

Corporate Social Responsibility Report 2020



**CLEAN IS
CHANGING**

Let's change it for the better.

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Introduction

The Nilfisk CSR report covers the financial year from January 1, 2020, to December 31, 2020, and contains our Statutory Statement for Corporate Social Responsibility per section 99a, 99b and 107d of the Danish Financial Statements Act and the non-financial mandates of other European countries where Nilfisk maintains production and distribution sites. The report also serves as our Communication on Progress report to the UN Global Compact (UNGC).

2020 has been an extraordinary year and Nilfisk has undergone significant changes, both structurally and culturally, to adapt to the conditions brought about by the COVID-19 pandemic. Operating under these new conditions has made it clear that our social, economic, and environmental challenges are intertwined, thus, we have increased our focus on CSR efforts related to all three factors. Over the course of 2020, we have continued to strive towards lowering our CO₂ footprint, not only from direct emissions but throughout our entire value chain, and we have been working even more diligently with the social-health and safety aspects inherent to our operations as a global company.

As part of our reporting obligations, we also issue a Statement on the Modern Slavery Act 2020, which is available at <https://documents.nilfisk.com/Nilfisk/modernslaveryact2020/>





Addressing a growing need for sustainable cleaning

The year 2020 was an extraordinary year. The COVID-19 pandemic impacted countries, individuals, and businesses around the world, and we were also deeply affected at Nilfisk by this unprecedented situation. Customer demand declined as the pandemic hit, and we were forced to adapt and rethink how we worked. But we also learned a lot.

The pandemic has fundamentally altered many aspects of our lives. We are more focused on cleanliness and hygiene, and both are now business-critical for all industries. At Nilfisk, we see this as a paradigm shift that will require many companies to completely reassess their approach to the concept of cleaning. The pandemic also emphasized how interconnected we all are, not just as members of society but also as inhabitants of our planet. Awareness of the need for sustainable solutions has been rising for years, and we are now at the point where sustainability is becoming a basic requirement in the eyes of customers, employees, and investors.

Climate-related issues continue to dominate as the world works toward a greener economy, and, in parallel, the pandemic has positioned public health and safety as equally important. As a provider of cleaning equipment, we are responsible for developing products that are even more sustainable than those available today, so our customers can clean

to a higher standard without harming the environment. Innovation has always been part of our DNA at Nilfisk. For more than a hundred years, the company has adapted to the changing needs of markets and customers with innovative solutions, and we are proud to develop the smart, sustainable solutions of tomorrow.

Driving improvements with data

While the pandemic resulted in new priorities, like the need to balance production output with lower demand; the introduction of strict cost management; and the execution of a restructuring plan; we have stayed true to our sustainability goals. Our approach to organizational health and safety was further strengthened as we worked continuously to safeguard our workforce and ensure employee safety across all functions and geographies. Last but not least, we continued our work on climate action and our binding commitment to lowering our long-term CO₂ emissions.

Sustainability is a journey, and we believe that the only way to successfully achieve meaningful results is for Nilfisk to take a data-driven approach. During 2020, our data foundation improved significantly, as the definition of global targets and data collection continued to help us ensure accelerated, measurable progress.

Our commitments

Nilfisk is a signatory member of the United Nations' Global Compact (UNGC), and we have integrated three of the UN Sustainable Development Goals (SDGs) into our CSR approach. As such, we continue to support the UN's guiding principles in our efforts to develop not only our business, but also our products and services. Most recently, Nilfisk has committed to the Science Based Targets initiative, and has set targets for emissions based on data and science. We are committed to reducing our direct and indirect emissions and have set a goal to reduce our internal global carbon footprint by 35% no later than 2030.

We remain dedicated to these commitments, even during the turbulent times brought about by the pandemic, and we are proud to develop smart, sustainable solutions that create long-term value for both people – including our customers, shareholders, and other stakeholders – and the planet.

Hans Henrik Lund
CEO

About Nilfisk

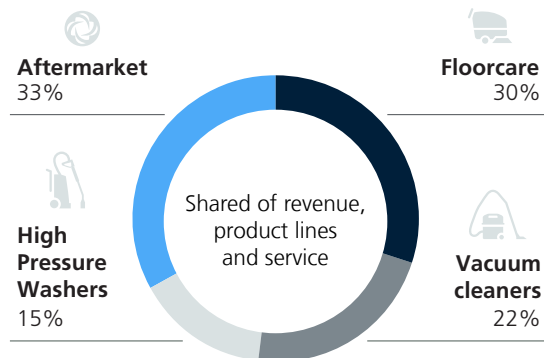
Founded in 1906, Nilfisk brings over a century of experience to the manufacturing and sale of high-quality cleaning equipment.

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 products and services to businesses and homes around the world.

Today, we are among the market leaders in the professional cleaning industry, operating in over 40 countries, with more than 4,300 employees working at development centers, production facilities, and sales companies. We focus continuously on innovating and improving our solutions, thereby maintaining our position as a leading supplier of professional cleaning equipment.

4,300
Employees

833 mEUR
Annual revenue in 2020



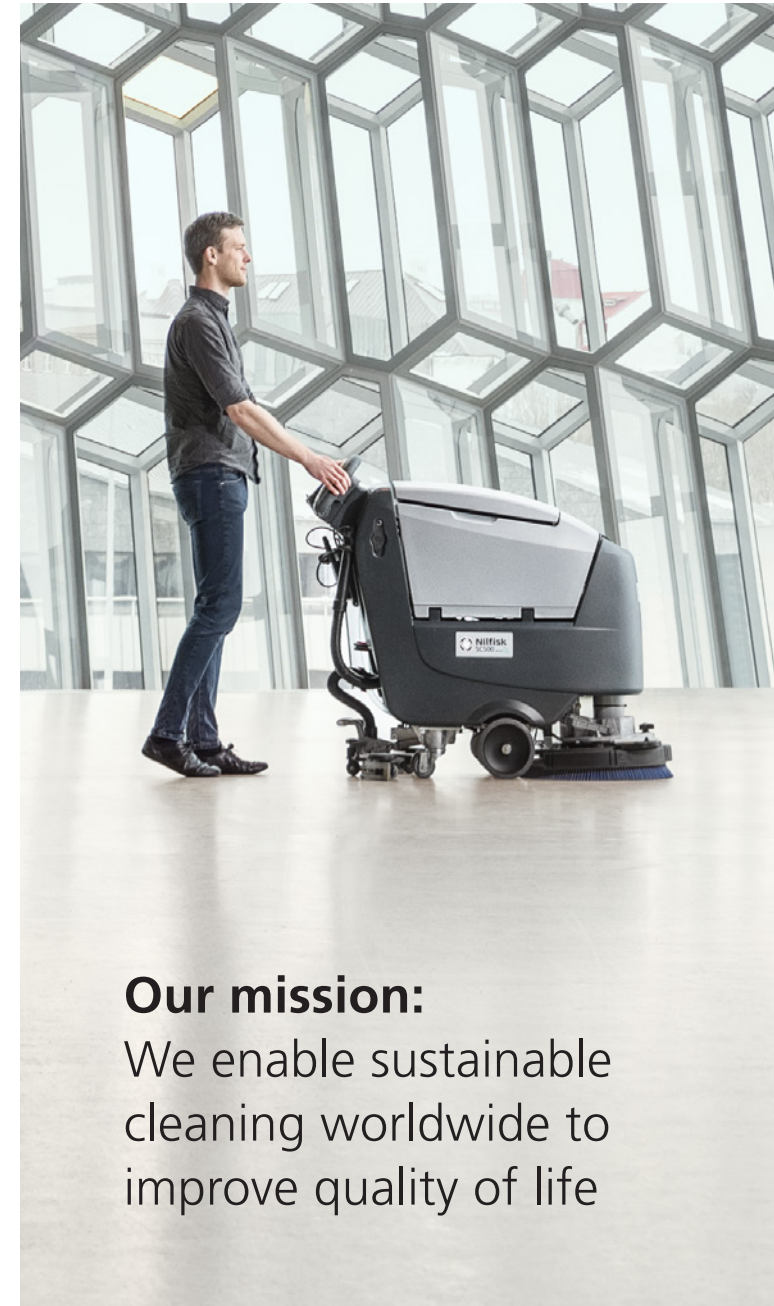
As a company, we want to put our technological expertise to work by helping to meet the cleaning needs of people around the world.

We create products and services that are useful to society, while also seeking to minimize our environmental footprint

To support a clean environment, Nilfisk offers an industry-leading product portfolio, along with significant aftermarket support. Our products and services are sold in approximately 100 countries and help improve the sustainability of our partners' cleaning operations by:

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

Our products and services are offered to our customers through a business model built on a conscious use of resources and a focus on creating and capturing value for our customers, society, employees, and shareholders. Our customer base operates across a wide range of sectors and industries, and customers range from large, global contract cleaners with fleets of machines, to smaller businesses that own a single machine.



Our mission:
We enable sustainable cleaning worldwide to improve quality of life

Our business model

There is a universal need for cleaning, and the effect of clean is valuable everywhere. The COVID-19 pandemic has increased focus on cleanliness and hygiene, which have become business-critical for industries across the world and require companies to rethink how they approach cleaning. Our business model is based on creating value for our customers: By providing high-quality cleaning solutions and services, we enable our customers to increase their productivity. Cleaning has a measurable impact for our customers, but also for the general public, who benefit from living and working in a clean environment.

By providing high-quality cleaning solutions and services, we enable our customers to increase their productivity



Nilfisk is an established global supplier of cleaning equipment and services. Through a combination of direct and indirect sales, we service contract cleaners, industrial customers, healthcare facilities and many more across approximately 100 countries.



Value-chain risk assessment

The mitigation of risks is an essential aspect of our CSR efforts. Risks can have a negative impact on our business, harm people, and damage both the environment and climate. However, managing them well can create opportunities, too, not only for Nilfisk but also for our investors, customers, employees, and the society in which we operate.

Nilfisk remains committed to ensuring that its entire value chain is considered when evaluating the range of potential risks posed by its business activities. 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.



Raw-material extraction

Mining of scarce minerals, extraction of crude oil for production of plastic, climatic impact of 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.



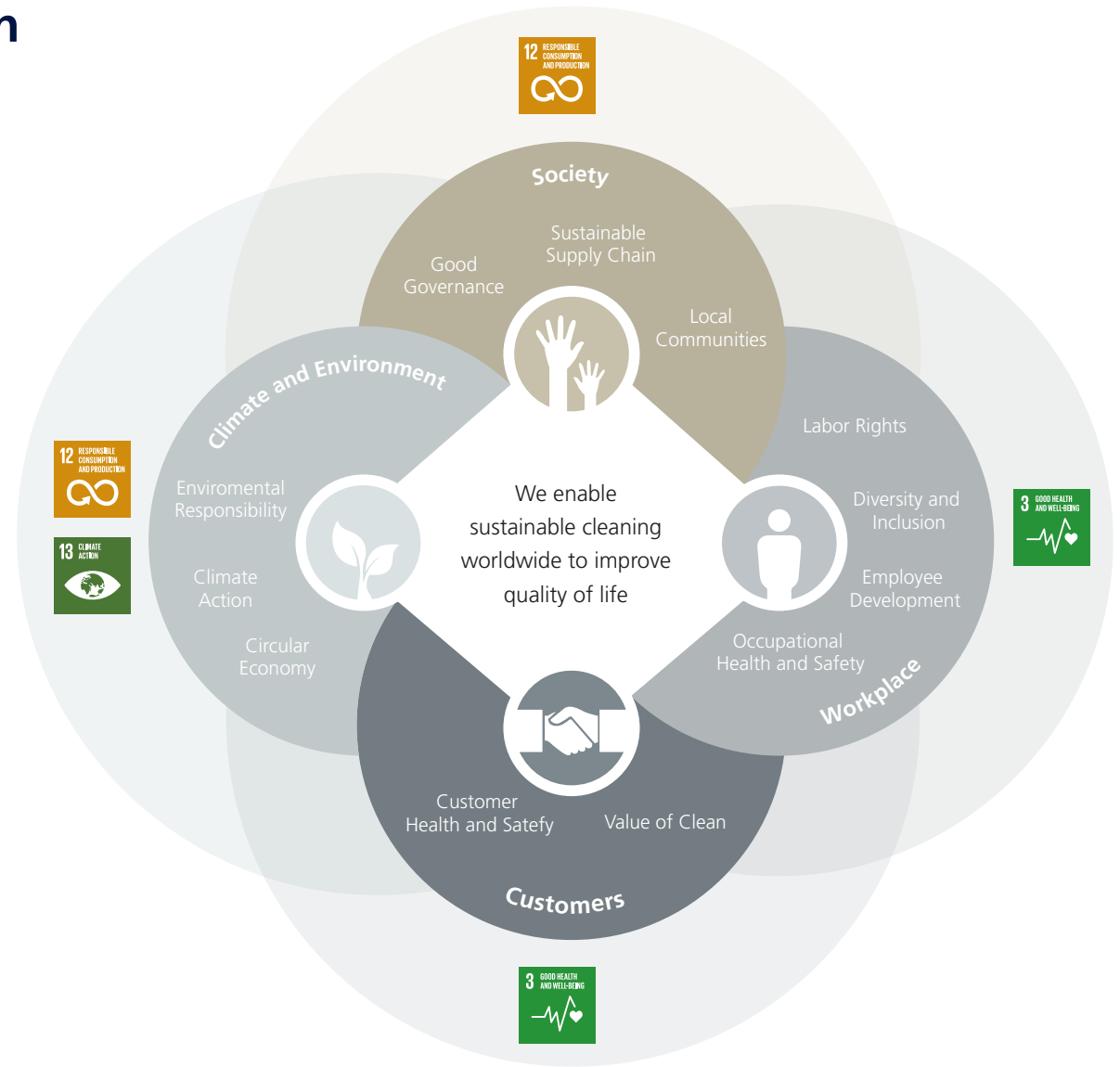
Nilfisk's CSR strategy and approach

At Nilfisk, CSR plays a vital role in the future of our business. We believe positive business results are achieved by working persistently, and systematically, on CSR-related initiatives. We set robust goals and initiatives to minimize Nilfisk's negative impact and maximize the value we create for people, the environment, and the economy.

The United Nations Sustainable Development Goals (SDGs) serve as strategic guidance for this work, and we work strategically with the following SDGs:

- #3 "Good Health and Well-Being"
- #12 "Responsible Consumption and Production"
- #13 "Climate Action"

The SDGs 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.



Target 3-9: Reduce illnesses and death from hazardous chemicals and pollution



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



Target 13-2: Integrate climate-change measures into policies and planning

The purpose of Nilfisk's CSR efforts is to enable sustainable cleaning worldwide to improve quality of life. This is the foundation of Nilfisk's CSR strategy, which covers four main areas aligned with the SDGs, and to measure and track our performance and progress on our CSR focus areas we continuously strive to set quantitative and measurable goals.

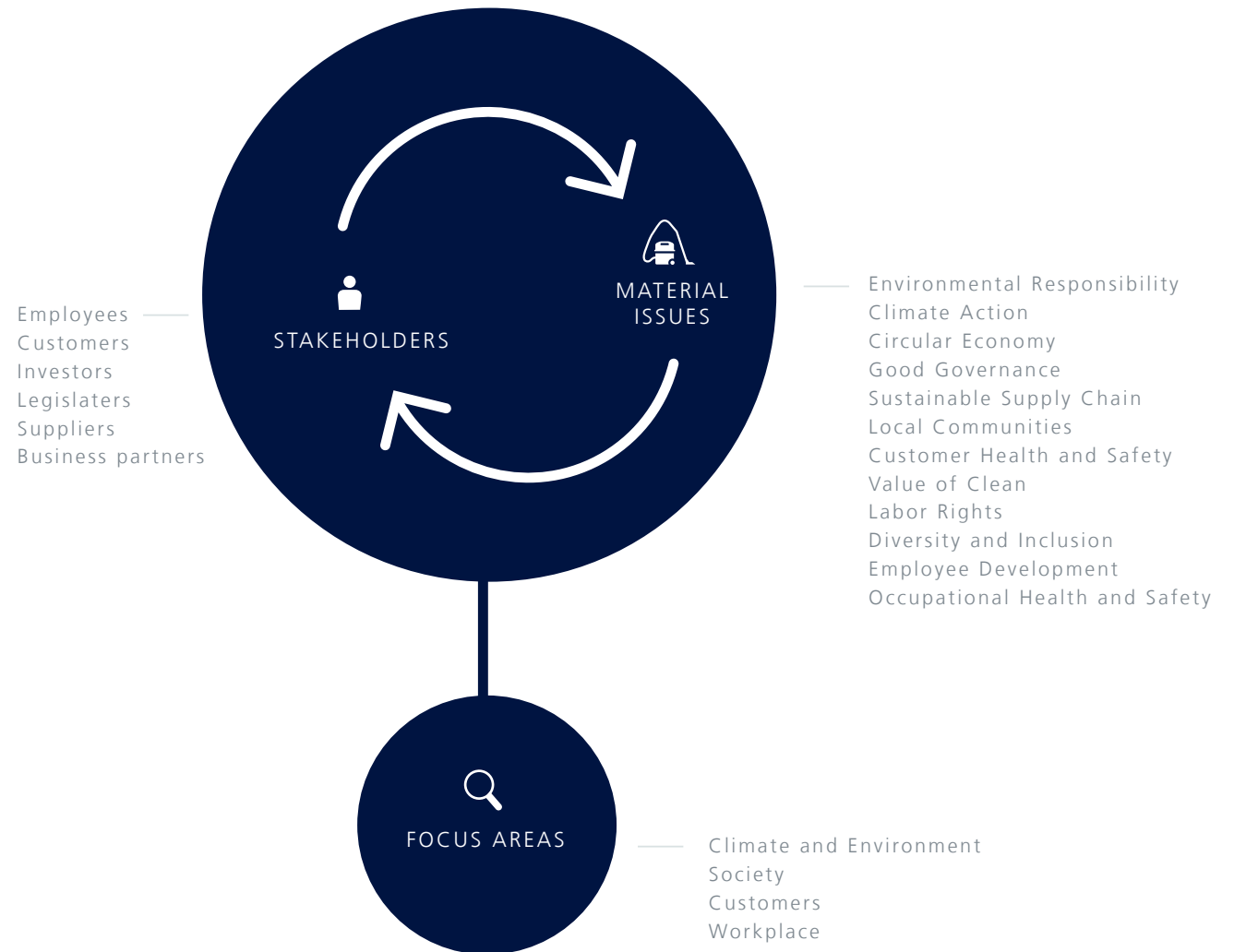
Stakeholder engagement and materiality assessment

Nilfisk recognizes the importance of continuous input from its stakeholders, and we aim to engage with key stakeholder groups on an ongoing basis to understand expectations and collect insights on how to further improve our CSR efforts. One of the primary ways we do this is through an annual materiality assessment. The findings of this assessment are validated through stakeholder engagement to ensure we know their priorities and work to understand their concerns. A key finding from the latest review was that stakeholders think there is room for improvement in how we communicate our CSR-related initiatives, especially with our focus on measurable data.

These material issues help shape the objectives, goals, and metrics for our four focus areas within CSR at Nilfisk:

- Climate and environment
- Society
- Customers
- Workplace

The goal of our materiality-assessment framework is to present the material issues most important to Nilfisk, which are also recognized by our stakeholders, and those with highest importance regarding 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 (Global Reporting Initiative issued by the Global Sustainability Standards Board (GSSB)), and the elements of Nilfisk's CSR strategy are structured according to the GRI framework.



Climate and Environment

Risks in the value chain

Material topic

CSR strategic sub-area

Energy consumption, environmental pollution, dangerous substances

Environmental compliance

Environmental Responsibility

Energy consumption, CO₂ emissions, air pollution, particle pollution

Emissions

Climate Action

Energy

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

Solid/liquid waste

Circular Economy

Materials

Water

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

Anti-corruption, ethics, and integrity

Good Governance

Customer privacy

Anti-competitive behaviour

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

Supplier social/environmental assessment

Sustainable Supply Chain

Human rights-impact assessment

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

Local communities

Local Communities



Society



Customers

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

Customer health and safety

Customer Health and Safety

Marketing and labelling

Total cost of ownership

Value of Clean



Workplace

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

Child labor

Labor Rights

Non-discrimination

Forced and compulsory labor

Diversity and equal opportunity

Diversity and Inclusion

Training and education

Employee Development

Occupational health and safety

Occupational Health and Safety

CSR Governance

To further leverage our CSR efforts and ensure continued progress across our business, we have implemented a new CSR-governance structure, which secured improved materialization throughout the business in 2020.

The Nilfisk CSR Board members are vital CSR ambassadors and they are responsible for setting strategic directions for CSR contributing to further integration of CSR into the business.

Daily operations and coordination of CSR activities are managed by the CSR team, with which engages with each CSR Board member and key resources within relevant functions to identify potential opportunities for collaboration and contribution to the fulfillment of the 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 with members from key global functions. Each CSR board member is responsible for making sure that our CSR efforts are rooted in their business area.



ESG data overview

At Nilfisk, we wish to be transparent and accountable regarding our CSR work. We continuously strive to develop our ESG-data collection and reporting in order to support our business, and provide our stakeholders with relevant information and data that can be measured year over year.

We constantly seek to improve our data registration, collection, and reporting covering all relevant ESG indicators, and will develop this capability further in the coming years.



CLIMATE AND ENVIRONMENT

Data indicator	Unit	2018	2019	2020	SDG (Target) alignment	GRI alignment	UNGC Principles alignment
Environmental data							
Total direct (Scope 1) GHG emissions	MtCO ₂ eq	17,106	14,758	5,289			
Total emissions from testing of machines	MtCO ₂ eq	422	533	380	SDG 13	GRI 305 Emissions	
Total emissions from fleet	MtCO ₂ eq	9,557	8,133	5,507			
Natural gas consumption	MtCO ₂ eq	4,491	3,993	3,678			
Total indirect (Scope 2) GHG emissions	MtCO ₂ eq	9,999	7,605	6,281			
Electric power	MtCO ₂ eq	8,400	6,807	5,658	SDG 13	GRI 305 Emissions	Environment Principles 7, 8, and 9
District heating	MtCO ₂ eq	1,600	798	624			
Waste non-recyclable	%	N/A	27%	6%	SDG 12, 12-5: Substantially reduce waste generation	GRI 303 Water and Effluents	
Recycled waste	%	N/A	73%	94%			
Water consumption	m ³	137,189	122,909	108,465	SDG 12, 12-2: Sustainable management and use of natural resources	GRI 303 Water and Effluents	
Water recycled	m ³	38,859	36,575	17,995			
Number of ISO 14001-certified sites	number	7	7	7	SDG 12 12-2: Sustainable management and use of natural resources 12-5: Substantially reduce waste generation		
Number of ISO 9001-certified sites	number	11	12	11	SDG 3, 3-9: Reduce illnesses and death from hazardous chemicals and pollution		

Nilfisk Scope 1 and 2 data comprises 33 largest Nilfisk sites and offices comprising 95% of Nilfisk total site-related emissions.
MtCO₂ eq stands for metric tons of CO₂ equivalent.



WORKPLACE

Data indicator	Unit	2018	2019	2020	SDG (Target) alignment	GRI alignment	UNGC Principles alignment
Social data							
Total full-time employees	number	5,482	4,886	4,339			
Blue collar workers	% of total FTEs	30%	29%	28%			
White collar workers	% of total FTEs	70%	71%	72%			
Employee turnover <small>Numbers have been adjusted to exclude turnover related to divestments in 2018 and 2019</small>	%	22%	24%	20%			
% of women in the company	%	27%	27%	27%			
% of women in the management	%	18%	17%	25%		GRI 404: Diversity and Equal Opportunity	Labor 3, 4, 5, 6
% of women on the Board	%	17%	14%	12%			
Engagement survey participation	%	84%	92%	92%			
Employee engagement score	(10-point-scale)	7,6	7,8	8,0			
Fatalities	number	0	0	0	SDG 3, 3-9: Reduce illnesses and death from hazardous chemicals and pollution	GRI 403: OHS	
Injury frequency rate	number	53	68	51			



SOCIETY

Governance data							
Number of suppliers, signed UNGC 10 principles	%	89%	93%	93%			
Number of suppliers' audits	number	N/A	10	63		GRI 412-1: Operations that have been subject to human-rights review or impact assessment	Human rights 1, 2
Number of suppliers CSR assessments	number	N/A	N/A	18			
Number of suppliers covered by the Code of Conduct	number	N/A	N/A	393			
Number of whistleblower cases submitted	number	1	9	6			
Whistleblower cases admissible	number	0	1	2		GRI 102-17: Mechanisms for advice and concerns about ethics	Anti-corruption 10
Whistleblower cases resolved	number	1	9	6			

Climate and Environment

Environmental Responsibility · Climate Action · Circular Economy

EMS

In 2020 we expanded the scope of our Environmental Management System

Environmental Responsibility



ISO 14001

Our production sites are ISO14001 certified



Circular Economy

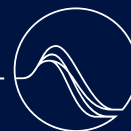
we save minimum **40,000** m³ of water every year



Zero waste to landfill



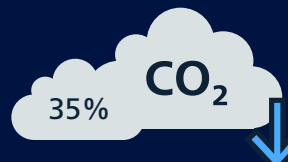
Design for disassembly



SCIENCE BASED TARGETS

In 2020 Nilfisk joined the Science Based Target initiative and set ambitious targets to limit our carbon footprint

Climate Action



Scope 1



Nilfisk has developed a new global car policy, setting specific carbon emission targets for our fleets

Scope 2

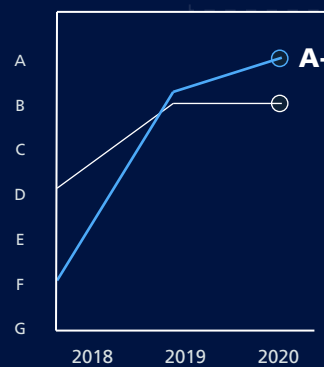
We aim to reduce our carbon footprint from indirect emissions, from purchased energy



Scope 3



Nilfisk is committed to lowering our CO₂ footprint along our value chain



CDP SCORE

The Nilfisk CDP score 2020 is an A-, which is in the leadership category, meaning that Nilfisk is currently implementing best practices within climate action

Environmental Responsibility

During 2020, we increased environmental-responsibility awareness and expanded the scope of our Environmental Management System (EMS). Awareness was improved by the development and execution of training, audits, and communication with our internal and external stakeholders, and the EMS was expanded to include Nilfisk's production site in Querétaro, Mexico, as well as a recertification of our ISO 14001:2015 multi-site certificate.

ISO 14001	2018	2019	2020	2021
Number of ISO 14001 certified sites	7	7	7*	8**

* The number reflects the addition of the Querétaro facility, and the subtraction of the distribution facility in Broendby which ended operations in 2020.

** The plan is to prepare one site located in the US to be audited and incorporated into ISO 14001 scope during 2021.

Climate Action

To address climate change, a total of 197 countries adopted the Paris Agreement at the COP21 in Paris in December 2015. In the agreement, all countries agreed to work to limit global temperature-rise to well below 2°C, and, given the grave risks, to strive for a maximum increase of 1.5°C.

We will play our part in contributing to achieve the Paris Agreement's goal of limiting global warming to well below 2°C

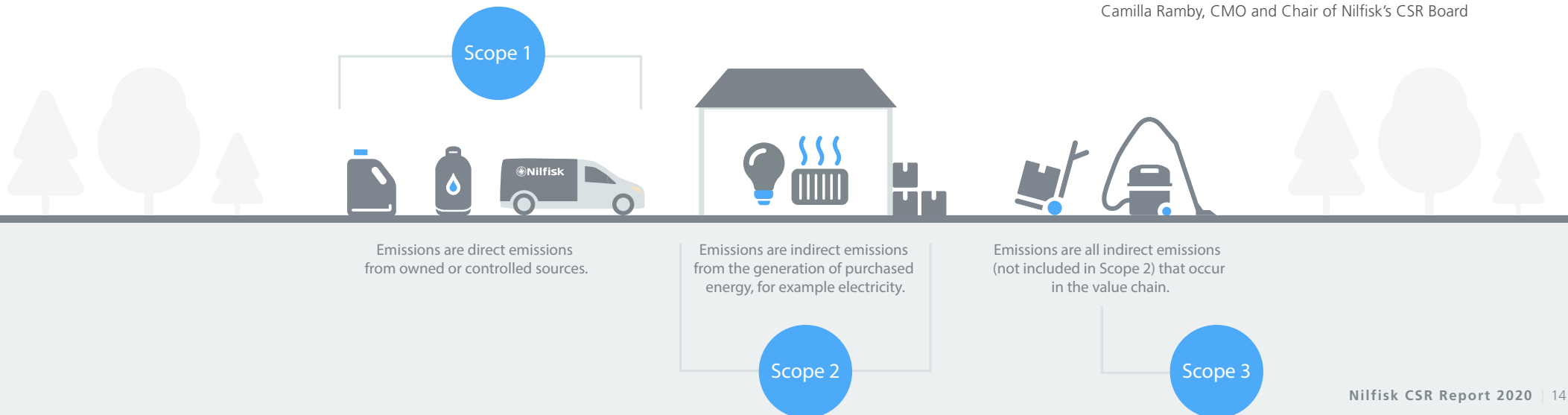
Nilfisk acknowledges the importance of making a serious effort to reduce our climate footprint and has signed up for the Science Based Targets initiative (SBTi), the only global initiative that directly links a company's carbon-emission targets to the Paris Agreement and associated global efforts. We have taken on a commitment that is scientifically based and binding, and we work to set ambitious targets across Scopes 1, 2, and 3, for lowering our CO₂ footprint both internally within our own operations, and along our value chain.

By following the guidance of CDP, an international non-profit organization that supports companies in the reporting of their greenhouse-gas emissions (GHG), we have calculated our Scope 1 (direct) and Scope 2 (indirect) emissions, established a 2018 baseline of our carbon footprint to serve as the foundation for progress-tracking, and set ambitious targets for Scopes 1 and 2. During 2021, the global targets will be cascaded to the local sites, and all sites in scope¹ will have to set local targets aligned with these.

Nilfisk has ventured on a journey towards a 35% reduction in absolute Scope 1 and 2 GHG emissions by 2030 compared to the 2018 baseline year, and we have worked on calculating and setting a target on our Scope 3 emissions in 2020, which will continue into 2021. To help guide us on this journey, we have adopted the Greenhouse Gas Protocol² as the basis for measuring our greenhouse gas (GHG) emissions.

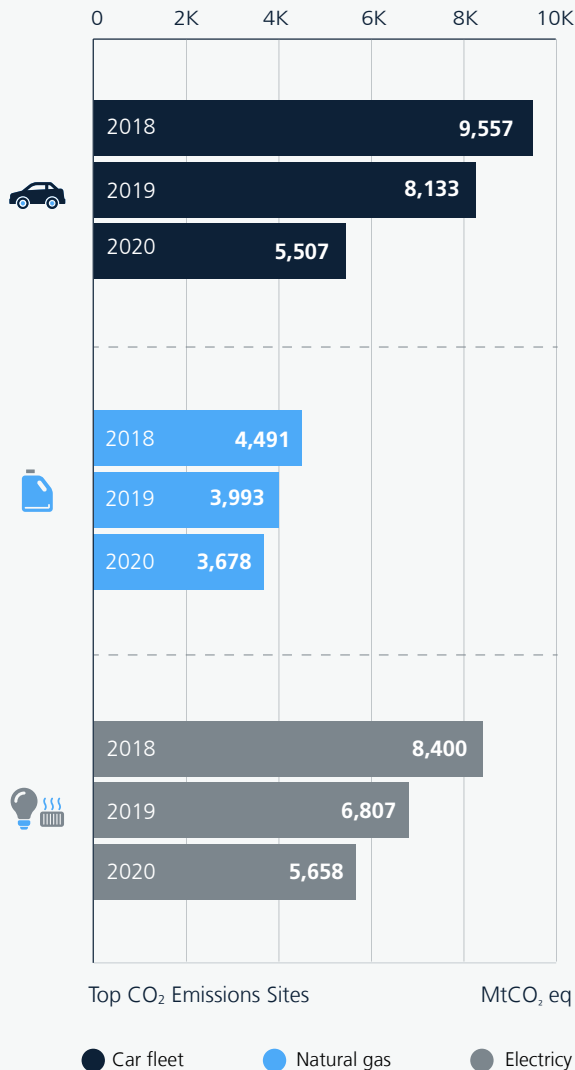
“The Science Based Target initiative supports Nilfisk in establishing greenhouse-gas reduction targets, based on the latest climate-science knowledge and the goals of the Paris Agreement. We are proud to be among the few companies who have a science-based approach, we are ambitious, and we are ready to work with climate action.

Camilla Ramby, CMO and Chair of Nilfisk's CSR Board



Consumption data

As 2020 has been an extraordinary year with very little traveling and some slowing in production and people working from home, the consumption data covering 2020 are not as they would have been had 2020 been a normal business year.

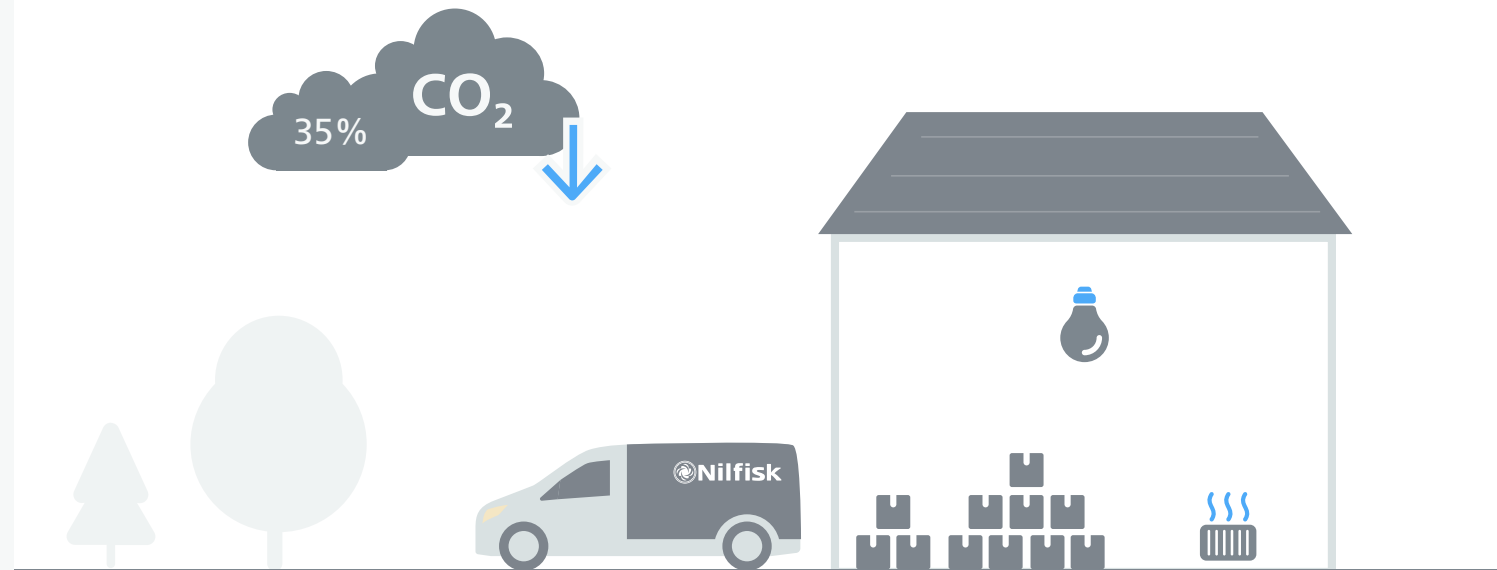


Scope 1: Fleet, fuels, and heating

The most significant part of Nilfisk's carbon footprint is generated by our fleet. Consequently, we have established a new global car policy, setting concrete emission targets to minimize the climate-change impact of the fleet. During 2020, the implementation of this car policy was initiated in key EMEA markets, and the roll-out will continue.

We have developed a global car policy, which sets specific carbon emissions targets for our fleet and encourages hybrid and electric-vehicle usage

Since 2017, Nilfisk has been tracking and monitoring consumption data, including data on fuels and natural gas. The global CO₂ footprint-reduction target is a minimum of 35% by 2030, which will be cascaded to our local sites during 202.1 We are analyzing possible energy savings that can be implemented throughout the coming years.



Scope 2: Energy consumption

Purchased electricity comprises 95% of Nilfisk's Scope 2 emissions, which is why we track and monitor global data on our sites' energy consumption through a cloud-based system called Resource Advisor. This database enables us to identify energy-efficiency projects that can reduce energy consumption.

In 2020, our development site in Denmark switched from natural gas to district heating, resulting in an annual CO₂ reduction of 367 tons. A positive side effect of this switch is a 20% reduction in electricity consumption, since district heating does not require heat to be pumped throughout the heating system.

We aim to reduce our carbon footprint from indirect emissions, from purchased energy

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

In 2020, we began working to calculate and analyze data for Scope 3 emissions within the two most material categories for Nilfisk:

- 1) Purchased goods and services
- 2) The user phase of Nilfisk products sold

At Nilfisk, we walk the talk, and we're committed to lowering our CO₂ footprint along our entire value chain

Targets for Scope 3 emissions will be finalized in 2021. We also work, in parallel, on other aspects of the Scope 3 emissions, including waste and logistics.

We have set a global target for waste, pledging:

- Zero waste-transfer to landfills from operations by 2030
- Increased reusability and recyclability of resources from operations

During 2021, the waste-transfer target will be cascaded to local sites, and all sites within the scope will set local targets aligned accordingly.



From trucks to electric trains

Transportation of goods accounts for approximately 14% of Nilfisk's CO₂ footprint within Scope 3; it is less significant compared to material-purchasing activities – which account for 41% of our CO₂ footprint within Scope 3 – or the user-phases of our products – which account for 39% of our CO₂ footprint within Scope 3 emissions.³ However, we do continuously strive to mitigate emissions from the transportation of goods.

During 2020, we transitioned from the use of trucks to electric trains for transportation of goods between our production sites in Hungary and our distribution centers in Belgium, resulting in a CO₂ reduction of 96,903 tons.

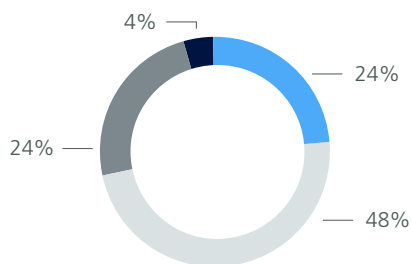
Reduction of
96,903 ton CO₂



Carbon Disclosure Project

Environmental transparency and accountability are vital to tracking progress towards a low-carbon economy, and that is why Nilfisk discloses its climate actions. We do this via CDP, a non-profit organization that runs a global disclosure system wherein investors, companies, cities, states, and regions can manage their environmental impacts.

The Nilfisk CDP score 2020 is an A-, which is in the leadership category and represents a significant improvement; it indicates that Nilfisk is currently implementing best practices in its climate actions.



- **Leadership (A/A-)**
Implementing current best practices
- **Management (B/B-)**
Taking coordinated action on climate issues
- **Awareness (C/C-)**
Knowledge of impacts on, and of, climate issues
- **Disclosure (D/D-)**
Transparent about climate issues

Nilfisk CDP peer-grouping is the "General" sector and "Powered Machinery" Activity Group. Our 2020 score ranks among the top 24% of all companies within our peer group.

Nilfisk CDP score progression	2018	2019	2020
Nilfisk	F	B-	A-
Industry group average	D	B	B



Circular Economy

Creating products and solutions that are useful to society is a core business objective for Nilfisk. For more than 100 years, our products and services have helped create cleaner, healthier workplaces and living environments. With the COVID-19 pandemic, cleaning has never been more important and as we transition into a new normal, the cleaning industry will play a major role in the success of our collective return to regular activities. We believe these changes will persist long after the COVID-19 threat has subsided.

Use of plastic in production

The extraction of oil, for production of raw materials like plastic, has a huge impact on the environment and global climate change⁴. As part of an industrial sector, with relatively heavy use of plastic in production, we are set on investigating and analyzing potential usage of recycled plastic in our products, while also working on design for disassembly that will allow the virgin plastic used in our products to be reused after end of life. From a recycling perspective, plastic has an intrinsic recyclability; it is already durable and lightweight, so the challenge is to design, collect and separate machines in the most sustainable way.

Nilfisk take-back programs bring new life to used products

Hundreds of Nilfisk machines are refurbished and upcycled each year by our take-back programs – an initiative supporting our focus on circular economy.

In order to minimize waste and improve recycling, Nilfisk developed take-back programs in many markets over the past years. The purpose of these programs is to refurbish cleaning equipment which has been leased or rented by customers, and give it new life as fully functional second-hand products.

Currently, Nilfisk has take-back teams operating in key European markets and the US, supporting our overall circular-economy efforts and playing an important role in ensuring that we eliminate waste through recycling and reuse of our products at the end of their lifecycle.

Machines beyond financially-feasible repair are dismantled, with full Nilfisk traceability of parts like batteries, plastic, metal, and electronics.



Products refurbished	2018	2019	2020
US	470	696	569
EU	598	657	769

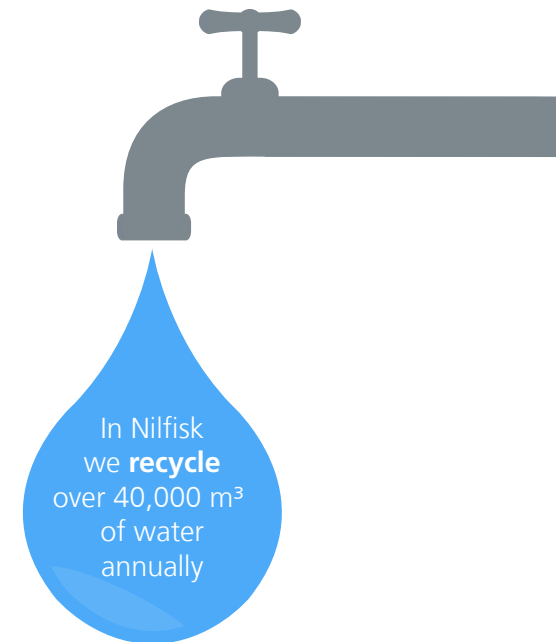
Water-recycling projects

Water is a critical resource that Nilfisk strives to use as efficiently as possible in all operations. Since 2017, we have collected and monitored water usage, as well as the amount of water cycled from our largest sites, which gives us the insight needed to set concrete targets.

During 2020, Nilfisk set the following global targets for water:

- Reduce water consumption from operations
- Increase water recycled from operations

At our development and testing site in Hadsund, Denmark, we save a minimum 40,000 m³ of water every year, since 2020 was not a representative year for Nilfisk due to the COVID-19 pandemic we have used 2019 data for this case. In 2020, we installed similar water-recycling facilities at our R&D test area at the Dongguan facility in China, resulting in a 70% reduction in water consumption. Further water-recycling installations are planned for 2021.



2020 results

Future objectives

Focus area

Environmental Responsibility

Risks: Energy consumption, Environmental pollution, Dangerous substances



Goals

- » Improve transparency of climate and environmental performance as part of Scope 1 and Scope 2 Science Based Targets
- » Extend EMS and ISO 14001:2015 certification to all high-impact sites



Actions and results

- » Webinars conducted with key stakeholders at all relevant sites
- » EMS-governance process initiated with periodical reviews of environmental performance indicators and status of EMS requirements
- » Ongoing training in Resource Advisor system for collection and analysis of environmental-performance data
- » Implementation and certification of Querétaro facility in Mexico
- » ISO 14001:2015 implementation Initiated in our High pressure washer production sites in the US
- » Review and update of EMS roles and responsibilities at Nilfisk HQ
- » Planning and execution of training to increase environmental awareness



Goals

- » Include Scope 1 and Scope 2 Science-based Targets in EMS objectives and processes
- » Apply all production sites to ISO 14001 certification



Planned actions

- » Involve all relevant Nilfisk sites in the break-down of long-term plans into actions and secure approval of plans
- » Update EMS-governance plan to include 1) monitoring of Scope 1 and Scope 2 Science-based Targets performance-indicators and 2) execute plans to achieve targets
- » Conduct initial assessments of EMS-requirement compliance at select sites
- » Extend EMS and ISO 14001:2015 certification to at least one additional site in 2021
- » Monthly status report to global production leadership team and CSR Board

Climate Action

Risks: Energy consumption, CO₂ emissions, Air pollution, Particle pollution

SDG target impacted:



- » Define and roll out initiatives at site level to support CO₂ reductions within Scope 1 and 2 Science Based Targets to site level
- » Confirm Scope 3 Science Based Targets

- » Internal communication and training on Scope 1 and 2 Science Based Targets conducted with local EHS managers at all sites
- » Data gathering and calculations within key Scope 3 areas initiated

- » Reduce emissions within Scope 1 and 2
- » Adopt and approve Scope 1, 2, and 3 targets by the Science Based Target initiative

- » Identify and implement cost- and CO₂-saving projects to achieve Scope 1 and 2 targets
- » Conduct third-party assessment of Scope 1 and 2 targets
- » Establish governance structure with key stakeholders, including training on how to set local targets aligned with global Scope 1 and 2 targets
- » Finalize data gathering and calculations on Scope 3 and define targets

Circular Economy

Risks: Raw-material extraction, Resource use, Waste, Fresh-water use, Detergent pollution

SDG target impacted:



- » Define global targets for waste and water consumption

- » Global target for waste initiated (zero waste-transfer to landfills from operations by 2030)
- » Committed to increased reusability and recyclability of resources from operations
 - Committed to reduce water consumption from operations, and increase water recycling from operations

- » Lower Nilfisk's CO₂ footprint from packaging materials and plastic

- » Define and set up global data tracking for plastic and packaging materials
- » Define and adopt global targets for plastic and packaging materials

Society

Good Governance · Sustainable Supply Chain · Local Communities



Good Governance

Good governance is fundamental to the way we conduct our business activities and daily interactions with stakeholders.



Anti-corruption laws



Data privacy



Foreign Trade Controls



Whistleblower system



Anti-fraud and conflicts of interest



Integrity is the foundation of Nilfisk Code of Conduct.

Sustainable Supply Chain

In Nilfisk we proactively work with our network of suppliers and encourage them to follow the 10 principles of the UN Global Compact.

93%

By the end of 2020, 93% of our suppliers with an annual spend above €50,000 had confirmed their commitment to following the UNGC 10 principles.



We continually strive to live up to best practices internally, we also strive to implement best practices along our value chain, beginning with our suppliers.



In 2020 Nilfisk supplier auditor conducted **63** on-site audits.



Local Communities

Nilfisk wants to act responsibly and support the communities where we operate.

● Around 10,000 N95 masks were donated to COVID-19 frontline responders in local communities.



● In China, Nilfisk donated a range of cleaning machines to the new Huoshenshan Hospital in Wuhan, China, which was designed and built with the goal of isolating and treating patients infected with the COVID-19 virus.

● In Denmark and Mexico, Nilfisk donated floorcare machines to COVID-19 departments at select hospitals.

Good Governance

Nilfisk's Business Code of Conduct emphasizes our company values, and how we expect employees to realize them in their daily work. Integrity is the foundation of the Code of Conduct, which underscores how every individual can contribute to our values by not only adhering to the guidelines, but also by speaking up and acting against wrongdoing.

As the COVID-19 pandemic spread, our compliance efforts focused on ensuring that global operations complied with national and international guidelines governing "essential businesses," thereby allowing Nilfisk's production and supply chain to continue with only minor disruptions.

As a global company, Nilfisk navigates different business cultures and national regulations, and we focus constantly on compliance with applicable laws, prohibiting any form of corruption or bribery

Anti-corruption

Nilfisk continues to comply with applicable global anti-corruption laws, prohibiting employees and directors from directly or indirectly offering, giving, or receiving anything of value in order to secure an improper business advantage. 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).

While the pandemic prevented important site visits in 2020 to high-risk markets, Nilfisk continues to assess corruption risks in its markets, especially where corruption is reported to be widespread.

Data privacy, including the General Data Protection Regulation

Nilfisk continues its long-term, ongoing actions to ensure compliance with the 2018 EU General Data Protection Regulation (GDPR), and we monitor compliance actions and address GDPR-related inquiries, e.g. requests for personal data from individuals, and reports of data breaches. GDPR compliance is a key element of the Code of Conduct training, and is incorporated into our IT systems. Nilfisk also continues its efforts to comply with other applicable data-privacy laws.

Data privacy is a key focus area in Nilfisk's autonomous machine programs and digital service offerings, including contract-data terms and customer guidance on data privacy

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. This includes following global banking restrictions that may exceed regulatory restrictions, as well as asking suppliers to identify dual use components and spare parts that may require export licenses. We continue to map dual use items in Nilfisk's inventory.



Anti-corruption laws



Data privacy



Foreign Trade Controls

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 policies, in order to mitigate fraud risks. Although there were no joint audits in 2020, the teams have collaborated, in investigating two serious fraud allegations (false financial reporting; selling Nilfisk machines privately and keeping the proceeds), identifying remedial steps in dealing with the employees involved and avoiding similar risks in the future. The investigations resulted in the dismissal of the employees involved and a fraud report to local police in the private sales case.

Conflict-of-interest risks, and the steps to mitigate them, are highlighted in our Code of Conduct training. Due to other urgent priorities, Nilfisk did not implement its Conflict-of-Interest program in 2020, but will do so as soon as feasible.

Whistleblower system

Employees and external parties can report concerns about violations of the Code of Conduct or laws in Nilfisk's whistleblower system online, in several languages. The system is hosted by an external company, ensuring confidentiality, and anonymity if the reporter wishes. The system supplements internal reporting of concerns by employees to managers, HR teams or Corporate Affairs. Almost all serious matters have been reported internally, and we believe this is a signal of employees trusting their colleagues and managers.

All reports are investigated according to complexity and severity. Investigations are generally supervised by the global Compliance Officer, and must follow the requirements set forth in the Code of Conduct. Investigation reports of all whistleblower reports and of internal reports involving possible Code of Conduct violations are reviewed by the Audit Committee, the Group CFO and Nilfisk's General Counsel, and the head of global HR reviews relevant reports.

In 2020, a total of six reports were made in Nilfisk's whistleblower system, two of which involved the same matter. Only two of the cases involved the Code of Conduct.

The key focus areas of the 2020 Code of Conduct training were the means of reporting concerns, support at all levels of management for employees to make reports, and how investigations are conducted. Training underscored that Nilfisk compliance programs' success depended on employees feeling comfortable in reporting concerns and confident that concerns would be investigated thoroughly.

Those topics will remain in focus in 2021, due to feedback from certain areas where employee confidence in reporting and investigations is not high. This will occur through compliance site visits, virtual town hall meetings, and collaboration between the global compliance officer and global managers, with the goal of strengthening employee trust and highlighting management support.

Whistleblower cases	2018	2019	2020
Number of whistleblower cases submitted	1	9	6
Whistleblower cases admissible	0	1	2
Whistleblower cases resolved	1	9	6



Anti-fraud and conflicts of interest



Whistleblower system

In 2020, we set up a step-by-step structure and process for ensuring that we work with our supplier base in an even more efficient and organized manner regarding CSR and legal-compliance issues



Risk-assessment of supplier base



Our supplier relationships are defined by supplier agreements stating that if suppliers have their own Code of Conduct in place, it will not be mandatory for them to follow Nilfisk's Code of Conduct



Send out supplier self-assessment questionnaire



Nilfisk screening of supplier responses by CSR and legal-compliance teams



Conduct on-site audits



Engage with suppliers on how to ensure they live up to Nilfisk CSR standards

Sustainable Supply Chain

Working with our suppliers safeguards our standards while developing suppliers' capacity for further improvements to the sustainability of their operations.

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 the United Nations Global Compact (UNGC). This development is part of an incremental process of proactively working with our suppliers and encouraging them to follow the UNGC principles. By the end of 2020, 93% of our suppliers with an annual spend above 50,000 euro had confirmed their commitment to following the UNGC 10 principles. Going forward, we will expand the scope of our efforts to cover a greater portion of our supplier base than only those with a spend above do.

93%

of our suppliers* had confirmed their commitment to following the UNGC 10 principles.

*with an annual spend above 50,000 euro

Local Communities

As a global company, Nilfisk wants to support the communities where we operate. We believe that becoming actively involved in local communities will continue to play a vital role in maintaining a positive working environment in which employees are proud to work with us. There are many ways to become involved in local communities and during 2020, what made the most sense to Nilfisk was to reach out to those working as frontline responders in the fight against COVID-19 within the local communities where we operate.

Our activities included donating masks to frontline responders in local communities in the US, the donation of floorcare machines to COVID-19 units at select hospitals in Mexico and Denmark, and the donation of a range of cleaning machines to the new Huoshenshan Hospital in Wuhan, China, which was designed and built early in the pandemic with the goal of isolating and treating patients infected with COVID-19.

Supplier compliance	2018	2019	2020
Number of suppliers covered by the Code of Conduct	N/A*	N/A*	393
Number of suppliers that have signed UNGC 10 principles	89%	93%	93%
Number of supplier-CSR assessments	N/A*	N/A*	18
Number of supplier audits	N/A*	10	63

Focus area	2020 results		Future objectives	
	Goals	Actions and results	Goals	Planned actions
Good Governance <i>Risks: Anti-corruption, Data privacy, Integrity, Fraud and conflicts of interest, Compliance</i>	<ul style="list-style-type: none"> » Implementation of Nilfisk Governance Framework globally » Expand global training in the Business Code of Conduct » Promote importance of reporting possible Code of Conduct violations » Underscore Nilfisk's commitment to thoroughly investigating reported violations 	<ul style="list-style-type: none"> » Nilfisk Governance Framework implementation delayed due to COVID-19 impact » Training provided to all managers with five or more direct reports, and other key employees » Reporting and investigations included as a key focus area in the Code of Conduct training 	<ul style="list-style-type: none"> » Establish global Governance Framework » Enhance processes, knowledge for participation in government tenders 	<ul style="list-style-type: none"> » Complete drafting of Nilfisk Governance Framework rules » Provide government-tender training to relevant Sales and Service teams
Anti-corruption	<ul style="list-style-type: none"> » Expand anti-corruption audits » Implement risk-assessment tool 	<ul style="list-style-type: none"> » One compliance audit conducted (others were cancelled due to COVID-19 travel restrictions) 	<ul style="list-style-type: none"> » Resume on-site audits » Enhance online training and cover all global employees » Establish due-diligence tool 	<ul style="list-style-type: none"> » Perform internal audits in Southeast Asia, Latin America, and Russia » Explore ways to enhance global online compliance training
Competition law	<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"> » Competition training to global sales team » Competition-risk assessment started » Compliance audits cancelled due to COVID-19 travel restrictions 	<ul style="list-style-type: none"> » Complete global risk assessment » Enhance online training 	<ul style="list-style-type: none"> » Evaluate competition risks through dialogue with Sales, R&D, and Procurement teams » Explore ways to enhance global online compliance training
Data privacy, GDPR	<ul style="list-style-type: none"> » Maintain a high GDPR-compliance standard 	<ul style="list-style-type: none"> » Data-privacy compliance ensured in processing data from Nilfisk's autonomous Liberty SC50 and SC60 machines » IT systems compliance ensured 	<ul style="list-style-type: none"> » Continue mapping databases with personal data » Audit GDPR compliance » Enhance training » Ensure data-privacy compliance for autonomous machine data 	<ul style="list-style-type: none"> » Collaborate with Global IT and HR teams on identifying databases » Conduct desktop audits of subsidiaries » Update data terms in sales and leasing contracts for autonomous machines
Fraud and conflicts of interest	<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"> » Joint audits did not occur due to COVID-19 travel restrictions » Established collaboration structure to enhance the means of identifying, mitigating, and avoiding future fraud risks 	<ul style="list-style-type: none"> » Strengthen processes and controls to reduce the possibility of fraud 	<ul style="list-style-type: none"> » Collaboration between Corporate Affairs and Global Finance, including on needed training
Sustainable Supply Chain <i>Risks: Human rights, Labor rights, CO₂ emissions, Waste, Resource use</i> SDG target impacted: 	<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"> » Supplier assessments conducted based on CSR questionnaire » Project initiated to improve supplier performance among 63 suppliers in China » Training of category managers was not conducted during 2020 	<ul style="list-style-type: none"> » Expand CSR due-diligence system to cover all direct suppliers and establish governance structure » Expand on-site audits to countries other than China 	<ul style="list-style-type: none"> » Expand roll-out plan of CSR questionnaires » Expand roll-out plan for on-site audits countries other than China » Conduct training of category managers on due-diligence system for assessing supplier performance and climate actions
Local Communities <i>Risks: Traffic safety, Labor rights, Particle pollution, Climate effects, Business license to operate</i>	<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"> » Assessment of potential global initiatives and alignment with existing local initiatives started » Donations of cleaning equipment completed to frontline workers and fighters of the COVID-19 pandemic 	<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"> » Continue assessment and based on the findings decide to establish a global strategy for local-community work, and align existing internal initiatives to local communities

Customers

Customer Health and Safety · Value of Clean

Ensure safe cleaning processes in environments around the world.

Customer Health and Safety

In 2020, Nilfisk was a key participant and contributor to the group that developed the new safety standard (IEC 63327) for automatic floor-treatment machines used commercially. This standard helps ensure a safe environment wherever automatic floor-treatment machines operate.

ECO-DESIGN

Environmental and eco-design topics comprised a significant part of our work in 2020.

We continued to identify, standardize, and globalize best practices in our ongoing effort to provide consistent product quality and further develop a "Do it right the first time"-mindset.



Our production sites are ISO 9001:2015 certified

Supporting our customers' core business

Cleaning plays an increasingly vital role in building trust, demonstrating corporate responsibility, and ensuring the safety of people.



Value of Clean



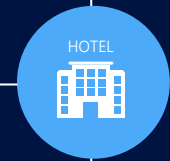
The COVID-19 pandemic is fundamentally altering many aspects of our lives, making us more focused on cleanliness and hygiene than ever before.

Increased business criticalness of clean **59%**

Clean must be visible

82% of customers feel that extra steps to ensure the safety and well-being of employees must be in place or "will make them more likely to visit a business."

98% of guests notice the level of clean in hotels



91% of hotel guests consider cleanliness to be extremely important

95% of shoppers notice the level of clean



85% of shoppers consider cleanliness in stores to be extremely important



Sustainable cleaning has measurable value for our customers, and innovation is a key component of our ability to adapt to our customer's changing needs and improve quality of life through cleaning technology.



94% say that they are very aware of how clean their warehouse is



Our new product development process has been optimized in terms of product-compliance deliverables.

FIGHTING BACTERIA AND VIRUS **UVGI**

The UVGI solution applied to Nilfisk's autonomous scrubber, the Liberty SC50, is the first of its kind within the professional cleaning industry, and is a game-changer for customers who need to disinfect indoor spaces.

Customer Health and Safety

Nilfisk is committed to investing in innovative customer solutions while ensuring product safety, quality, and sustainability, and we work to raise the bar for product quality across our entire industry. This is being accomplished through participation in and with external bodies, where we work to create new standards that enhance product safety worldwide.

In 2020, Nilfisk was a key participant and contributor to the group that developed the new safety standard, IEC 63327, for automatic floor-treatment machines used commercially



Beyond typical cleaning methods

To help our customers keep their facilities safe and clean, Nilfisk reintroduced, among other products, a range of steam cleaners in select markets. By using steam, our customers can clean and disinfect beyond the scope and capability of typical cleaning methods, which makes it easier to fully sanitize surfaces – one of the foremost challenges posed by the COVID-19 pandemic.

Furthermore, Nilfisk was a driver in the implementation of requirements for vacuum cleaners extracting combustible dust from ordinary locations. These requirements will support our customers with the development of safe guidelines for operating in dangerous work environments.

For both automatic floor-treatment machines and vacuum cleaners extracting combustible dust, Nilfisk drives the harmonization of requirements across the International Electrotechnical Commission (IEC), EU, and North America, which will ensure safe cleaning processes in environments around the world. Such efforts help us to create objective, industry-wide definitions of standardization, which provide the only real means for customers to compare products.

Product compliance, safety, and quality

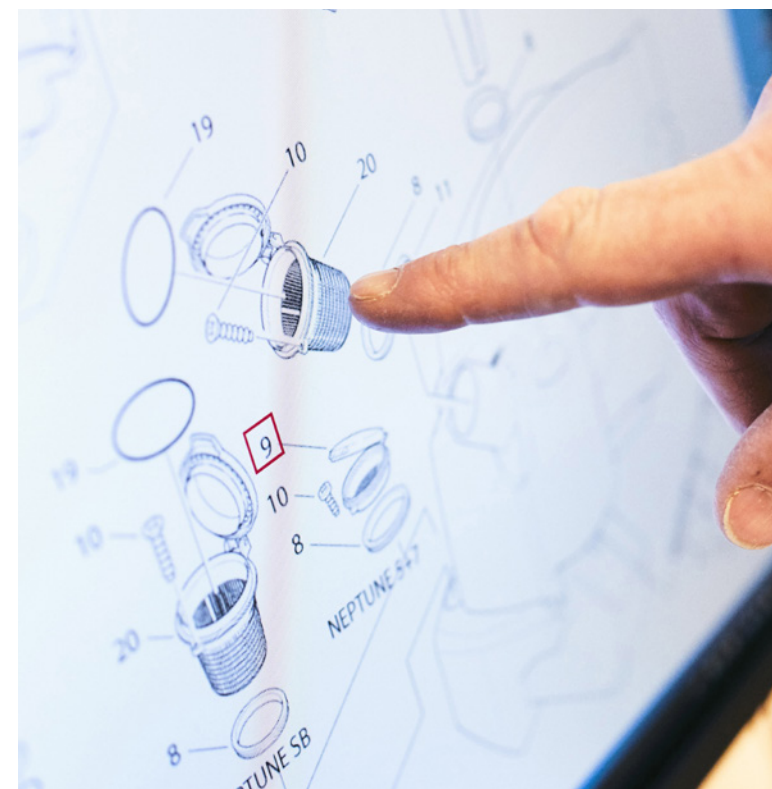
Our products are covered by the global regulatory framework, along with other regional frameworks establishing requirements, and underlying harmonized standards of conformity. Regulatory areas covered include, but are not limited to:

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

Environmental and eco-design topics comprised a significant part of our work in 2020

In 2020 Environmental and eco-design topics entailed a large portion of our work, with the implementation of new SCIP (Substances of Concern In articles as such or in complex objects (Products)) database requirements, as well as the emerging importance of the Circular Economy agenda – particularly reparability as a new legal requirement in upcoming legislation – affecting our consumer and commercial vacuum cleaners in 2023.

Additionally, we have built on the 2019 optimization of internal-compliance processes by focusing on a meeting structure, with stakeholders, centered around the Regulatory Roadmap to track upcoming requirements and provide an effective overview. In addition, centralization of product certificates has been completed, and our New Product Development process has been optimized in terms of product-compliance deliverables.





First of its kind

This year, in response to the COVID-19 pandemic, Nilfisk launched a highly innovative, integrated UVGI (Ultraviolet Germicidal Irradiation) module that uses UV-C light to disinfect floors. The solution, which can be applied to Nilfisk's autonomous scrubber Liberty SC50, was initially developed by Carnegie Robotics, one of our autonomous-portfolio partners, during the earlier stages of the COVID-19 pandemic. Since then, Nilfisk and Carnegie Robotics have tested and refined the solution together, and it is now commercially available.

This combination of UV-C technology and autonomous scrubbing is the first of its kind within the professional cleaning industry, and the innovative solution has the potential to be a game-changer for customers who need to disinfect indoor spaces.

“*Scrubbing a surface to eliminate dirt and debris is the first step to rendering floors germ-free. However, while scrubbing can reduce germ prevalence, it cannot provide total disinfection. To render a surface entirely germ-free, a disinfection process must be completed. With the new UVGI solution, Nilfisk will be the first in the industry to offer customers a one-step floorcare solution for disinfecting surfaces without creation of hazardous aerosols.*

Amit Khamkar, Director,
Connected Autonomous Solutions

Product quality

In 2020, we continued to identify, standardize, and globalize best practices in our ongoing effort to provide consistent product quality, raise the bar for product quality across the entire industry, and further develop a “Do it right the first time”-mindset. Our production sites began the implementation of a manufacturing-execution system that will enable more effective control of manufacturing processes, and provide real-time data for product quality and traceability .

Through our ongoing efforts to strengthen and industrialize our local and global quality-management systems, we successfully completed recertification of our multi-site ISO 9001:2015 certification, which covers development, sourcing, manufacturing, distribution, servicing, and marketing of vacuum cleaners, high-pressure washers, floorcare, spare parts, and accessories.

ISO 9001	2018	2019	2020	Target 2021
Number of ISO 9001-certified sites	11	12	11*	12**

* Number is excluding the European Distribution Center (EDC) workshop located in Broendby, since it was closed in 2020 and not considered anymore for recertification

** Plan is to prepare new EDC workshop located in Belgium to be audited and incorporated into ISO 9001 scope

Value of Clean

Sustainable cleaning has measurable impact for our customers, but also for the general public, which benefits the most from living and working in a clean environment. At Nilfisk, we work to create better living environments that balance care for both people and the planet. We do this by putting people first in our product development, developing new product solutions that support sanitary conditions and well-being in buildings around the world, and by reaching out to policymakers to set new standards for the industry on health, safety, and energy efficiency.

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.

Supporting our customers' core business

In a Nilfisk study among our customers⁵ in a Nilfisk study among our customers the perception and emotional aspects connected to cleaning were explored. Explored perceptual and emotional aspects connected to cleaning, we identified distinctive values of clean within two overall areas directly connected to supporting core business; cleaning as a protective parameter, and cleaning as an enabler:

Protecting values

- Cleaning reflects the quality of all services provided by a business
- Cleaning affects the general impression and reputation of a business/brand
- Cleaning generates trust in protection against health risks
- Cleaning provides reassurance of physical safety

Enabling values

- Cleaning supports employee morale and productivity
- A clean environment contributes to a pleasant, appealing atmosphere making customers and visitors stay longer
- Cleaning supports repeat business and business/brand advocacy



The first thing hotel guests notice

Success in the hospitality industry depends on providing exceptional guest experiences. A hotel's appearance, including cleanliness, makes a significant contribution to this experience, and is a prerequisite for guest satisfaction. It is one of the first things guests notice, and it is considered a reflection of the quality of the overall service provided. A high level of cleanliness also boosts revenue – both immediately and in the future. Satisfied guests are more likely to stay longer, use additional services, and recommend the hotel to others.

“ (If a hotel is clean) I will be much more likely to consider a clean hotel for a return trip should the need arise. [If it is not], besides never going back I would spend time online warning others of the condition of the hotel.

Hotel guest, US. 60 year-old man.

98% | of guests notice the level of clean in hotels⁶

91% | of guests consider cleanliness to be very or extremely important for their overall experience⁷

86% | of guests look for mentions of cleanliness when reading online reviews⁸

76% | of people say room cleanliness is the main factor that makes for a positive hotel experience⁹

Source: Nilfisk 2019 study, "Value of clean"



The single most important factor in the shopping experience

A clean store delivers a pleasant shopping experience, which makes customers more likely to stay longer, spend more money, and return in the future. For supermarkets, cleanliness is also key for compliance with hygiene directives, as well as for establishing trust - if the store is dirty, customers will worry about food safety, and a single food-safety incident is enough to damage an entire brand.

In a recent study of 75,000 members rating 96 grocers¹⁰, it was found that cleanliness is the one feature that all of the top-ranked stores share. In other words, price, quality, selection, and staff helpfulness may be important, but cleanliness is the most important factor.

“ [If the store is clean] it makes me feel that the attention to other details will also be good like making sure fridge and freezer temperatures are correct and stock is properly rotated and everything will be within its sell by date.

Food store customer, UK. 57 year-old woman

95% | of shoppers consider cleanliness in stores to be very or extremely important

85% | of shoppers notice the level of clean

Source is: CLR survey. TNS, 2015



Ensuring smooth, safe and efficient operations

Warehouses and logistic centers are busy places, where standards of cleanliness, safety, and workflow efficiency go hand-in-hand. The dynamic nature of a warehouse facility entails heavy traffic, and constant transport of valuable goods – all of which requires unerring standards of cleanliness and safety to ensure optimal productivity. A Nilfisk study has identified core business-supporting values of clean and cleanliness to enable the smooth, safe, and efficient operations needed:

- Cleaning supports operations and workflow efficiency
- Cleaning reinforces workplace health and safety
- Cleaning improves employee morale and productivity
- Cleaning reduces operations and maintenance costs
- Cleaning maintains quality of products/goods
- Cleaning supports a positive company impression/reputation

“ If the warehouse is not clean, there will be consequences because it affects the productivity and health of its employees, and the area will be very chaotic and unorganized.

Assistant Warehouse Manager, US

94% | say that they are very aware of how clean their warehouse is

Source: "Understanding the value of clean in warehouses," Nilfisk, 2019

A changing scope of clean adds new layers of value

The COVID-19 pandemic has made us more focused on cleanliness and hygiene than ever before adding new layers of significance and value of clean to the existing.

The pandemic has transformed the nature and role of cleaning both functionally and psychologically, requiring many companies to completely rethink how they approach the concept

On a functional level, the scope of cleaning is changing with stricter procedures, increased frequency of cleaning and a focus on disinfection. On a psychological level, cleaning plays an increasingly vital role in earning trust by ensuring the safety of people.

As cleanliness has become synonymous with safety, reassurance of safety is becoming a prerequisite for a business to succeed. If customers don't feel safe, they will not patronize a business, and if employees don't feel safe, they will lose trust in management and their productivity will suffer. Cleanliness and safety are single points of failure, meaning that companies that fail to meet people's safety and cleanliness standards will not get a second chance. On the other hand, companies that successfully make people feel safe will earn their trust, and their repeat business. Cleanliness can make or break a brand's reputation and is now more than ever an essential aspect of brand experience and enabler of core business.

The change is evident across industries. For example, warehouse-service providers generally clean to ensure smooth, safe, and efficient operations, but the requirements now include disinfecting high-touch points, vehicles, equipment, and in/outbound shipping areas to keep workers safe. Similarly, hotels clean to promote a positive guest experience and enhance their brand image. However, today the priority is not just about creating a spotless appearance but also reassuring guests of a "clean and safe" stay.

There is a trend towards an increased need to induce trust through cleaning-program visibility and transparency, especially in industries which the general public is in contact with on an everyday basis. Before the pandemic, cleaning could be characterized as a backstage activity, usually planned to be as unobtrusive as possible, and it was also an assumed activity. Today, cleanliness is no longer assumed, and people want proof that any space they're entering is clean. To provide this proof, businesses need to let people see their cleaning programs in action. In other words, cleaning is moving from backstage to front stage with a spotlight on it.

Cleaning has become increasingly business critical

In a large study Nilfisk conducted in December 2020, among 600 respondents representing key customer segments, the vast majority report that the criticality of cleanliness to their organization's success has increased. Many have applied new, stricter procedures, including disinfection of high-touch surfaces and floors. The study indicates that these changes are here to stay.

59%

of all respondents state that the business criticalness/business criticality of cleaning of cleaning has increased significantly, and a further 32% state that it has increased slightly

79%

of all respondents believe their business will maintain higher standards of cleanliness beyond the COVID-19 pandemic

Source: Disinfection study, Nilfisk, 2020

Cleaning must be visible

In their 2020 survey on safety and cleanliness in consumer industries, Deloitte Consulting found that the main things consumers and employees want are visibility and transparency of cleaning practices.

60%

of respondents say that the consistent presence of visible cleaning efforts is the most important aspect while engaging in the experience

82%

% of customers feel that extra steps to ensure the safety and well-being of employees must be in place or "will make them more likely to visit a business

73%

of employees feel more confident if they observe active cleaning effort

Source: Deloitte Safety & Cleanliness Survey, Deloitte Consulting LLP, 2020

2020 results

Future objectives

Focus area

Customer Health and Safety

Risks: Customer health and safety, Product compliance, Dangerous substances, Energy consumption, Water use

SDG target impacted:



Goals

- » Change industry label for 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 global standards for hazardous locations
- » Raise product-quality benchmarks across entire industry
- » Strengthen Quality Management System (QMS) governance



Actions and results

- » Data-recording and centralization of product certificates completed for 163 product platforms
- » Product Development process optimized in terms of product-compliance deliverables
- » A total of 16 compliance projects in relation to upcoming requirements (Regulatory Roadmap) completed or in progress
- » New meeting governance structure established around Regulatory Roadmap
- » EU-nited performance test for measuring efficiency of scrubber dryers planned for completion by end of year
- » Hazardous substance database – SCIP (Substances of Concern In articles as such or in complex objects (products)) updated
- » QMS-EMS governance framework updated to include primary workstreams, securing increase cross-functional collaboration.
- » Consolidated and improved transparency of internal and external product certification-compliance audits, quality performance, and process development



Goals

- » Raise product-quality benchmarks across entire industry
- » Strengthen Quality Management System (QMS) governance
- » Define system solutions (Product Compliance)
- » Optimize internal product-compliance processes
- » Implement and prepare new regulatory requirements
- » Increase awareness of product certifications and the factors affecting them



Planned actions

- » Implement internal system to better support SCIP reporting
- » Define Product Certification-database requirements
- » Continue work to harmonize standards for combustible dust
- » Implement new safety IEC/EN standards (60335-1 and 60335-2-xx) across the global organization
- » Implement new UKCA mark and issue UK Declaration of Conformity in relation to Brexit
- » Increase frequency of internal product-certification audits across select sites and functions
- » Support training of production and functional personnel on factors affecting product certifications
- » Create global overview of product certification audit results and actions for system improvements

Value of Clean

Risks: Energy consumption, Water use, Detergent pollution, Customer health and safety, Public health and safety

- » Increase awareness of the importance of clean work environments in relation to human health

- » Launched the eBook “Cleaning in the COVID-19 era”
- » Hazardous dust-awareness campaign expanded to more markets to inform and educate customers in hazardous-dust regulation

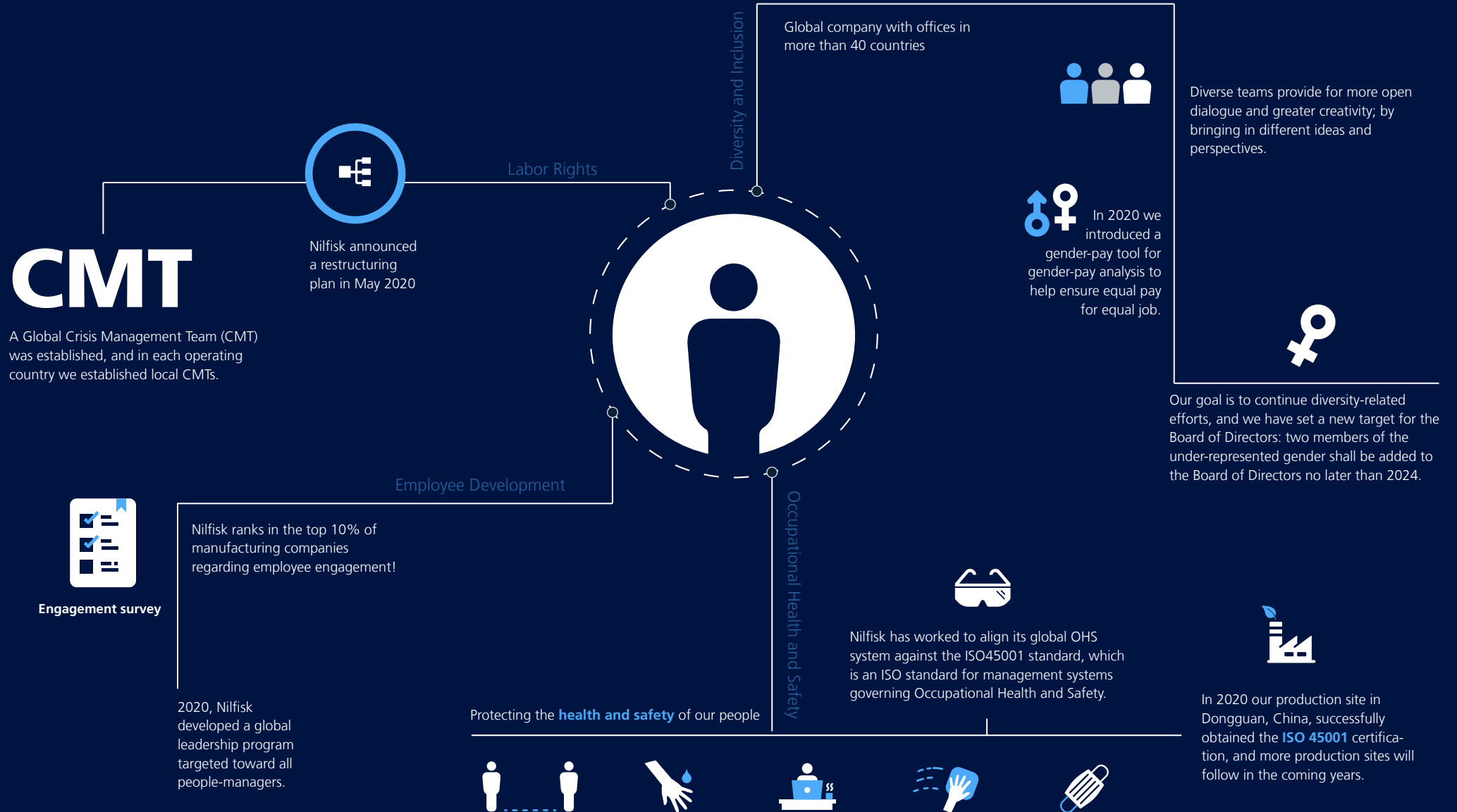
- » Provide strategies to help businesses meet sustainable cleaning demands of the future
- » Create awareness of the ‘value of clean’ to improve health and well-being
- » Sustainable Universal Design Principles (UDP) developed and implemented

- » Roll-out and expand “Clean is changing” awareness-raising campaign on health and well-being
- » Continue work to develop solutions to document cleaning processes
- » Investigating and analyzing which sustainability parameters to include in the Universal Design Principles (UDP)

Workplace

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

40 countries



Labor Rights

Nilfisk is committed to providing a safe, healthy workplace for all employees. Our people form our business. Without them the company has no relevance. We take their health and safety seriously.

The protection of our employees has been especially important during 2020, characterized to a large extent by the pandemic. Every office and facility have been influenced by this. Based on the learnings from our China operations, and others, we took action early on to deal with the COVID-19 situation.

A Global Crisis Management Team (CMT) was established, and in each operating country we established local CMTs that were given the authority to take necessary actions and communicate guidelines locally to employees

We have been able to keep production and supply-chain operations open during the pandemic, with only a few minor interruptions, and we have endured only a few short, local closures. Field personnel from Sales and Service have experienced limitations in their efforts to conduct customer visits, but strict safety measures and alternative meeting methods have enabled us to maintain customer contact and provide service, while keeping employees safe and occupied. Over the course of 2020, most of our office-based employees have worked from home.

At our main sites, we have strict protocols in place for how to respond in case on-site employees should contract COVID-19, and we adhere strictly to legislation and guidance from relevant authorities in the countries where we operate. Therefore, while a few employees did contract COVID-19, we have been able to quickly react with partial or full site closures, followed by in-depth cleaning and/or disinfection, contact tracing, and testing. This means that we have been able to contain the effects of infections and have only experienced very limited internal spread.

Reductions in workforce

With support from different governmental COVID-19 programs, we sought to retain as many employees as possible during the revenue decline experienced at the start of the pandemic. Furlough periods, working-hour reductions, and temporary dismissal of employees have been used according to applicable national regulations and options. For production and supply-chain departments, we adjusted the workforce according to demand, as we normally do.

In addition to measures taken to scale down production capacity, and actions to reduce variable cost and capital expenditures, Nilfisk announced in May 2020 a restructuring plan to structurally adjust and lower the cost base. Measures included a reduction in the workforce by approximately 250 full-time positions globally, across functions and regions.

Diversity and Inclusion

As a global company with offices in more than 40 countries, and customers across of the world, our organization relies on diverse teams to develop the best possible understanding of our customer needs. We know that diverse teams provide for more open dialogue and greater creativity; by bringing in different ideas and perspectives, problem-solving will be easier and more effective, and we can then provide our customers with better solutions.

We strive to provide a motivating work environment where people are treated with respect and have equal opportunities for development

Diversity is not an end-goal for us, but having a more inclusive, more just, and more effective workplace with significant diversity creates better decisions, improves team and company performance, and will position us as an attractive employer.





Multicultural teams

When Nilfisk established a global Customer Service function in 2019, a global Customer Service leadership team comprising nine nationalities was formed. There were some challenges in the beginning; people were unsure about speaking their minds, and we learned that even though we all speak English, there are differences in its usage, which can massively affect understanding if left unaddressed. We learned that building trust is another key element that needs to be prioritized before relationships can be truly effective. We are now at a stage where the benefits are helping us improve effectiveness and increase our performance:

“Differences in opinion and perspectives are bringing about better decisions. Collaboration with colleagues from other countries, on the same tasks, shows us that we are not alone. Multicultural teamwork has also proven to enrich us on a personal and professional level, as we work together closely, learn about one another's cultures, and have fun in the process.

Ben Quirk, VP of Customer Care.



As an organization, we can do more to ensure that our teams exhibit diversity regarding other aspects like gender, age, and competences. As the next step on this journey, we plan to offer unconscious-bias training in 2021, which we believe will help people to acknowledge that they sometimes exhibit bias in their decision-making processes. This will help ensure that our employees recognize the need for representation of different perspectives.

In 2020, overall gender representation in the organization was unchanged from the year before: 29% of our employees are women, and 71% are men. While this ratio was constant, we marginally increased the number of female candidates for managerial positions at the general level, where we now have 2% more women in managerial positions, equaling a ratio of 22%. This provides the foundation for a stronger pipeline of women filling senior management positions going forward.

At the same time, data from the 2020 succession-planning process reveals that 20% of our identified successors to the top three levels of the company are women.

In line with Section 107d of the Danish Financial Statements Act, we consider our diversity policy to cover a broader perspective than just the gender composition of our Board of Directors and the Nilfisk Leadership Team, respectively.

Nilfisk is aware of the importance of the Board members possessing diverse, international and relevant skills and experience to ensure an optimal performance by the Board of Directors. As part of the annual self-evaluation exercise by the Board of Directors, specific time is allocated for discussion of matters such as the composition of the Board of Directors (age, gender, nationality number of members and qualifications), special skills of the Board members, the need for supplementary training, and the interaction between Board members.

In connection with the annual evaluation of the Nilfisk Leadership Team, the Board of Directors includes reflections on diversity at senior management level to ensure continued value creation for Nilfisk.

In the Nilfisk Leadership Team we have an age span from 40 to 55 years, 25% female representation, three different nationalities and a broad experience across several different industries and geographies.

The team has been reduced from 11 to 8 members in 2020 and have maintained a fairly diverse composition. To ensure talent development of both genders internally in the organization and strengthen targeting of female talents we have initiated a mentoring program targeted female leaders. This initiative will continue in 2021. In the Board of Directors the age span is +20 years between oldest and youngest member, the eight shareholder-elected members represent five different nationalities. There is one female in the Board of Directors.

From an experience, age and nationality perspective the Board of Directors is a strong and diverse team. Regarding gender we see an underrepresentation of females and a target has therefore been set to have at least one additional female in the Board of Directors by 2024 to increase diversity even more.

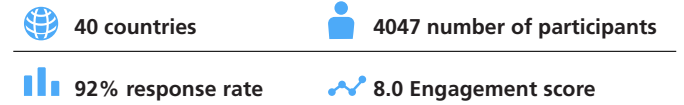
Nilfisk has now set a new target figure for the under-represented gender of minimum 25% to be achieved no later than by 2024

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 that this objective is both realistic and ambitious, with the aim of improving female representation.

Employee development

Nilfisk conducted its engagement survey three times over the course of 2020. The purpose of this process is to use feedback as input for conversations, across teams and functions, on how to continuously develop teams and individuals through identification of factors driving employee engagement.

Engagement survey results



In the survey conducted towards the end of the year, the engagement score increased to 8.0, the highest score we have achieved so far. In a year full of changes and instability related to the pandemic, this is a strong result that puts Nilfisk in the top 10% of manufacturing companies regarding employee engagement.

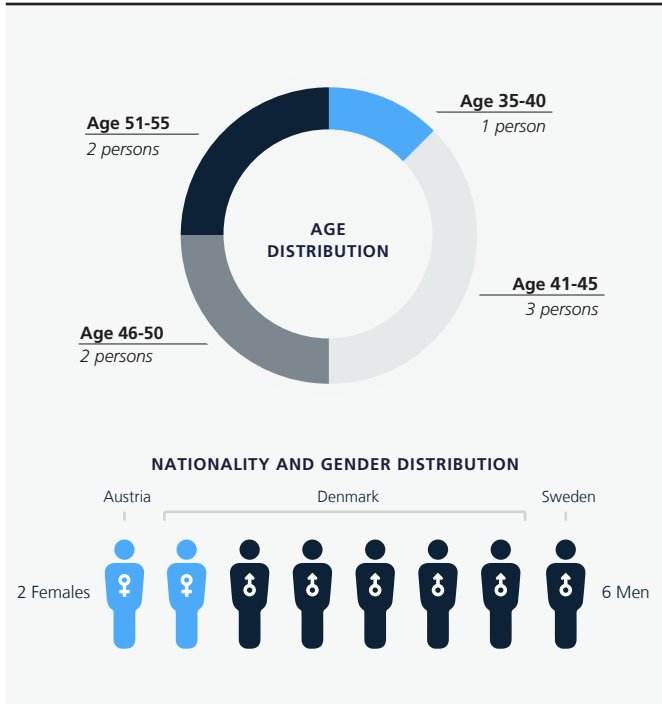
Nilfisk employee engagement ranks in the top 10% of manufacturing companies

Competence development

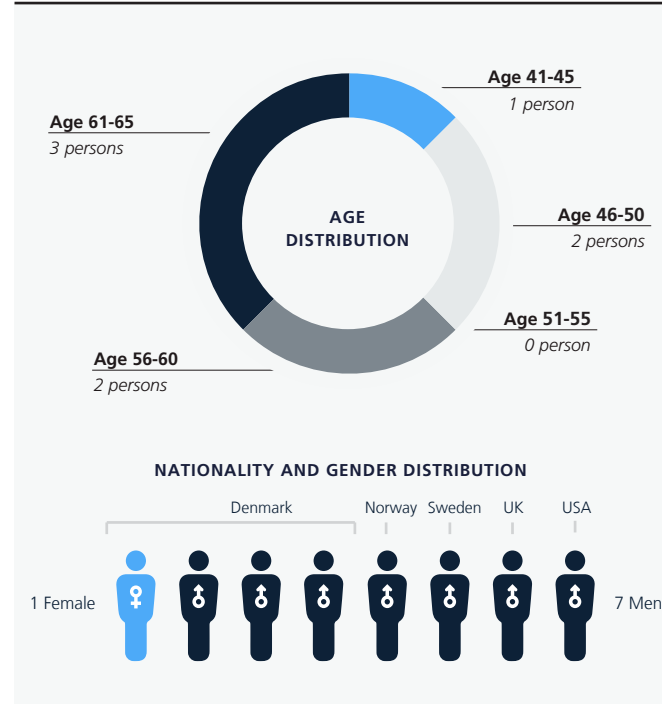
In 2020, Nilfisk developed a global leadership program targeted toward all people-managers. The program includes three modules – “Leading yourself,” “Leading your people,” and “Leading your team.” In parallel, we continued quarterly manager webinars, reaching most of our English-speaking people-managers and addressing topics that support our transformation by detailing priorities and key leadership challenges.

The Nilfisk Leadership Team also offered frequent webinars for senior leadership, as well as global employee town halls, ensuring that employees at all levels were informed about the company’s status and key priorities.

Nilfisk Leadership Team



Board of Directors



Occupational Health and Safety

As a predominantly assembly-based manufacturing company, work-safety risk is relatively low. However, the health and safety of our employees are both serious priorities. Nilfisk believes in creating and maintaining visibility when accidents occur, including minor incidents; this ensures the right risk picture and helps guide our occupational health and safety efforts.

Occupational accidents and diseases are neither determined by fate nor unavoidable; they always have causes. By maintaining and developing a safety-centric culture, such causes can be eliminated, preventing work-related injuries from occurring.

The Nilfisk Occupational Health and Safety (OHS) charter specifies that all Nilfisk employees are expected to take personal responsibility, engage in actions that promote health and safety, and look out for the well-being of their colleagues. The systems we have implemented obliges employees to register safety hazards, improvements, and near-miss incidents.

We protect the health and safety of our people

A stronger, more effective occupational health and safety culture starts with leaders setting an example at every site. It works best, though, when our people on the ground are trained to observe rules and procedures, and empowered to continually identify risks and propose solutions themselves, thereby enabling us to prevent accidents – and learn from them if they do occur.

We aim to build a culture based on openness and transparency, which encourages people to submit, and report, a higher number of small accidents and near-misses; this gives us the insights needed to act on small incidents before they become serious accidents.

In 2020, we saw a significant increase in recordings of non-lost-time injuries and near-misses by our employees, which led to implementation of several preventive protocols. This is a positive sign of improved engagement and progress towards making occupational health and

safety a top priority for all our people, and it is proof of an improved safety culture, wherein transparency increases to provide a more accurate risk picture. The net result is an improved ability to ensure even higher safety standards for our employees.

Nilfisk has worked to align its global occupational health and safety system with the ISO 45001 standard, which applies to management systems governing Occupational Health and Safety. The goal of ISO 45001 is to reduce occupational injuries and diseases, as well as promote and protect physical and mental health. We believe that with robust, effective processes in place, many incidents can be prevented.

In 2020, our production site in Dongguan, China, successfully obtained ISO 45001 certification, and more production sites will follow in the coming years

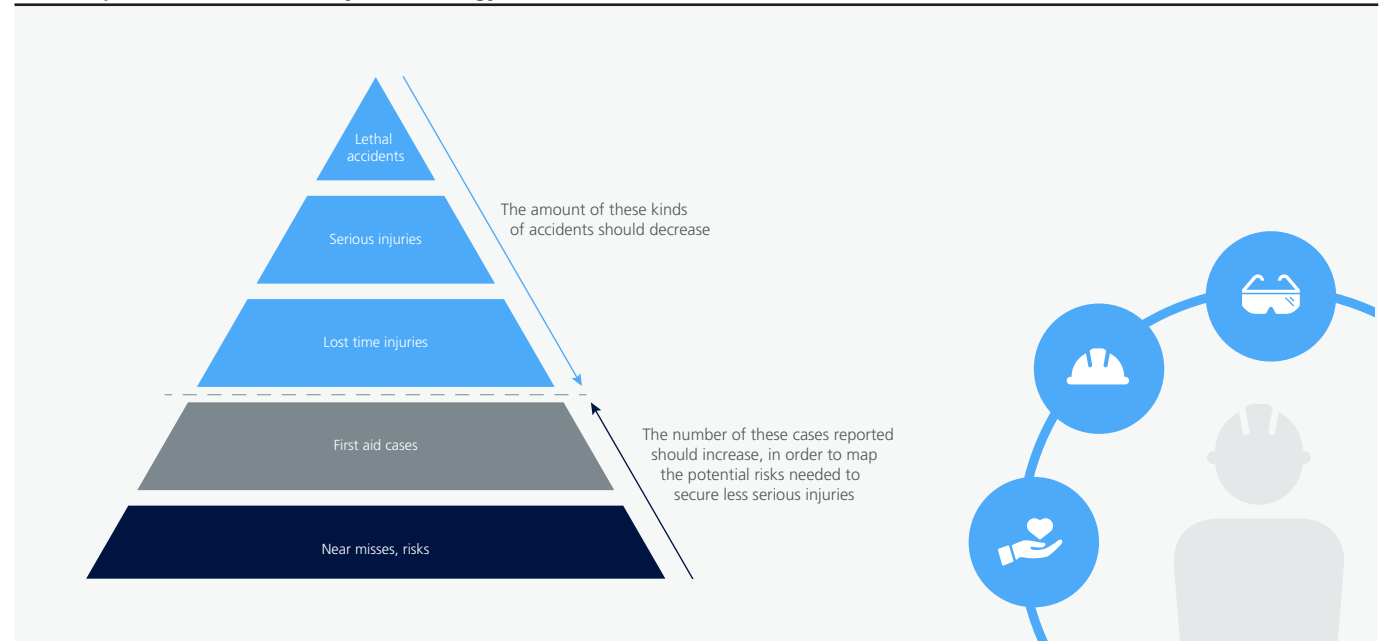
Our occupational health and safety efforts experienced heightened focus in 2020, as a result of the COVID-19 pandemic. From the onset of the pandemic, we launched several measures to protect employees from becoming infected at work, while simultaneously maintaining our ability to produce cleaning solutions in a responsible manner.

We have invariably complied with the most recent regulatory instructions, and will continue to do so.

“The health and safety of our people always comes first, and no matter how important a task is, there can never be any excuse for not taking the time to do it safely.

Søren Pap-Tolstrup, SVP Global Production

The occupational health and safety methodology



2020 results

Focus area	2020 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"> » Continue Nilfisk Behavior Award initiative 	<ul style="list-style-type: none"> » Halted during first half of 2020 due to COVID-19 » One nomination process conducted in Autumn 2020; Two awards given – one individual and one team 	<ul style="list-style-type: none"> » Create a dynamic and highly engaged workplace in which employees can thrive while meeting challenges and gaining knowledge and new experiences » Ensure a safe and healthy workplace where employees may freely exercise their rights to, or not to, engage in collective bargaining and/or join labor unions » Ensure fair work hours, wages and benefits, and fair free time, e.g., vacations and leave » Ensure no non-conformities in this area from audits 	<ul style="list-style-type: none"> » Local monitoring of legislation and internal control
Diversity and Inclusion <i>Risks: Human rights, labor rights, diversity and inclusion, work safety</i>	<ul style="list-style-type: none"> » Create a global standard to measure a fair and market-based pay (job banding tool) » Introduce gender-pay tool for gender-pay analysis » Increase percentage of women throughout organization and in managerial positions 	<ul style="list-style-type: none"> » Introduction of job-banding into Nilfisk's global HR system completed » Despite cautious recruitment approach employed because of COVID-19 the number of women in managerial positions increased by 2% 	<ul style="list-style-type: none"> » Minimize risk of unequal pay for equal jobs » Minimize the risk for gender pay gaps » Increase percentage of women in managerial positions » At least one additional female in the Board of Directors no later than by 2024 	<ul style="list-style-type: none"> » Resume mentorship programs for women » Increase focus on recruiting women, with particular focus on increasing Sales roles by 5% » Introduce tool for gender-pay analysis
Employee Development <i>Risks: Human rights, labor rights, diversity and inclusion, work safety</i>	<ul style="list-style-type: none"> » Update leadership model to define competences in behavioral context » Launch manager training to improve managerial skills » Continue building employee engagement 	<ul style="list-style-type: none"> » Leadership model updated to define competences linked to Nilfisk Behaviors as input for manager training » Manager training program piloted in Q4 as online program. » Employee Engagement increased to 8.0 and highest level ever within this framework » Survey count increased during the year 	<ul style="list-style-type: none"> » Improve managerial skills and develop competences within key focus areas of leadership, customer engagement and execution » Increase awareness of internal development opportunities » Build employee engagement 	<ul style="list-style-type: none"> » Offer leadership training to all people managers –50% reach expected in 2021 » Offer unconscious-bias training to all employees – 50% reach expected in 2021 » Increase use of internal tools and processes within employee development
Occupational Health and Safety <i>Risks: Human rights, labor rights, diversity and inclusion, work safety</i> SDG target impacted: 	<ul style="list-style-type: none"> » Change reporting culture at Nilfisk; develop and share best practices for OHS 	<ul style="list-style-type: none"> » OHS global roles and responsibilities defined » Internal training in new definitions and global KPI's employed » OHS Charter established outlining Nilfisk's OHS vision, ambition and principles » OHS assessment of risks and opportunities for each production site initiated » ISO 45001-certification of Dongguan facility, China, completed 	<ul style="list-style-type: none"> » Establish a healthy and safe workplace and to integrate health and safety into all workplace activities » Treat applicable health and safety legislation as a minimum rather than a maximum standard » Further roll-out of ISO 45001 certification at production sites 	<ul style="list-style-type: none"> » Align global OHS processes to prioritize health and safety, and set up procedures for ensuring employee health and safety in the workplace » Train Nilfisk staff in OHS principles » Complete assessment of OHS risks and opportunities for each production site » Initiate data-collection and tracking to measure progress on OHS performance

About the report

Scope of reporting

This report constitutes the stationary report cf. Danish Financial Statements Act, section 99a, 99b and 107d 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 of directors and management. The report is published annually together with the Nilfisk Annual Report, and covers the 2020 financial year from January 1, 2020 to December 31, 2020.

In addition, this report also functions as the Communication of Progress 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.

The 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 and organizational scope

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. The 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 The scope comprises the 33 largest Nilfisk sites and offices comprising 95% of Nilfisk total site-related emissions.
- ² The Greenhouse Gas Protocol provides standards, guidance, tools and training for business and government to measure and manage climate-warming emissions. The GHG Protocol establishes comprehensive global standardized frameworks enabling corporate accounting and reporting standards.
- ³ Materiality assessment performed with the use of the Quantis tool (recommended by GHG Protocol).
- ⁴ <https://stanfordmag.org/contents/the-link-between-plastic-use-and-climate-change-nitty-gritty>
- ⁵ Nilfisk study, 2019, 412 respondents in the hospitality and retail sectors
- ⁶ Source: Nilfisk 2019 study, Value of Clean
- ⁷ Source: Nilfisk 2019 study, Value of Clean
- ⁸ Article: Cleanliness is Paramount when booking hotels, study shows: <https://www.prnewswire.com/news-releases/cleanliness-is-paramount-when-booking-hotels-study-shows-300146633.html>
- ⁹ Qualtrics Hotel Pain Index Study, 2017: https://www.qualtrics.com/wp-content/themes/qualtrics/images/pages/research-center/Qualtrics_Report_HotelPainIndex_2017.pdf
- ¹⁰ <https://www.consumerreports.org/grocery-stores-supermarkets/cleanest-grocery-stores-in-america/>





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