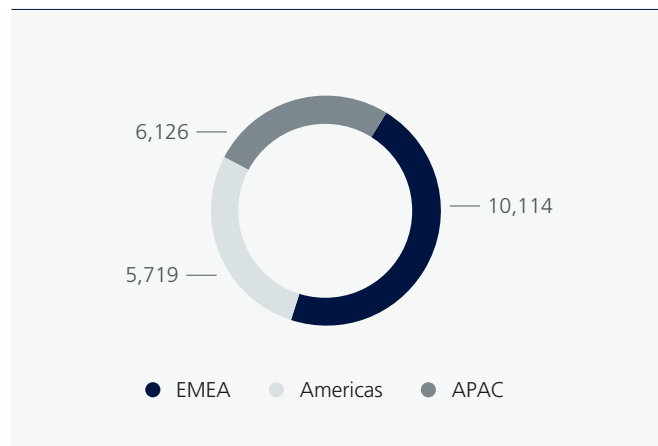
CDP score

CDP, formerly the Carbon Disclosure Project, is a global disclosure system, that provides companies, states, and cities, with guidelines on how to measure and manage their environmental impact. Based on this, CDP rates organizations' environmental performance on a scale from A to D-. Its guidance for calculating Scope 1, 2 and 3, has been crucial in calculation of our own carbon footprint. As a consequence of our work over the past year, Nilfisk has significantly improved in its CDP score, resulting the quality of our climate disclosure receiving a B- score, which is higher than the European regional average of C.

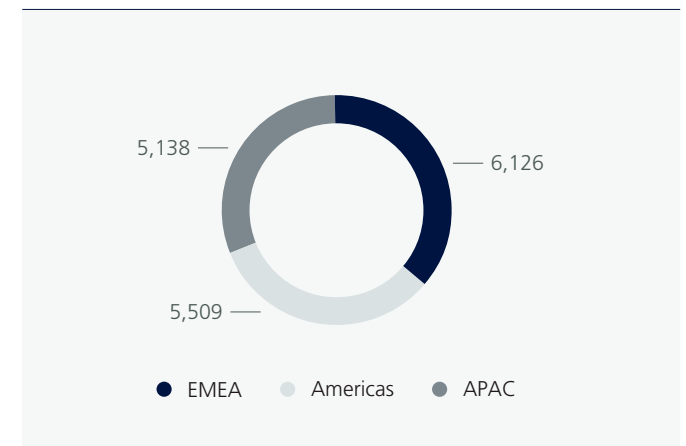
Baseline – Car fleet – km (thousand)



Baseline – Natural gas – mWh (thousand)



Baseline – Electricity – kWh (thousand)



Circular Economy

By redefining the traditional industrial model, circular economy provides the basis for removing the generation of waste from the system, so that when a product reaches the end of its lifecycle, it may be used again to create further value. Over the previous years, Nilfisk has begun the process of rethinking its product design, and identifying ways to reuse product components at the end of their lifecycle. A key component of this journey is Nilfisk's take-back programs.

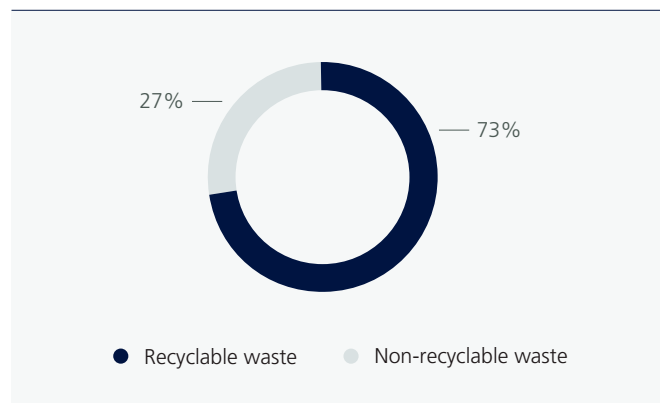
Waste-management and recycling

In 2019, we began working globally with Nilfisk's sites to create and define new waste categories for reporting and collection of data. We want to ensure global alignment across our largest sites so that sites may be compared to one another with greater ease, enabling identification of opportunities for waste-recycling and reuse. The data is reported to our global system, Resource Advisor, and continuously monitored.

"By creating a structure over our waste consumption, we enable ourselves to create a shared approach to waste management in the future. We can learn from each other and ensure that Nilfisk minimizes its negative impact from waste."

– Shaun Spring, Production Manager, USA

Recyclable vs. Non-recyclable waste – %

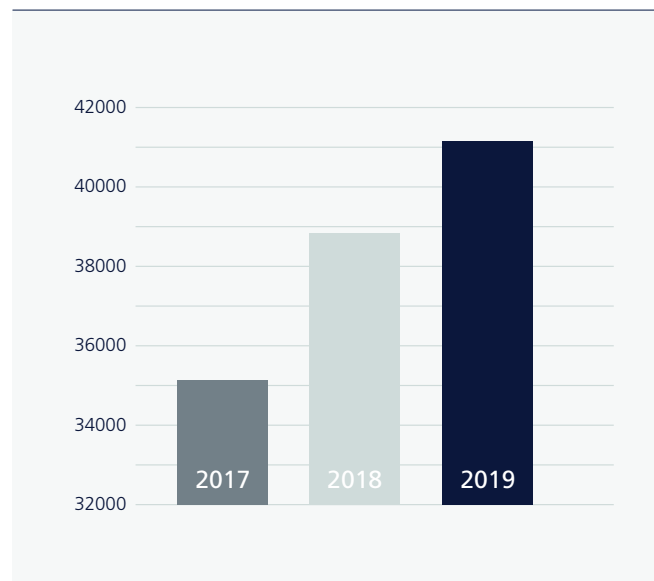


Water-recycling projects

Water is a critical resource that Nilfisk strives to use as efficiently as possible in all operations. At our test center for high-pressure washers in Hadsund, Denmark, the amount of water used inspired us to implement a water-recycling system. This system has allowed us to save significant amounts of water every year. The knowledge and insight gained can support us in expanding the project to our other testing and production sites. As a result, we have also implemented a water-recovery system in Brooklyn Park, Minnesota, USA, that mirrors our setup in Hadsund.

We have also begun collecting data from our sites regarding total water usage. Such information supports us in the coming year, as we set concrete targets for global water consumption and identify areas for limiting fresh-water and increasing recycled-water use in the coming year.



Recycled water use – m³



Take-back programs

With the goal of creating an efficient operational set-up and reducing waste from our product portfolio, Nilfisk continues to run global "take-back" programs for faulty or old floor care machines in several of its key markets. These machines are subsequently refurbished, if possible, and sold or rented out on the secondhand market – where Nilfisk is experiencing growing customer interest – ensuring that they are used to their full capacity.

Machines beyond financially-feasible repair are dismantled, with full Nilfisk traceability of parts, such as batteries, plastic, metal, and electrics, which have the potential to be recycled. In addition, Nilfisk is in the progress of implementing a take-back center in Europe, so that we can create a centralized source for refurbishment from the European countries in which we operate. This will create an opportunity for Nilfisk to develop a more structured approach to circular economy as it relates to our machines.

	2019 results		Future objectives	
Focus area	Goals	Actions and results	Goals	Planned actions
<p>Environmental Responsibility</p> <p><i>Risks: Energy consumption, environmental pollution, dangerous substances</i></p>	<ul style="list-style-type: none"> » Environmental Management System (EMS) work to be updated according to new Climate and Environment Rule » ISO 14001:2015 training to be conducted at all European sites 	<ul style="list-style-type: none"> » Global procedures for key processes within EMS have been developed » New Environmental and Climate Rule communicated globally, as part of Nilfisk's Code of Conduct » Audits of Global EMS processes included as part of Annual internal audit plan » ISO 14001:2015-certification strategy revised to focus on the sites with highest risks and impacts 	<ul style="list-style-type: none"> » Improve the transparency of climate and environmental performance, as part of Scope 1 and 2 science-based targets 	<ul style="list-style-type: none"> » Support cascading of climate science-based targets to site level » Ensure clarity and linkage between global and site targets » Roll out updated EMS and CSR governance process, including increased performance, improvement actions, and process-conformity reporting or monitoring
	<ul style="list-style-type: none"> » Strengthen EMS focus on highest-impact sites 	<ul style="list-style-type: none"> » Dongguan China product-development and production site incorporated into ISO 14001:2015 certificate » EMS training is being rolled out to all certified sites 	<ul style="list-style-type: none"> » Extend EMS and ISO 14001:2015 certification to all high-impact sites 	<ul style="list-style-type: none"> » Complete roll-out of EMS training, and establishment of effectiveness measure » Include EMS training with new employee-onboarding protocol » Finalize and execute EMS-certification plan
<p>Climate Action</p> <p><i>Risks: Energy consumption, CO₂ emissions, air pollution, particle pollution</i></p> <p>SDG target impacted:</p> 	<ul style="list-style-type: none"> » Establish global KPIs based on baseline calculations 	<ul style="list-style-type: none"> » Established science-based targets for Scopes 1 and 2 » Established new car-fleet policy, as part of defining and implementing cost- and CO₂-saving projects » Initiated target-setting for Scope 3, aligned with SBTi 	<ul style="list-style-type: none"> » Roll out and communicate Scope 1 and 2 science-based targets to site level » Set up cost- and CO₂-saving projects to achieve Scope 1 and 2 emissions reduction » Confirm Scope 3 science-based targets 	<ul style="list-style-type: none"> » Internal communication and training on Scope 1 and Scope 2 science-based targets » Identify and implement cost- and CO₂-saving projects to reduce Scope 1 and 2, by taking point of departure from Energy Efficiency Directive-audit findings on European levels » Confirm Scope 3 science-based targets
<p>Circular Economy</p> <p><i>Risks: Raw materials extraction, resource use, waste, fresh-water use, detergent pollution</i></p> <p>SDG target impacted:</p> 	<ul style="list-style-type: none"> » Establish global KPIs based on baseline calculations 	<ul style="list-style-type: none"> » Waste- and water-data collection and tracking initiated, with the goal of defining global KPIs for waste and water consumption 	<ul style="list-style-type: none"> » Define global targets for waste and water consumption 	<ul style="list-style-type: none"> » Internal communication and training on new global targets for waste and water consumption



Society

Good Governance · Sustainable Supply Chain · Local Communities

As a global company, Nilfisk navigates different business cultures and national regulations. Hence, we have a constant focus on complying with applicable laws, and we prohibit any form of corruption or bribery. In 2019, we updated our Code of Conduct as we have as well updated our due-diligence system for supplier assessment by including CSR-questionnaire.



Our good governance-related work is established globally as part of our Code of Conduct, more specifically its Rules on: Anti-corruption, Competition and anti-trust, Data privacy, Foreign trade controls and Anti-Fraud, conflict of interest. Our Sustainable Supply Chain work is governed by the rules, incorporated by our Code of Conduct.

Good Governance

Good governance is fundamental to the way we conduct our business activities and daily interactions with stakeholders. By establishing integrity and ethical processes in every aspect of our business, we can ensure long-term financial and sustainable success for our company and employees.

In 2019, Nilfisk adopted an updated [Code of Conduct](#) consisting of 11 Rules covering e.g. anti-corruption, IT security, product quality, and labor rights and protections, as well as an overarching Integrity Policy requiring Nilfisk employees, directors, and officers, to always act with integrity in their work at Nilfisk. The Code of Conduct focuses on key “dos and don’ts” and their practical application, as well as on reporting and investigating possible violations of the Code of Conduct.

The Nilfisk Leadership Team (NLT) also approved the establishment of the Nilfisk Governance Framework (NGF), thereby expanding the existing governance framework originally comprising the Code of Conduct. The NGF will incorporate the Rules in the Code of Conduct and supplement them with operational rules containing standardized global practices and requirements in key areas, e.g. contracts,

insurance, service, and the supply chain. A key NGF goal is to create a “one-stop shop” where Nilfisk employees, and external stakeholders, can easily find all relevant information and materials concerning e.g. key compliance, operations and commercial areas in Nilfisk. Another key goal is to clearly designate persons with specific responsibilities and actions to be taken.

The NGF will be rolled out in 2020, and will include about 30 rules, supported by multiple implementation guidelines, along with tables explaining which rules apply to which Nilfisk corporate functions (some, including the Code of Conduct rules, apply to all functions worldwide), which ISO standards apply to which rules and which rules relate to other rules.

The status of rule-implementation will be verified through annual assurance exercises, in which various Nilfisk functions will confirm how they have implemented rules applicable to them. Nilfisk’s global compliance function will consolidate the assurance-reporting into an NGF-status summary, which will be presented to the NLT and Board of Directors, including gaps in implementation and the actions needed to close them.

Code of Conduct training began in second half of 2019, with online training for Nilfisk’s most senior global managers. The training highlighted the key role of managers in supporting and promoting the Code of Conduct. Webinars followed for select corporate functions, and all other global employees will receive online training in 2020. In-person training also occurs during compliance visits to Nilfisk subsidiaries and their sites. Global NGF training will also take place in 2020.

Compliance and CSR audits of global suppliers starting with those at greatest risk in 2020, and proceeding onwards.

As part of our Good Governance framework, we focus on the following key areas:

Anti-corruption

Nilfisk complies with applicable global anti-corruption laws. We do not engage in, and actively oppose, bribery, both as a company and as a participant in global organizations such as the UNGC and the OECD’s

Business and Industry Advisory Committee (BIAC). Nilfisk prohibits employees and directors from directly or indirectly offering, giving, or receiving anything of value in order to secure an improper business advantage.

Cross-functional collaboration continues to strengthen governance and compliance, e.g. legal and financial teams investigating possible compliance violations. In 2019, we conducted audits at subsidiaries in Brazil, Chile, Hungary, and Russia, and suppliers in China. A key aspect of such visits is meetings with high-risk service suppliers in order to assess their risk profiles, in particular regarding bribery, and to mitigate such risks together.

Competition law

Nilfisk continues its efforts to comply with global competition laws. Our Competition, Compliance, and Contracts rules require employees negotiating contracts to use Corporate Affairs guidance when reviewing competition-law risks. In 2019, guidance was generated on how employees must act at meetings where third parties begin discussions that could violate applicable competition laws.

Data privacy, including the General Data Protection Regulation

Nilfisk continues its long-term, ongoing actions to comply with the 2018 EU General Data Protection Regulation (GDPR), including implementing GDPR-compliant standards for some global data-processing activities where GDPR does not apply. The global compliance officer monitors compliance actions and addresses GDPR-related inquiries, e.g. requests for personal data from individuals, and reports of data breach. GDPR compliance is a key element of the Code of Conduct training, and Nilfisk has invested in an automated tool to enhance GDPR compliance. Nilfisk also continues efforts to comply with other applicable data-privacy laws.

Foreign Trade Controls

Nilfisk continues to enhance its compliance program covering applicable trade and financial sanctions and export control laws, in particular US and EU legislation. These include restrictions on dealings with countries such as Iran and Syria, and requirements for licenses to export dual-use items (commercial items with a potential weapons or military use, subject to export and re-export regulatory restrictions).



For example, Nilfisk's updated contracts for new suppliers require them to provide extensive information and documentation, including dual-use and country-of-origin status, for the goods they supply.

Anti-fraud and conflicts of interest

Cross-functional collaboration continues between our legal and finance teams to ensure compliance with our Anti-fraud & Conflicts of Interest rule, in order to mitigate fraud risks. Although there were no joint audits in 2019, as there were in 2018, the teams have collaborated on investigations of fraud allegations, and subsequent remedial steps in dealing with the employees involved and in identifying ways to mitigate similar risks in the future. Conflict-of-interest risks, and the steps to mitigate them, are highlighted in our Code of Conduct training.

Whistleblower system

The Nilfisk whistleblower system helps employees and external parties report concerns about violations of the Code of Conduct or laws. Reports are made online to a system operated by an external Danish company, ensuring confidentiality, and anonymity if the reporter wishes. Reports are investigated according to complexity and severity, and are reviewed by Nilfisk's Compliance Committee, consisting of the Group CEO, and CFO, and heads of Legal and HR, as well as by the Audit Committee of the Board of Directors. Investigations must follow the requirements in the 2019 NGF rule and guidelines governing internal investigations.

The whistleblower system, were internal methods of reporting concerns about legal and Code of Conduct violations, are all key elements of the 2019 compliance-training sessions, and this will continue in training conducted during 2020, with a strong focus on reporting and investigating concerns.

Sustainable Supply Chain

For Nilfisk, a sustainable supply chain requires proactive engagement and assessment of our suppliers' performance, along with simultaneous creation, capture, and delivery of value from our operations and products to customers, and other stakeholders. To do this, we must ensure that we address CSR-related risks and challenges within



our supply chain. Our supplier relationships are defined by supplier agreements, which have been updated in 2019, to state that in cases, where suppliers have their own Code of Conduct in place, it will not be mandatory for them to follow Nilfisk's Code of Conduct. Going forward, we will aim to have all suppliers covered by our Code of Conduct, whenever they do not have their own Code of Conduct in place.

Nilfisk's operations are primarily assembly-based, and it remains important that our extensive network of suppliers conform to our standards and observe the 10 principles of United National Global Compact (UNGC). This development is part of an incremental process of proactively working with our extensive supplier network and encouraging its members to follow the UNGC principles. Currently, 93% of our suppliers with an annual spend above 50,000 EUR have confirmed their commitment to following the UNGC 10 principles, which is a 4% increase compared to 2018.

In 2019, as part of Nilfisk's continuous work with suppliers, we established an updated audit program and hired a dedicated auditor,

to conduct supplier audits, starting in China and then expanding to suppliers elsewhere. In 2019, we have successfully completed 10 suppliers' audits in China.

In addition, in 2019, we streamlined our supplier-screening process using the ARIBA Sourcing Suite, with integrated, mandatory CSR and compliance self-questionnaires on e.g. corruption, climate, environmental, and human rights topics. All potential suppliers must complete these questionnaires to become a Nilfisk's supplier. All current suppliers above specific spend will also receive the questionnaire in 2020, starting with China. Supplier responses will be screened by the CSR and compliance teams, in collaboration with Global Procurement and follow-up actions will be identified and approved by the CSR Board, with the goal of improving our suppliers' CSR and compliance performance.

The 2019 actions set the tone for how Nilfisk will work to elevate the demands we place on suppliers, as well as the support we will provide to help them achieve those demands, thereby ensuring more sustainable supply chain.

Local communities

Nilfisk continues its active involvement in the local communities where we operate, contributing to a positive working environment for both Nilfisk employees and local societies. As an example, our head office, located in Broendby in Denmark, was nominated for Organization of the Year 2019 by the local government. The nomination was a result of the work we have done, in collaboration with the local job center, to offer employment for candidates with working disabilities; Nilfisk desired to take on a greater role in terms of social responsibility, which led us to take on new employees whose skills differ from those typically found in our offices.

Our focus, in 2020, will remain on the development of an overall strategy for local community, and on the alignment of already-existing local initiatives.

"This was an area where we felt Nilfisk had a strong opportunity to make an impact in local communities. By taking responsibility, and ensuring that each employee is integrated into their everyday team, we create an environment for our employees to develop in, and we improve conditions for people in our work environment."

– Thomas Mikkelsen, Facility Manager, Broendby

Employee volunteering

In the US, Nilfisk is involved in an initiative that allows our employees to take paid time off from work to complete eight hours of volunteer work annually. Our engagement surveys reveal that US employees are happy to be involved in these projects, and that it improves their motivation.

We continue to focus on projects more closely related to our core business. By assessing our global partnerships, we plan to work more strategically with the projects we believe to be most relevant to Nilfisk.



Focus area	2019 results		Future objectives	
	Goals	Actions and results	Goals	Planned actions
Good Governance <i>Risks: Anti-corruption, data privacy, integrity, fraud and conflict of interest, compliance</i>	<ul style="list-style-type: none"> » To roll-out new Code of Conduct » To conduct Code of Conduct training 	<ul style="list-style-type: none"> » Global roll-out in 2019: <ul style="list-style-type: none"> » Training for senior leaders » Training given at visits to global subsidiaries » Strong top management focus and support on Code of Conduct implementation » New global governance framework initiated for behavior and operations rules » New training system not selected, due to budget constraints 	<ul style="list-style-type: none"> » Implementation of Nilfisk Governance Framework (NGF) globally » Expand global training in Code of Conduct and NGF, e.g. anti-corruption » Promote importance of reporting possible Code of Conduct violations » Underscore Nilfisk's commitment to thoroughly investigate reported violations 	<ul style="list-style-type: none"> » Complete all NGF rules » Webinar training for specific functions » Global online training for most employees on Code of Conduct and NGF » Conduct compliance event in 2020 » Strengthen focus on reporting concerns, e.g. through whistleblower system and investigations
Anti-corruption	<ul style="list-style-type: none"> » To expand audits on anti-corruption and audits of subsidiaries and meetings with high-risk suppliers » To conduct compliance training during visits 	<ul style="list-style-type: none"> » Site visits in Brazil, Chile, Hungary, and Russia, as well as meetings with relevant local suppliers were conducted » Compliance meetings/audits with key suppliers in China were performed 	<ul style="list-style-type: none"> » Expand the audits on anti-corruption » Implement risk assessment tool 	<ul style="list-style-type: none"> » Continue focus on anti-corruption during site visits, town halls, and supplier meetings » Complete risk assessment tool, upload online for use, and introduce to country managers
Competition law	<ul style="list-style-type: none"> » To expand audits on competition 	<ul style="list-style-type: none"> » Competition compliance included in site visit training 	<ul style="list-style-type: none"> » Conduct trainings on competition law » Global competition law risk assessment » Expand competition compliance audits as needed 	<ul style="list-style-type: none"> » Trainings for legal, procurement, and sales teams – with support of external council » Work with internal teams and external council on law risk assessment » Enhance risk-based approach and focus on high-risk locations
Data privacy, incl. GDPR	<ul style="list-style-type: none"> » To maintain high GDPR compliance standard 	<ul style="list-style-type: none"> » Accomplished through e.g. use of required agreements, compliance with requests from data subjects, use of GDPR related compliance tools and GDPR training 	<ul style="list-style-type: none"> » Maintain a high GDPR compliance standard 	<ul style="list-style-type: none"> » Enhance database mapping actions » Continue general GDPR-compliance actions and compliance audits
Fraud and conflicts of interest	<ul style="list-style-type: none"> » To roll-out Conflicts of Interest (COI) program 	<ul style="list-style-type: none"> » COI program not rolled out due to higher priorities » Investigations of possible fraud conducted 	<ul style="list-style-type: none"> » Continue joint audit collaboration with Global Finance » Identify fraud prevention gaps and remedial steps and implement conflicts of interest prevention program 	<ul style="list-style-type: none"> » Conduct joint site visits with Global Finance » Work with Global Finance to identify specific subsidiary gaps » Work with Global HR to implement COI prevention program
Sustainable Supply Chain <i>Risks: Human rights, labor rights, CO₂ emissions, waste, resource use</i> SDG target impacted:	<ul style="list-style-type: none"> » New third-party due-diligence system regarding supplier-side social management and environmental management » Suppliers with spend above 50,000 EUR to commit to the 10 Principles of the UNGC 	<ul style="list-style-type: none"> » New third-party due-diligence system developed along with CSR questionnaire to assess suppliers' performance going forward » Auditing has started for key suppliers in China » 93% of suppliers have signed the 10 Principles of UNGC in 2019 	<ul style="list-style-type: none"> » Perform CSR due diligence for new and current suppliers » Train Category Managers to assess suppliers' performance with regard to CSR and climate actions performance » Audit key suppliers 	<ul style="list-style-type: none"> » Initiate supplier assessment based on CSR questionnaire » Gather and analyze findings from supplier assessments and initiate dialogue focusing on improving supplier performance » Train category managers on new due-diligence system for assessing supplier performance and climate actions » Continue supplier audits in China, and follow up on engagement to improve performance
Local Communities <i>Risks: Traffic safety, labor rights, particle pollution, climate effects, business license to operate</i>	<ul style="list-style-type: none"> » Investigate the possibility of establishing a global initiative that can embrace and support local initiatives 	<ul style="list-style-type: none"> » Not completed 	<ul style="list-style-type: none"> » Investigate possibility of establishing a global initiative that can embrace and support local initiatives 	<ul style="list-style-type: none"> » Establish a global strategy for local community work and align existing internal initiatives to local communities



Customers

Customer Health and Safety · Value of Clean

We are committed to continually investing in product quality, and safety, by focusing on product design and compliance. In 2019, Nilfisk wrote the only IECX-listed standard for industrial vacuum cleaners on extracting combustible dust. We have successfully launched our Hazardous Dust campaign, which focuses on awareness-creation and education of both customers, and dealers, about the dangers posed by dust particles.



Our Customers-related work is established globally as part of our Code of Conduct, more specifically its Rules on: Product certification and Quality.

Customer Health and Safety

Nilfisk is committed to investing in innovative customer solutions while ensuring product safety, quality, and sustainable performance.

Nilfisk complies with applicable standards, regulations, and legal requirements governing our products, working proactively to improve product safety through numerous working groups worldwide with particular emphasis in the EU and US.

We work to raise the bar for product quality across our entire industry. This is being accomplished through participation in external bodies, where we work to create new standards that enhance product safety worldwide.

In 2019, Nilfisk was a key participant and contributor in the group that developed the only IECX⁴ listed standard for industrial vacuum cleaners extracting combustible dust. In addition, Nilfisk sent out a proposal for extracting combustible dust from ordinary locations, which positioned us uniquely within the industry. This will support our customers with safe guidelines for operating in dangerous work environments.

Such efforts help us to create industry-wide objective definitions of standardization, which provide the only real means for customers to compare products.

“Being a leading stakeholder in external bodies provides Nilfisk with a real opportunity to set global requirements for cleaning products that ensure the highest possible quality. In the end, this is what creates value for our customers, since they will receive the best possible product: one that offers optimal efficiency, safety, and performance.”

– Charalambos Freed, Technical Director, Competence Center EMEA

Product compliance, safety and quality

It is vital that Nilfisk engage in open, effective dialogue with our customers to provide correct, complete instructions for our products. Our products are covered by the global regulatory framework, along with other regional frameworks establishing requirements, and underlying harmonized standards of conformity.

Product quality

In June 2019, the European Commission published its final report, “Review study on Vacuum cleaners”, with Nilfisk being the only company to have all of its commercial-vacuum cleaner models featured, especially the VP 600 battery, which offers longer battery life compared to other models in the same market category. Through the performed tests, the Nilfisk VP600 cylinder model, with its 2-setting battery, was classified as a state-of-the-art battery-operated commercial-cylinder vacuum cleaner, comparable to any consumer battery-operated vacuum cleaner on the market. Nilfisk also led the preparation of a new performance standard for commercial vacuum cleaners, which will serve as the basis for the upcoming European Regulation on energy-label and eco-design requirements for commercial dry-vacuum cleaners; this position was discussed at the Consultation Forum of the European Commissions in Brussels on October 30th, 2019.

Regulatory areas covered include, but are not limited to:

- Electrical/mechanical safety
- Electromagnetic compatibility (EMC) and radio matters (RED)
- Restriction of hazardous substances
- Eco-design
- Equipment intended for use in potentially explosive atmospheres

In 2019, we focused heavily on optimizing internal processes concerning product compliance. Our goal has been to increase our focus on product compliance, in order to create a more efficient structure in relation to product compliance. We believe that by creating clear, efficient communication and reporting systems, we are optimally equipped to handle future challenges.

To that end, Nilfisk has worked to establish a reporting template for product-compliance progress and has developed a regulatory roadmap designed for creating an overview and tracking upcoming regulatory requirements.

Throughout 2019, Nilfisk's Quality Management System (QMS), in accordance with ISO 9001, was also implemented across all production sites and distribution centers. This has helped ensure that customers enjoy consistent product quality and safety.



Value of Clean

Sustainable cleaning has a measurable impact for our customers, but also for the general public, who benefit the most from living and working in a clean environment. As part of our Value of Clean commitments, we address the total value of ownership by assessing the potential savings for energy, water, and detergent used by our products; and how we can continue contributing to the health and safety of those living, and working, in environments cleaned by our products, through product-design efficiency and stakeholder engagement.

Total value of ownership

By working strategically to elevate the standard of requirements in our industry, we are ensuring that customers enjoy safer environments and better quality of life. Our work to elevate water-efficiency standards for scrubber dryers is an example of how Nilfisk customers receive greater value from the same products, which can now clean a larger area in less time with the same amount of resources. In this way, we save our customers both time and money.

When it comes to floor-cleaning equipment, Nilfisk has been leading the industry for many years in the reduction of water and chemical use during daily cleaning applications. A good example of our

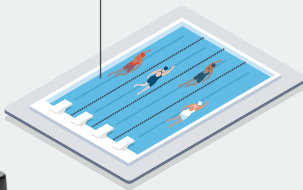
leading expertise is the implementation of Ecoflex™ and Smartflow™ technologies, which allow our customers to save up to 75% of water, and 80% of detergent during cleaning without experiencing reduced performance. With these technologies in place Nilfisk SC500 scrubber dryer saved 69,000 m³ of water and 870 m³ of detergent compared to conventional cleaning machines sold in 2019.

Another example of how we deliver higher 'value of clean' for our customers is the Nilfisk high pressure washer product portfolio. This portfolio is industry leading in terms of overall ergonomics and in advanced boiler technology allowing customers to have same or better heating performance with up to 10% fuel savings compared to the average performance level of other available solutions. Even for a pressure washer with only moderate annual use, this efficiency level can lead to a reduction of up to 1,000 litres of fuel over a five year period.

"The water-saving capabilities of Ecoflex™ and Smartflow™ technologies, when combined, are significant. When looking at all the SC500 machines we sold, in 2019 alone, this corresponds to approximately 30 Olympic swimming pools' worth of water saved. It is a great example of how we combine efficient cleaning performance with substantially positive sustainability to help protect the planet's resources." – Jean-Pierre Lebrun, Global Product Manager, Institutional cleaning



One Olympic swimming pool = approx. **2.5 megalitres of water**



"Nilfisk's industry-leading boiler technology for high-pressure washers is a great example of how we combine customer value-creation with sustainability, thereby helping our customers lower their costs, and reducing resource requirements for the planet, as well."

– Andrew Caddick, Product Director, High pressure washers

Moreover, within the regulatory landscape, our participation in numerous external bodies, many of which set future legislation for cleaning equipment, results in the creation of cleaner working environments for our customers. We are currently a leading body in standardizing the requirements for limitations of toxic gasses, such as carbon monoxide, in oil-heated high-pressure washers. Nilfisk is an industry leader in the efficient use of these machines, and use of our pressure-washing products helps ensure much healthier environments for those customers who choose Nilfisk.

Over the next year, we will work to make more standardizations quantifiable, so it will become easier for customers to compare products, and decide which products provide the greatest Value of Clean.

Ensuring healthy and safe environments

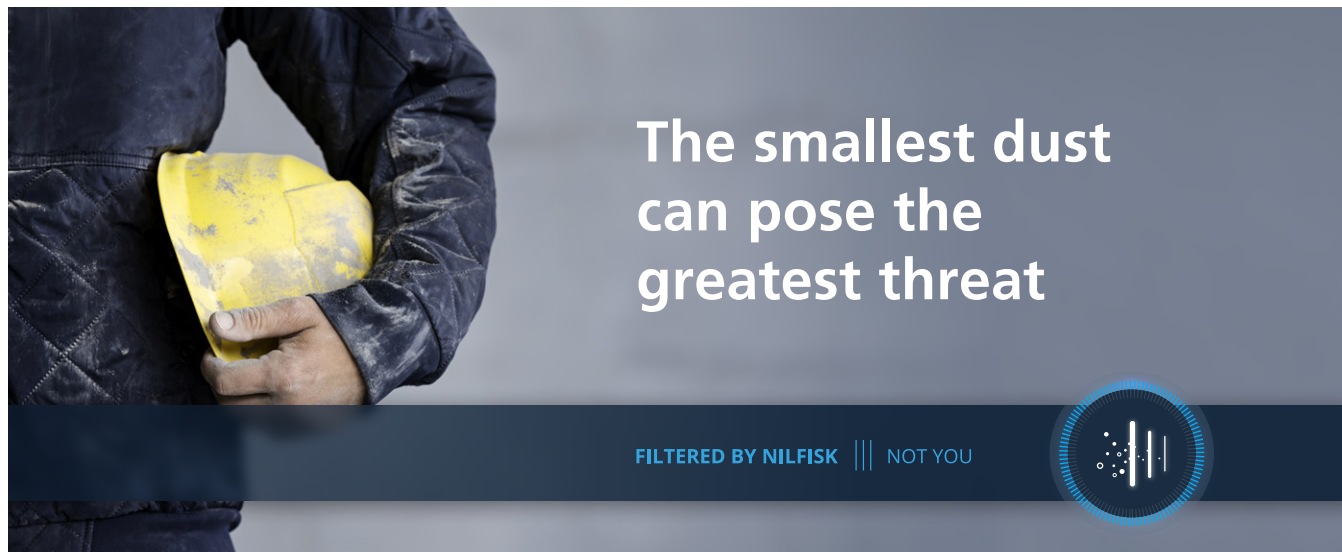
The international worldwide cleaning organization ISSA estimates that a clean working environment can⁵:

- Reduce the probability of catching a cold or influenza by 80%
- Reduce the area of surfaces contaminated with viruses by 62%
- Reduce absenteeism by 46%

In addition, unplanned absences can cause a 54% decrease in productivity, and a 39% decrease in customer service, just as an unsanitary working environment can increase employee sick days. In addition, the WHO estimates that five out of the world's top ten causes of death are hygiene-related.

Cleaning is an investment in human health and the environment. Nilfisk is a world-leading provider of vacuums for protection against hazardous dust, and in 2019, Nilfisk initiated its Hazardous Dust campaign to improve awareness of the danger posed to human health by hazardous-dust particles, which are common in the building and construction industry.

Nilfisk's ATTIX 33/44 and Nilfisk VHS120 H-class solutions are best equipped to support customers with keeping work environments free of hazardous dust. They provide dependable, innovative filtration, robust design, and certification for handling H-class materials to prevent hazardous dust from posing a threat during work – and afterward.



The smallest dust can pose the greatest threat

FILTERED BY NILFISK ||| NOT YOU



According to the International Technical Commission's International Standard, hazardous dust is defined as "non-radioactive and non-explosive dust which is hazardous to health if inhaled, ingested, or in contact with the skin"⁶. It is divided into three classes:

- High-risk (H-class)
- Medium-risk
- Low-risk


The H-class dust particles often cause severe health problems. Nilfisk's H-class dust extractors are compliant with the IEC International Standard, and contribute to proper management of H-class particles for safer, healthier environments every day.

The Hazardous Dust campaign targets Nilfisk's dealers, who showcase our dust-extraction solutions, and craftsmen, who are most often exposed to hazardous dust during their work. Nilfisk aims to help our customers create the safest possible work environments for both themselves and their coworkers. In addition, we also educate dealers on hazardous-dust requirements, so that they can provide the necessary

information to customers in a comprehensive, easily understood manner.

The Hazardous Dust campaign is the first component of an ongoing commitment to support the building and construction industry, so that hazardous-dust equipment is eventually grouped with other basic safety equipment.

With the right equipment, our customers can ensure a healthy, safe environment for both workers and the general public.

Focus area	2019 results		Future objectives	
	Goals	Actions and results	Goals	Planned actions
<p>Customer Health and Safety</p> <p><i>Risks: Customer health and safety, product compliance, dangerous substances, energy consumption and water use</i></p> <p>SDG target impacted:</p> 	<ul style="list-style-type: none"> » Increase further focus on product compliance » Secure consistently high safety standards for new product types at a global scale » Continue to develop and control product quality via ISO9001-certified Quality Management System in order to improve product-safety compliance even further 	<ul style="list-style-type: none"> » Product Certification and Quality Rules established in our Code of Conduct, and 15+ product-compliance processes developed » Product-compliance status template developed with data recorded (Q3 2019-Q2 2020) » Regulatory roadmap in place to track upcoming regulatory requirements » Established standards covering new autonomous products » Nilfisk leads the work on the only IECEX-listed standard for industrial vacuum cleaners of combustible dust » Nilfisk sent out a proposal for picking up combustible dust in ordinary locations, which is a unique proposition in the industry » All production and distribution centers have implemented a QMS and are part of the global QMS 	<ul style="list-style-type: none"> » Change industry label of efficiency on scrubber dryers from qualitative to quantitative » Elevate requirements for oil-heated high-pressure washers » Work to harmonize the IEC 62784 standard against ATEX Directive and North American requirements to create a global standard for hazardous locations » Continue raising product-quality benchmarks across the entire industry 	<ul style="list-style-type: none"> » Create quantitative targets for measuring efficiency of scrubber dryers » Outperform industry requirements in terms of efficiency » Support the EU Commission in the implementation of an energy label for commercial vacuum cleaners » Internal implementation of IEC 62784 standard as an IECEX standard governing explosive atmospheres » Five additional product-compliance processes to be developed and implemented » Complete data-recording, incl. centralization and establishment of IT solution
<p>Value of Clean</p> <p><i>Risks: Energy consumption, water use and detergent pollution, customers and general public health and safety</i></p>	<ul style="list-style-type: none"> » Support customer understanding of "value of clean" from a health and safety perspective 	<ul style="list-style-type: none"> » Worked on global extension of European standard for hazardous particles » Launched Hazardous Dust campaign to inform and educate customers/dealers on hazardous-dust regulation and importance of using hazardous-dust equipment 	<ul style="list-style-type: none"> » To continue driving awareness of the importance of clean work environments in relation to human health 	<ul style="list-style-type: none"> » Continue Hazardous Dust campaign work and increase awareness



Workplace

Labor Rights · Diversity and Inclusion · Employee Development · Occupational Health and Safety

Creating a healthy, safe, and engaging work environment for our employees is the cornerstone of Nilfisk's success as a company. We focus on complying with applicable labor rights laws, and ensuring that all employees are treated equally irrespective of their economic, social, political, cultural, or civil life. In 2019, we increased the representation of women in management positions and received a higher score on our employee engagement survey, compared to 2018.



Our Workplace-related work is established globally as part of our Code of Conduct, more specifically its Rules on: Health and Safety and Labor rights, inclusion and diversity.

Another focus area in 2019 was to gain insight in to how we could increase the number of women candidates for leadership positions, thereby addressing historical imbalances in this area. We initiated the following actions:

- Added "Gender demographic" to our engagement survey
- Introduced mentor and mentee programs for female managers
- Introduced global assessment tools for recruitment, reducing gender bias and ensuring that personal qualities play a bigger role
- Strengthened equality and fairness of bonus programs, as described above
- Ensure women are included in succession plans for key roles

Learnings have emerged from the aforementioned actions. Mentor programs are welcomed because they support ongoing competence-development.

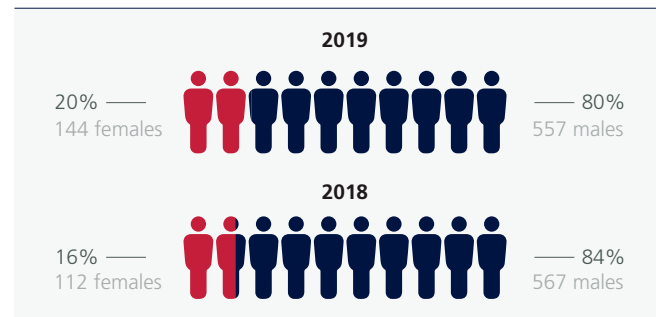
Engagement results show that women are inspired, and engaged, by the culture we are building through the Nilfisk Behaviors. They highlight freedom of opinion, autonomy, growth, and recognition, as some of the areas where they feel less engaged than men today; these statements are confirmed by the women mentees, as well. To put more focus on recognition, we have introduced a global Nilfisk Behaviors award, which recognizes role models within the organization.

"I have been with Nilfisk for more than eight years. I am heading a global team, and I have contact with many people across the organization. I have not experienced any challenges as a female manager at Nilfisk, despite the fact that the majority of stakeholders and leaders I work with are men. My voice and opinion count as much as those of any male leader. As a people-manager, I welcome focus on personal growth and development. I have recently signed up as a mentor within Nilfisk, which will help me develop personally, and which will be of benefit to our younger talent."

– Betina Lougart, Director Sales and Shipping Support, EMEA and APAC

In the 2019 succession-planning process, 25% of the 400 identified successors for one or more key roles were women, a large increase over the previous year. The number of women serving in people-management roles has also increased by 4% compared to the previous year, giving us a better foundation for promotion. Within Sales, the number of female successors is lower, which is partly because we have very few internal female candidates to recruit from. This will be a focus area for 2020.

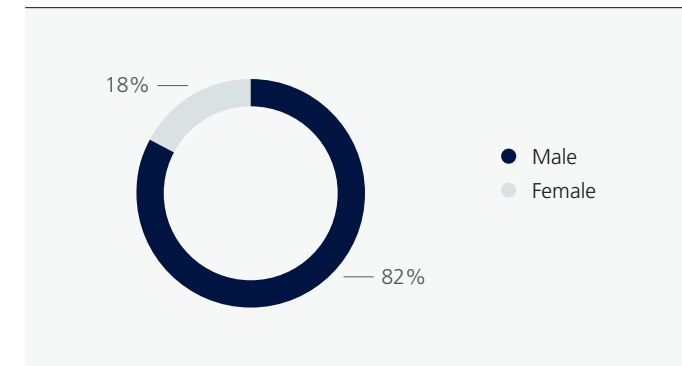
Women in management positions for 2018 and 2019



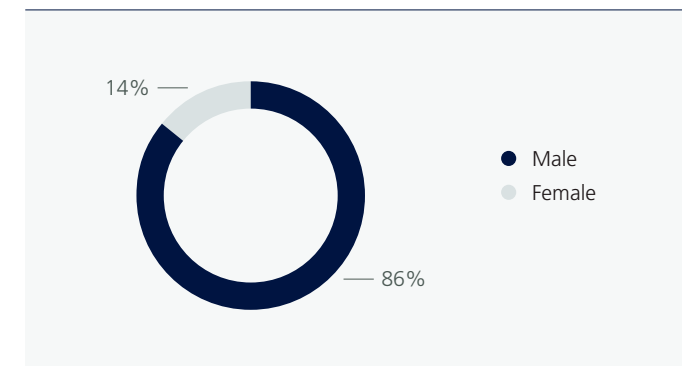
Even though we are not completely satisfied with these numbers, they also signal that our efforts on increasing awareness on the topic and aiming at hiring more females in managerial position pays off. The overall gender representation in the organization is as follows: 29% females and 71% males.

Nilfisk seeks to provide equal opportunities for all genders, and gender is in focus when assessing the qualifications and experience of Board candidates. The Nilfisk target figure for the under-represented gender, guided by section 99b of the Danish Financial Statements Act, among shareholder-elected Board members, is a minimum of 17%, which corresponds to one person. This target was met in both 2017 and 2018, and in 2019 Nilfisk continued to maintain one female member of the Board of Directors throughout 2019. However, as the Board of Directors increased from six to seven members following the election of a new member at the Annual General Meeting in March 2019, the percentage of the underrepresented gender in the Nilfisk Board of Directors now corresponds to 14%.

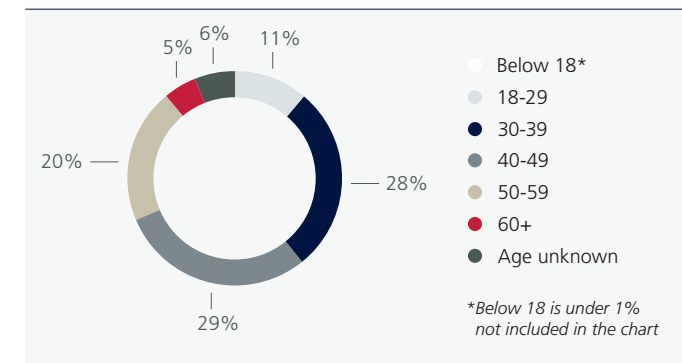
Gender split Nilfisk Leadership Team - %



Gender split Board of Directors - %



Global age distribution - %



Therefore, in order to achieve equal gender representation, as defined under 99b of the Danish Financial Statements Act, Nilfisk has set a new target of one female to be added to the Board of Directors no later than 2024. While Nilfisk believes the current Board of Directors has an optimal composition based on qualifications and experience, the target figure will be monitored to ensure this is both realistic and ambitious, with the aim of increasing female representation.

Employee Development

In 2019, we decided to conduct our employee-engagement survey twice, and Engagement will be measured every quarter in 2020, with one annual full survey and three lighter check-in surveys. This change has been enacted in order to prioritize engagement and a positive atmosphere across the organization, and to give our people-managers, and their teams, an effective tool for improving their work environment.

“Employee engagement is important for achieving our strategic objectives, and we are seeing a close correlation between employee loyalty and customer loyalty. I am, therefore, very pleased to see that we have succeeded in maintaining, and even increasing, our engagement level across the global organization. Compared to our benchmark, we have reached our target, and we are now ranked among the top 25% for employee engagement compared to other manufacturing companies. When reading through the many comments from our employees, it is also clear that our new global people processes and tools are being embraced by our organization, and that they support building the culture defined by our Nilfisk Behaviors – which is critical to delivering on the Nilfisk Next strategy.”

– Jacob Blom, Executive Vice President, Group HR

Our engagement survey provider, Peakon, allows us to benchmark ourselves against a global database of companies. In 2017, our goal was to rank among the top 25% of companies within the manufacturing industry. According to the recent annual survey from December 2019, we have succeeded, achieving an overall engagement score of 7.8, representing an improvement of 0.2, which brought us into the top 25%. The two strengths highlighted by employees in this survey were Employee Growth (mentoring), where Nilfisk ranked in the top 5%. This can be attributed to two factors:

- 1) The introduction of a new performance-management process, Nilfisk Grow, where focus is put on development, and manager competences improving within this area
- 2) Freedom of opinion, especially in relation to managers’ willingness to listen and take action on employee opinions

The biggest area of improvement, on a global scale, is goal-setting and alignment. Employees say that they understand and believe in the Nilfisk Next strategy, but also that they are struggling to see the link between their individual tasks and the overall strategic direction, due to the fact that they have a weaker line of sight with regard to the new global team structures, made more challenging by many changes that occurred during the year, and managerial difficulties regarding communicating of the link between the two.

Engagement survey results

42 countries	4,878 participants
91% response rate	7.8 engagement score

Note: Our goal is to rank among the top 10% of manufacturing companies. This survey took place in December 2019.



Competence development

In 2019, we introduced a new performance-management process, which included the following changes:

- Removal of individual bonus element, replaced by a bonus program built around financial KPIs and engagement results
- A new performance meeting template, with a stronger focus on learning and development and without performance ratings
- Cascading of company and functional objectives to everyone within the organization
- A Quarterly meeting cycle to ensure more regular check-in meetings

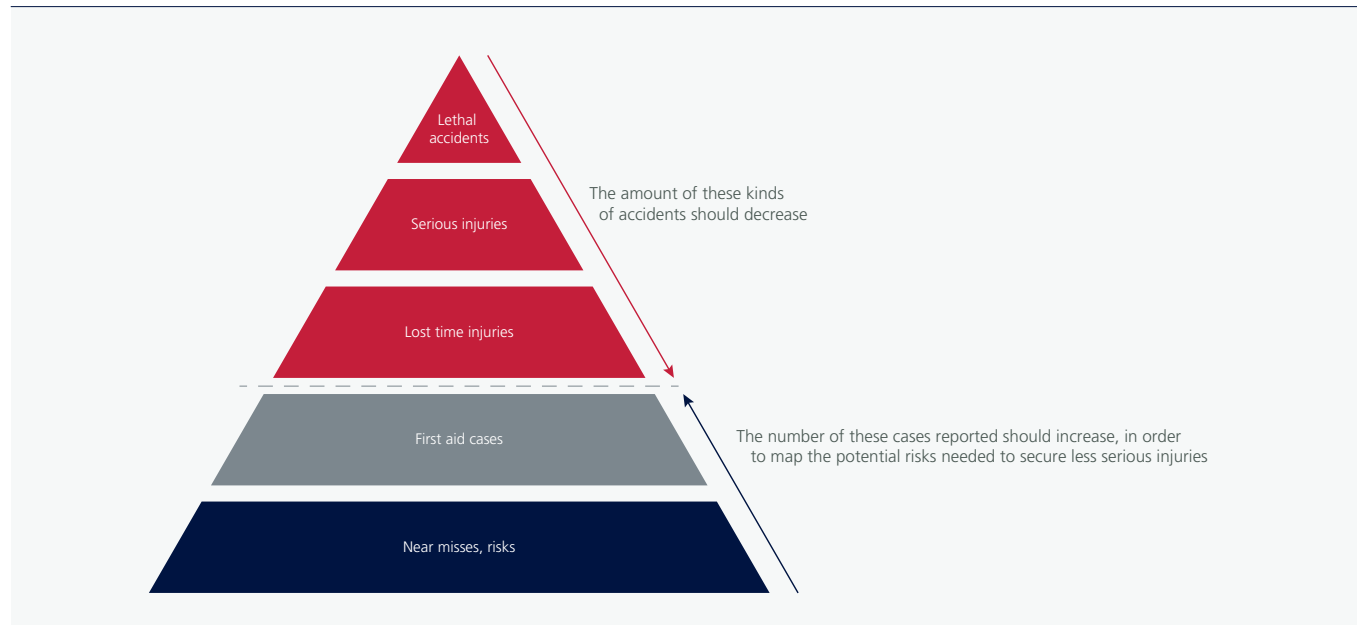
We have continued training managers through global webinars, reaching most of our English-speaking people-managers and addressing topics that support our transformation. These calls are supplemented with a leadership toolbox to support each leader in developing themselves and building high-performing teams. In addition, we have provided training for managers on how best to run our global people processes via new global processes facilitated through Workday, which is our new Human Capital Management System.

Occupational Health and Safety

Throughout 2019, Nilfisk has continued its focus on Occupational Health and Safety (OHS) at both global and local levels, and we remain committed to providing even better, safer workplaces for our employees. The overall purpose of our strategy for OHS is to ensure global alignment with standards created for Nilfisk's OHS processes. Setting global targets is part of how we will continue working towards creation of a better working environment. The Occupational Health & Safety Rule in our Code of Conduct defines the OHS procedures and commitments we expect our employees to follow.

During 2019, we have continued to work on fostering a shared approach to OHS at Nilfisk, with the goal of establishing a global OHS framework in alignment with a global standard, which includes setting global targets. This work consists of effort on both a global and local level, where templates for global risk and opportunity have been established for use by all local sites. In addition, Nilfisk has created communication posters on this subject, and updated applicable emergency plans.

The OHS methodology



The new rule and updated targets / key performance indicators (KPIs) have been published, and the next step of the process involves implementation, over the next year, of global targets at the local level. This includes a self-assessment system for all production sites, as well as training and workshops covering the new global standards.

“Working with an OHS system globally, and establishing global standard practices within our workplaces, will help us to systematically eliminate the possibility of accidents, illnesses, injuries, or fatalities caused by workplace hazards, assuring all Nilfisk locations achieve legal compliance. This will lead to an increase in worker morale, which, in turn, can lead to an increase in productivity. By improving OHS in our factories and workplace areas, we will also reduce the risk of productivity-loss due to illness, injury, or accident.”

– David Silva Espinoza, Director Global Operational Excellence



Behaviour Safety Training Program in Hungary

In 2019, Nilfisk's Production sites in Hungary initiated a Behavior Safety Training Program designed to establish a new approach to Occupational Health and Safety, as well as the professional and moral responsibility of managers and team leaders. The focus of the program is to build a robust safety culture, within the organization, by creating partnerships between management and employees, in order to continually engage and center employee attention and actions on the development of safety behaviors. As part of the program, a training workshop was conducted, focusing on managerial responsibility and establishment of the theoretical foundations of a safety-centric culture. Emphasis was placed on leadership communication, good practices in the field of behavioral safety, and definition of the role of Occupational Health and Safety in operating a modern system. At the end of the workshop, participants made commitments to strengthening behavioral safety within their respective areas. As this is an ongoing initiative, commitments and related actions will be monitored, with follow-up by the Environmental, Health, and Safety team.

Focus area	2019 results		Future objectives	
	Goals	Actions and results	Goals	Planned actions
Labor Rights <i>Risks: Human rights, labor rights, diversity and inclusion, work safety</i>	<ul style="list-style-type: none"> » Prepare for 2019 launch of the annual self-assessment » Introduce a global recognition award 	<ul style="list-style-type: none"> » As part of launch of Nilfisk's self-assessment systems for suppliers, a CSR questionnaire was included, which also focuses on labor rights issues » In November 2019, Nilfisk introduced a global recognition award for honoring employees whose actions are emblematic of the Nilfisk Behaviors. We have received 321 nominations and have appointed 2 winners 	<ul style="list-style-type: none"> » Continue the Nilfisk Behavior Award initiative 	<ul style="list-style-type: none"> » Conduct regular nomination processes and appoint winners
Diversity and Inclusion <i>Risks: Human rights, labor rights, diversity and inclusion, work safety</i>	<ul style="list-style-type: none"> » Ensure we have women candidates for business areas/key roles in our succession plan » Launch new global recruitment system to begin building knowledge of trends and issues to be addressed in 2020, i.e. finding areas, jobs, and roles, wherein the largest number of women apply; learning from experiences; and sharing best practices across the organization » Review company benefits in order to streamline these globally, also within the context of offering employee benefits which are aligned with the market, and support equal pay 	<ul style="list-style-type: none"> » Focus has been given to the inclusion of women successors in the succession plans for critical leadership positions » Local recruitment practices, aligned to create globally standardized recruitment process, so that candidates experience the same positive process, no matter where they apply for a job at Nilfisk » Nilfisk created a short, practical recruitment guide, as well as interview guides, in order to assess specific profiles and their cultural compatibility with the Nilfisk Behaviors. We have introduced global assessment tools for recruitment, thereby ensuring that biases are reduced, and personal qualities take on a bigger role. We have identified Sales as an area for increased focus on recruitment of women in 2020 » We have reviewed benefits and identified room for improvement in certain countries; further investigation will be conducted in 2020 » Nilfisk globally aligned our approach to bonuses, and created a program based on equality and fairness 	<ul style="list-style-type: none"> » Improve local benefits for all employees globally » Introduce job-banding to Nilfisk's global HR system » Increase percentage of women throughout organization and in managerial positions 	<ul style="list-style-type: none"> » Improve local benefits for all employees globally, with regard for medical-care support for workers in low-paid jobs » Introduce job-banding to Nilfisk's global HR system to monitor and ensure that we are paying in accordance with market levels » Increase share of women throughout the whole organization, with particular focus on sales positions and recruitment of more female candidates for managerial positions
Employee Development <i>Risks: Human rights, labor rights, diversity and inclusion, work safety</i>	<ul style="list-style-type: none"> » Launch new Nilfisk performance management process 	<ul style="list-style-type: none"> » New annual performance management process, Nilfisk Grow, has been introduced, removing individual bonus element in order to improve focus on learning and development. More regular meetings held (4 per year) » Engagement survey conducted in 42 countries, with 4,878 participants for 91% engagement rate and 7.8 engagement score 	<ul style="list-style-type: none"> » Update leadership model to define competences in context of behaviors » Launch manager training to improve managerial skills » Continue building employee engagement 	<ul style="list-style-type: none"> » Update Nilfisk's leadership model and introduce manager training to improve skills and competences » Continue conducting annual employees-engagement survey to understand how to further strengthen employee motivation and engagement
Occupational Health and Safety <i>Risks: Human rights, labor rights, diversity and inclusion, work safety</i>	<ul style="list-style-type: none"> » Change culture of reporting in Nilfisk, and develop and share best practices on Occupational Health and Safety (OHS) 	<ul style="list-style-type: none"> » Global KPI set, and OHS definitions updated/expanded where relevant 	<ul style="list-style-type: none"> » Change culture of reporting at Nilfisk; develop and share best practices for OHS 	<ul style="list-style-type: none"> » Define global roles and responsibilities » Internal communication and training focusing on new definitions and global KPIs » Assess OHS risks and opportunities for each production site » Initiate data-collection and tracking to measure progress on OHS performance » Begin the site-certification process, in accordance with ISO 45001:2018

SDG target impacted:



About the report

Scope of reporting

This report constitutes the statutory report cf. Danish Financial Statements Act, section 99a and 99b, as well as the mandatory non-financial requirements of other European countries where Nilfisk maintains production and distribution sites, regarding corporate social responsibility and diversity of the Board and management. The report is published annually, together with the Nilfisk Annual Report, and covers the 2019 financial year, from January 1, 2019, to December 31, 2019.

In addition, this report also functions as the Communication of Progress (COP) to the UN Global Compact.

The aim of this report is to present complex issues in simple language, while introducing the data needed for specialist use.

This report is a presentation of Nilfisk's activities in the field of Corporate Social Responsibility (CSR), legal compliance, and regulatory requirements, as well as the challenges Nilfisk faces.

Data-handling, scope and summary

Data is generated by respective business owners, and consolidated and controlled by Nilfisk's CSR department. Data has been requested based on standardized definitions across the organization.

This report covers all entities, subsidiaries, associated companies, and sites within the Nilfisk Group. If this is not applicable, it will be stated in the relevant chapters.

Data references

- ¹ Science-Based Targets Initiative, <https://sciencebasedtargets.org/about-the-science-based-targets-initiative/>
- ² World Economic Forum, <https://www.weforum.org/agenda/2019/01/these-are-the-biggest-risks-facing-our-world-in-2019/>
- ³ The Intergovernmental Panel on Climate Change, <https://www.ipcc.ch/>
- ⁴ The IECEx System is designed to facilitate international trade in equipment and services for use in explosive atmospheres, while maintaining the required level of safety.
- ⁵ ISSA, <https://www.issa.com/member-benefits/value-of-clean/value-of-clean-infographic>
- ⁶ IEC International Standard, 60335-2-69, 2002-7, Third Edition

WE SUPPORT



UN Global Compact

Nilfisk works actively within the main areas of the United Nations Global Compact (UNGC), which we joined in 2010.

UN Global Compact		Page
Human Rights	1: Support and respect the protection of internationally-proclaimed human rights	18, 19 and 23
	2: Ensure that we are not complicit in human-rights abuses	18, 19, 23 and 25
Labor	3: Uphold the freedom of association and the effective recognition of the right to collective bargaining	19 and 28
	4: Eliminate all forms of forced and compulsory labor	19 and 28
	5: Effective abolition of child labor	19 and 28
	6: Eliminate discrimination with respect to employment and occupation	19, 28, 29 and 30
Environment	7: Support a precautionary approach to environmental challenges	12 to 16
	8: Undertake initiatives to promote greater environmental responsibility	12 to 16
	9: Encourage the development and diffusion of environmentally friendly technologies	12 to 16
Anti-Corruption	10: Work against corruption in all its forms, including extortion and bribery	18 and 19

GRI reference	Description	Page
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102-9	GRI: Supply chain Nilfisk: Value Chain – Risk assessment	6
102-15	GRI: Key impacts, risks and opportunities Nilfisk: Value Chain – Risk assessment	6
102-40	GRI: List of stakeholder groups Nilfisk: Stakeholder engagement and Materiality assessment	7 and 8
102-18	GRI: Governance structure Nilfisk: CSR Governance	11
305	GRI: Emissions Nilfisk: Climate Action	13 and 14
301-3	GRI: Reclaimed products and their packaging materials Nilfisk: Circular Economy	15
303	GRI: Water and effluents Nilfisk: Circular Economy	15
205-2	GRI: Communication and training about anti-corruption policies and procedures Nilfisk: Anti-corruption	18
418	GRI: Customer Privacy Nilfisk: Good Governance	18
102-17	GRI: Mechanisms for advice and concerns about ethics Nilfisk: Whistleblower System	19
412-1	GRI: Operations that have been subject to human-rights review or impact-assessment Nilfisk: Sustainable Supply Chain	19
413-1	GRI: Operations with local-community engagement, impact-assessment, and development programs Nilfisk: Local Communities	20
416-1	GRI: Assessment of the health and safety impacts of product and service categories Nilfisk: Customer Health and Safety	23
417-1	GRI: Requirements for product/service information and labeling Nilfisk: Customer Health and Safety	23
405	GRI: Diversity and Equal Opportunity Nilfisk: Diversity and Inclusion	28
405-1	GRI: Diversity of governance bodies and employees Nilfisk: Diversity and Inclusion	29 and 30
404-2	GRI: Programs for upgrading employee skills and transition-assistance programs Nilfisk: Employee Development	30
403	GRI: Occupational Health and Safety Nilfisk: Occupational Health and Safety	31



Questions concerning the Nilfisk CSR report can be addressed to:
CSR@nilfisk.com