

# FRANKE GROUP SUSTAINABILITY REPORT 2018



MAKE IT WONDERFUL

**FRANKE**

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## CEO STATEMENT



Dear Readers,

Make It Wonderful – this is our brand promise to customers, business partners and employees. For over four years, it has shaped the corporate culture of Franke Group both internally and externally. Together with Franke's value "Be Accountable" and as an international manufacturing company, Make It Wonderful also represents our commitment to taking responsibility for our global value chain. As a family business, thinking across generations has been another important pillar of our efforts to achieve sustainability for 108 years.

As an international manufacturing company, we are committed to taking responsibility for our global value chain

Since 2011, we have systematically expanded and intensified our numerous sustainability activities. Back then, we joined the United Nations Global Compact (UNGC). Ever since, the ten principles for sustainable and responsible corporate management – relating to human rights, labor standards, environmental protection

and anti-corruption – have been an essential foundation for our corporate practices. In 2017, we added another item to the list and also assigned our sustainability report to the United Nations' sustainable development goals. Out of the total 17 Sustainable Development Goals (SDGs), we focus, in particular, on eleven goals. We have focused this selection based on the question of where we can make a maximum contribution based on our business activities.

For the third year in a row, we have been able to reduce our CO<sub>2</sub> emissions

As a world-leading supplier of products and solutions for foodservice systems, equipping household kitchens, private bathrooms, semi-public and public washrooms and for professional coffee preparation, energy and resource consumption is a key topic for us. After all, food preparation and housing are, alongside mobility, the ultimate consumers of resources and as a globally acting industrial company, we therefore use our influence on these areas in terms of ecological, social and economic aspects. In addition, our commitment is towards the development, manufacturing and use of our products. In order to live up to this claim, we took actions on a variety of measures in the period under review.

The significantly improved CO<sub>2</sub> footprint at Franke is very positive. For the third year in a row, we have been able to reduce our CO<sub>2</sub> emissions. Since 2015, they have fallen by almost one third (32 %). The figure again dropped by 7.3 percent in the year under review. This success is primarily attributable to the switch to renewable or low-carbon energy sources for new buildings and conversions, e.g. heat pumps, recovered heat from production processes, district heating or energy-saving LED technology. Further, the consolidation of the global synthetic sink production of Franke Kitchen Systems at a new plant in Slovakia generates significantly lower emissions.

Other highlights from the reporting period include the new global leadership development programs for our managers. We launched these programs in 2018 together with an external partner – the aim being to ensure all our leaders complete a course from the program offering depending on their organizational level. Our managers are a crucial component for improving the employee engagement rate: They are key multipliers for conveying our corporate strategy and business goals. Therefore, they must be able to communicate skillfully, align a team with common goals and customer needs, and support on-the-job development.

On the product side, we also made progress within the framework of our sustainability efforts. A very good example is the Mythos 2gether induction hob with an integrated extractor hood launched at the international EuroCucina 2018 trade fair. It achieves the highest energy efficiency class A+++.

Our KWC Monta tap line is also very sustainable, enabling a smart use of resources: Thanks to the CoolFix setting, cold water flows in the most frequently used middle position of the operating lever. Hot water only flows when the lever is turned to the left. This allows a very sparing use of hot water.

We will not stay complacent with our achievements to date and will continue to work consistently on further driving our sustainability efforts

As in previous years, we achieved a great deal in the year under review. However, there is always room for improvement. We invite you to get your own impression of our numerous achievements and activities in the past financial year. One thing is certain: We will not stay complacent with our achievements to date and will continue to work consistently and systematically on further driving our sustainability efforts. The progress to date

has only been possible by working together. We would like to thank all our employees and partners for their daily commitment and the many measures they have implemented.

Kind regards,

**Patrik Wohlhauser**  
President/CEO Franke Group

# GROUP PROFILE

Franke Group is comprised of Franke Kitchen Systems, Faber Hoods & Cooking Systems, Franke Foodservice Systems, Franke Water Systems and Franke Coffee Systems divisions. The Group employs over 9,000 people worldwide and achieved consolidated net sales of CHF 2.1 billion in 2018.

## Divisions



**Franke Kitchen Systems**  
Integrated systems for food preparation and cooking, including sinks, taps, worktops, hoods and cooking appliances



**Faber Hoods & Cooking Systems**  
Expert in exhaust air cleaning, extractor hoods and cooking technology



**Franke Foodservice Systems**  
Kitchen appliances, accessories and spare parts as well as a wide range of services for leading restaurant chains



**Franke Water Systems**  
Integrated systems for private, semi-public and public washrooms, including taps, showers, sinks, accessories and water management systems



**Franke Coffee Systems**  
A comprehensive range of coffee machines for making coffee outside the home, including fully automatic and traditional coffee machines and coffee brewers

## Figures

**- 7.3%**

Reduction in CO<sub>2</sub> emissions 2018 vs. 2017

**- 31.4%**

Reduction in lost days due to occupational diseases and accidents 2018 vs. 2017

**+ 2.0%**

Increase in net sales 2018 vs. 2017

**91.9%**

Production sites with quality management certification in 2018

## Net Sales 2018

### BY DIVISION



IN MIO CHF	
Franke Kitchen Systems	687
Faber Hoods & Cooking Systems	341
Franke Foodservice Systems	671
Franke Water Systems	237
Franke Coffee Systems	246
Corporate/Consolidation	-65
<b>Total</b>	<b>2,117</b>

### BY REGION



IN %	
Europe	58.3
Americas	25.5
Asia/Oceania	10.1
Africa/Middle East	6.1

## Employees by region 2018



IN %	
Europe	60.7
Americas	16.4
Asia/Oceania	17.1
Africa/Middle East	5.8

## Locations worldwide

Franke Group has production sites and/or its own companies in 40 countries.

The head office is in Aarburg, Switzerland.

### Europe (22 countries)

Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Italy, Netherlands, Norway, Poland, Portugal, Romania, Russia, Slovakia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom

### Americas (5 countries)

Argentina, Brazil, Canada, Mexico, USA

### Asia/Oceania (8 countries)

Australia, China/Hong Kong, India, Japan, Kazakhstan, Philippines, Singapore, Thailand

### Africa/Middle East (5 countries)

Egypt, Morocco, South Africa, Tunisia, United Arab Emirates

## Organization

### Board of Directors

Christian Mäder, Chairman  
Alexander Pieper, Vice Chairman  
Patrick Naef  
Michael Pieper  
Dr. Michael Reinhard

### Management Board

Patrik Wohlhauser, President/CEO

### Group Functions

Finance Jürg Fischer  
Human Resources Beat Sigrist  
Operations Gianluca Mapelli  
Information Services Markus Bierl  
Legal & Compliance Martin Wyser

### Divisions

Franke Kitchen Systems  
Barbara Borra  
Faber Hoods & Cooking Systems  
Ettore Zoboli  
Franke Foodservice Systems  
Christian Mathesius  
Franke Water Systems  
Roger Basler  
Franke Coffee Systems  
Patrik Wohlhauser (ad interim)

## Brands

Franke bkon Carron Chain Link  
Services Dart Valley Systems  
Dominox Elikor Easi Serv  
Eurodomo Faber Facility Solutions  
Inc FIFO Kindred KWC Mamoli  
Mepamsa Newair Nokite Roblin  
S2K Sertek Spar

# UN SUSTAINABILITY GOALS: OUR CONTRIBUTION

Since 2017, Franke Group has focused its sustainability efforts on the 17 Global Sustainability Goals (SDGs) of the United Nations (UN). We believe that, as a company, we can make a substantial contribution to achieving eleven of these goals.

In 2015, the UN member states formulated a series of goals to protect the Earth, reduce poverty and ensure prosperity for as many people as possible. With their global orientation, these 17 SDGs serve as a guideline for jointly tackling the most urgent challenges on the planet within the international community. Achieving these goals by 2030 also depends to a large extent on the actions of global companies. Franke Group (Franke) accepts this responsibility and wants to play its part in sustainable development.



this way, we were able to make our contribution to the SDGs more concrete.

In a next step, the identified SDGs were embedded into our four reporting areas (Ecology, Social Responsibility, Economy and Product Responsibility). Specific activities were therefore allocated to the SDGs. This systematic development helps us to identify our risks and opportunities in relation to the SDGs and to better define corresponding indicators, measures and targets.

Franke sees sustainability not only as a social obligation, but also as an essential component of its long-term corporate success. In recent years, we have already achieved a great deal in this area and are committed to consistently improving our activities for the benefit of our numerous stakeholders and the environment, increasing our efficiency and finding new, forward-looking solutions.

**Kirill Bourovoi**  
 Manager Sustainability Franke Group  
 Head of Learning & Development Franke Group

## We are committed to finding future-looking solutions

### Integration of the SDGs into Franke's sustainability ambitions

Based on the materiality analysis according to the GRI standard, Franke has identified twelve key topics it focuses on in its sustainability management. We have examined the extent to which these issues support the UN sustainability goals.

The analysis results in a list of eleven SDGs (see chart on the right) localized along our value-added chain. In

## OVERVIEW OF THE ELEVEN SDGS AFFECTED

### Environmental Responsibility



Ensure availability and sustainable management of water and sanitation for all.



Ensure access to affordable, reliable, sustainable and modern energy for all.



Take urgent action to combat climate change and its impacts.



Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

### Social Responsibility



Ensure healthy lives and promote well-being for all at all ages.



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.



Achieve gender equality and empower all women and girls.

### Economical Responsibility



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

### Product Responsibility



Ensure healthy lives and promote well-being for all at all ages.



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.



Ensure sustainable consumption and production patterns.

# STRATEGY AND VALUE CHAIN

Our strategic business areas have one thing in common: They are resource-intensive and have a significant impact on the environment. After all, food preparation and housing are, along with mobility, the most important areas of mankind's resource consumption.

### Our business model





Franke's five divisions operate in four business segments and are divided into two areas: Kitchen & Sanitary Systems and Water Management & Hygiene, providing solutions in both commercial and private sectors. In the commercial segment, everything revolves around equipping kitchens for the food service sector and semi-public and public washrooms with integrated systems, as well as coffee preparation outside the home. In the private segment, the main focus is on equipping household kitchens with integrated kitchen systems for food preparation, cooking and exhaust air cleaning, as well as private bathrooms with taps and accessories.

### Longevity of our products

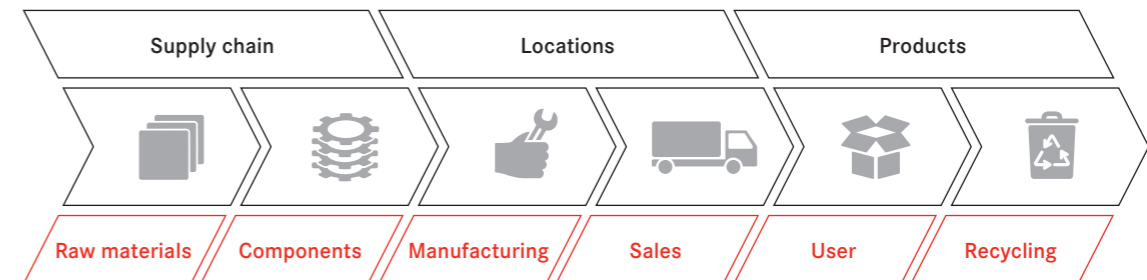
Food preparation, sanitary and hygiene technology as well as accommodation are essential aspects of everyday living. As a result, our products correspond with intensity of use and the associated resources required are considerable. To counteract energy and resource consumption in both private and commercial sectors and protect our brand, Franke's products are designed to make a difference in the environment and communities.

As our products are used for a comparatively long time, this has a positive impact on the energy and raw material footprint over a product's entire life cycle. Many of

### OUR STRATEGIC AREAS

	Commercial	Residential
Food and beverage preparation	<b>Restaurant</b>  LANDLORD BUSINESS OWNER Franke Foodservice Systems Franke Coffee Systems	<b>Kitchen</b>  HOME OWNER LANDLORD Franke Kitchen Systems Faber Hoods & Cooking Systems
	<b>Washroom</b>  LANDLORD BUSINESS OWNER Franke Water Systems	<b>Bath</b>  HOME OWNER LANDLORD Franke Water Systems

### THE FRANKE VALUE CHAIN



our products are designed for long-term use, reliability and reparability: For example, the recommended service life of a private kitchen in Switzerland is 20 to 25 years. Baths, showers and toilets must be designed for a consumer life of 30 years. Therefore, compared to other areas of the consumer goods industry (e.g. household goods, cosmetics, electronics), kitchen and sanitary technology has long life cycles.

### Sustainability along our value chain

The sustainable consumption of resources in the development and production of our products and the effects on climate change are central themes of our strategy. As a manufacturing company, we have a great responsibility towards the environment - but also towards our employees and our owners.

We influence people and the environment along our entire value-added chain and product life cycle. Beginning with the mining and production of raw materials, to transport and logistics, the countless suppliers of semi-finished products and components for our products, production and distribution, to actual use and disposal or recycling. Across all levels, we work hard to optimize processes and all resources involved in producing and distributing our products.

In addition, the upstream and downstream processes, from maintenance to kitchen accessories and, ultimately, the type of food used or the way it is prepared, have an impact. At Franke, we also include topics such as the

health and safety of all people who come into contact with our products in our area of responsibility.

This means the health of our employees, work-life balance as well as the safety of our products throughout their service life. This is because our products influence food during food preparation (e.g. ovens and hobs) and the cleanliness of the water (e.g. taps and filters) or the air (e.g. extractor hoods). Gastronomy, for example, is an important consumer of resources. In addition to our customers, such as fast-food chains, DIY stores or kitchen and bathroom dealerships, other major customers also rely on our products: As a globally active original equipment manufacturer, we are partners of global companies - and our actions can have a positive impact on their resource efficiency.

### Outlook

We take a long-term perspective beyond our products: Sustainability is a central pillar of our business strategy. Franke has set itself the goal of being the world's leading supplier of systems for food & beverage preparation and water management & hygiene, to grow organically and through acquisitions and to continuously improve profitability. Franke's management and the company owner build on a long-term approach and are aware of their responsibility towards the environment, society and the economy. "For me, sustainability means fairness towards future generations," says Michael Pieper, owner of Franke. "In everything we do, we should be able to look our children and grandchildren in the eye with a clear conscience. Acting sustainably is therefore a must."

# SUSTAINABILITY MANAGEMENT

Franke's existing management structures ensure that Franke is well positioned from a governance perspective. They are explained in more detail below with regard to sustainable aspects. We also present the corresponding internal guidelines and the most important stakeholders.

## Management structure, committees reporting to the Board of Directors

Franke has a three-level management structure:

**Board of Directors of Artemis Holding AG (Artemis Group)**  
6 members

**Board of directors of Franke Holding AG (Franke)**  
5 members

**Management Board of Franke Holding AG (Franke)**  
10 members

The purpose, duties and responsibilities of each body are defined in the articles of association and the organizational regulations. The members of the boards of directors of Artemis Holding AG and Franke Holding AG are responsible for the strategic direction of Artemis Group and Franke and have various non-transferable and irrevocable duties in accordance with the Swiss Code of Obligations.

The Board of Directors of Artemis Holding AG has six members. By the end of 2018, the Board of Directors had three standing committees: an Audit Committee, an Information Security Committee (IS Committee) and a Human Resources Committee (HR Committee). The Board of Directors and the committees met regularly in 2018. Since January 1, 2019, these committees have been made up of the five-member Board of Directors of Franke Holding AG. Since then, the Board of Directors of Artemis Holding AG no longer has any committees.

The Management Board of Franke consists of ten members. More details on the relevant management structure can be found here:

► [www.artemis-holding.com](http://www.artemis-holding.com) ► [About us](#)

► [www.franke.com](http://www.franke.com) ► [About us](#) ► [Group Structure](#)

## Separation of the Chairman of the Board of Directors from the Management Board

Thomas A. Erb, Chairman of the Board of Directors of Artemis Holding AG, is neither a member of the Artemis Group nor of the Franke management boards. Two out of five members of the Board of Directors of Franke Holding AG are members of the Artemis Group Management Board.

## Independent members of the Board of Directors

No member of the Board of Directors of Artemis Holding AG and its committees is involved in the operating management of the company. Two of the five members of the Board of Directors of Franke Holding AG hold executive positions in Artemis Group (but not in Franke).

## Mechanisms for shareholders and employees to address recommendations to the Board of Directors

Michael Pieper, owner and President/CEO of Artemis Group, is in regular dialog with the Board of Directors of Artemis Holding AG and is a member of the Board of Directors of Franke Holding AG.

There are no employee representatives in the boards of directors. The employee representatives of the European companies meet regularly at the Franke Forum (European Works Council) with members of

the Management Board of Franke. Specific concerns can be brought to the attention of the Board of Directors in this way.

## Relationship between payment and company performance

The remuneration of the members of the Board of Directors is independent of the Group's performance.

The members of the Franke Management Board, like other employees, receive incentives through a combination of personal and financial objectives. Depending on the function, personal targets may be linked to social and environmental performance.

## Mechanisms by which the Board of Directors avoids conflicts of interest

How conflicts of interest of the members of the Board of Directors can be avoided is defined in the code of conduct and specified in the organizational regulations. Members of the Board of Directors may not participate in any matters affecting their personal interests or those of any affiliate or person closely linked to them.

## General principles and code of conduct

Various sustainability topics are the subject of policies. A series of internal policies address sustainability and business ethics matters:

- Code of conduct: Legislation, occupational safety, basic labor standards against child labor, forced labor and discrimination, sexual harassment in the workplace, anti-corruption, gifts and entertainment, theft, fraud and dishonesty and disclosure of information. The code of conduct applies worldwide and is available on the intranet in 13 languages. In December 2018, a revised version was released. In addition, an "integrity line" has been rolled out for all employees, which they can contact confidentially and anonymously if they have concerns about integrity.
- Code of conduct for suppliers: Minimum requirements for labor practices, environmental protection and business integrity to be met by all suppliers. The supplier code was also adopted by the Franke Management Board.
- Group policy: Equal opportunities and diversity, employee relations, personal safety and emergency planning, business travel, information security.
- Sustainability principles: internally defined framework for improving the economic, ecological and social performance of Franke.

## Monitoring of the sustainability performance by the Board of Directors

The Audit Committee discusses risks and opportunities relevant to Franke as part of the annual risk report to be approved.

## GENERAL PRINCIPLES AND CODES OF CONDUCT



### Code of Conduct

- Legal compliance
- Health and Safety
- Fundamental labor standards against child/forced labor and discrimination
- Prevention of sexual harassment
- Anti-corruption
- Rules for dealing with gifts and entertainment
- Prevention of theft, fraud and dishonesty as well as rules concerning the disclosure of information

The Code applies worldwide and is available on the intranet in 13 languages.

In addition, an integrity line that can be used by all employees to report integrity concerns in a confidential and anonymous manner was rolled out in 2013.



### Supplier Code of Conduct

Minimum requirements regarding employment practices, environmental protection and business integrity that must be met by all our suppliers. The Supplier Code was also approved by the Franke Management Board.



### Sustainability Principles

- Equal opportunity and diversity
- Employee relations
- Personal safety and emergency planning
- Business travel
- Information security



### Sustainability Principles

Internally defined framework for improving the economic, environmental and social performance of Franke.

## Evaluation of the sustainability performance of the Board of Directors

There is no formal procedure for evaluating the performance of the Board of Directors from a holistic sustainability perspective.

## Precautionary approach

The precautionary principle plays an important role for Franke as a production and distribution company. The precautionary principle is also expressed in the management systems (quality, environment, occupational safety) that are implemented at the various sites. In the operating area, the precautionary principle is implemented by pursuing preventive approaches in the areas of environmental protection, occupational safety and quality assurance. Franke has a comprehensive system for the control and management of all risks associated with its business activities. Based on the ISO 31000 standard, Risk Management forms the interface between all management systems. All Franke companies have clearly defined contingency planning in place and conduct an annual risk analysis in which key risks are identified. All production companies must also have an emergency management plan in place to ensure a rapid and competent response in the event of an emergency. In addition, our employees on business trips are supported by an external intervention specialist in crisis situations.

## External agreements and initiatives

Franke has been an active member of the UN Global Compact since January 2011. We also participate in the activities of the local Global Compact network in Switzerland.

► [www.unglobalcompact.org](http://www.unglobalcompact.org)

By voluntarily applying the guidelines of the Global Reporting Initiative for Sustainability Reporting (new GRI standard), we aim to contribute to transparency and comparability in sustainability reporting.

## Membership in associations and organizations

Franke is active in a number of industry associations and initiatives in various countries. Many of these organizations deal with sustainability issues, for example by defining best practice standards or developing product labels.

- US Green Building Council (USGBC) - an organization committed to a sustainable future through cost-effective and energy-efficient buildings. USGBC is responsible for the LEED building standard.  
► [www.usgbc.org](http://www.usgbc.org)
- CECED (European Committee of Domestic Equipment Manufacturers), which represents the household appliance industry in Europe.
- öbu, the Swiss association and think-tank for ecologically conscious corporate management.
- Advance Women with the aim of continuously and actively increasing the proportion of women in

management positions at Swiss companies through a series of specific measures

## Relevant stakeholders

Franke considers the following stakeholders to be relevant:

- Customers and consumers
- Employees
- Suppliers and business partners
- Local communities, media, authorities, supervisory bodies
- Potential future employees
- Owners

## Basis for selecting the stakeholders

Franke is aware that the company interacts with various stakeholders. The above stakeholders were selected as significant for a systematic stakeholder dialog because they fulfill at least one of the following two criteria: They exert a strong influence on Franke's economic, environmental or social performance and/or are strongly influenced by Franke's economic, environmental or social performance.

## Approaches for stakeholder interaction

Dialog with external stakeholders is currently highly decentralized. We continue to be working on formalizing the interaction with the representatives of the relevant stakeholders and aim to establish a structured process for dialog by 2020.

## Reaction to key issues and stakeholder interests

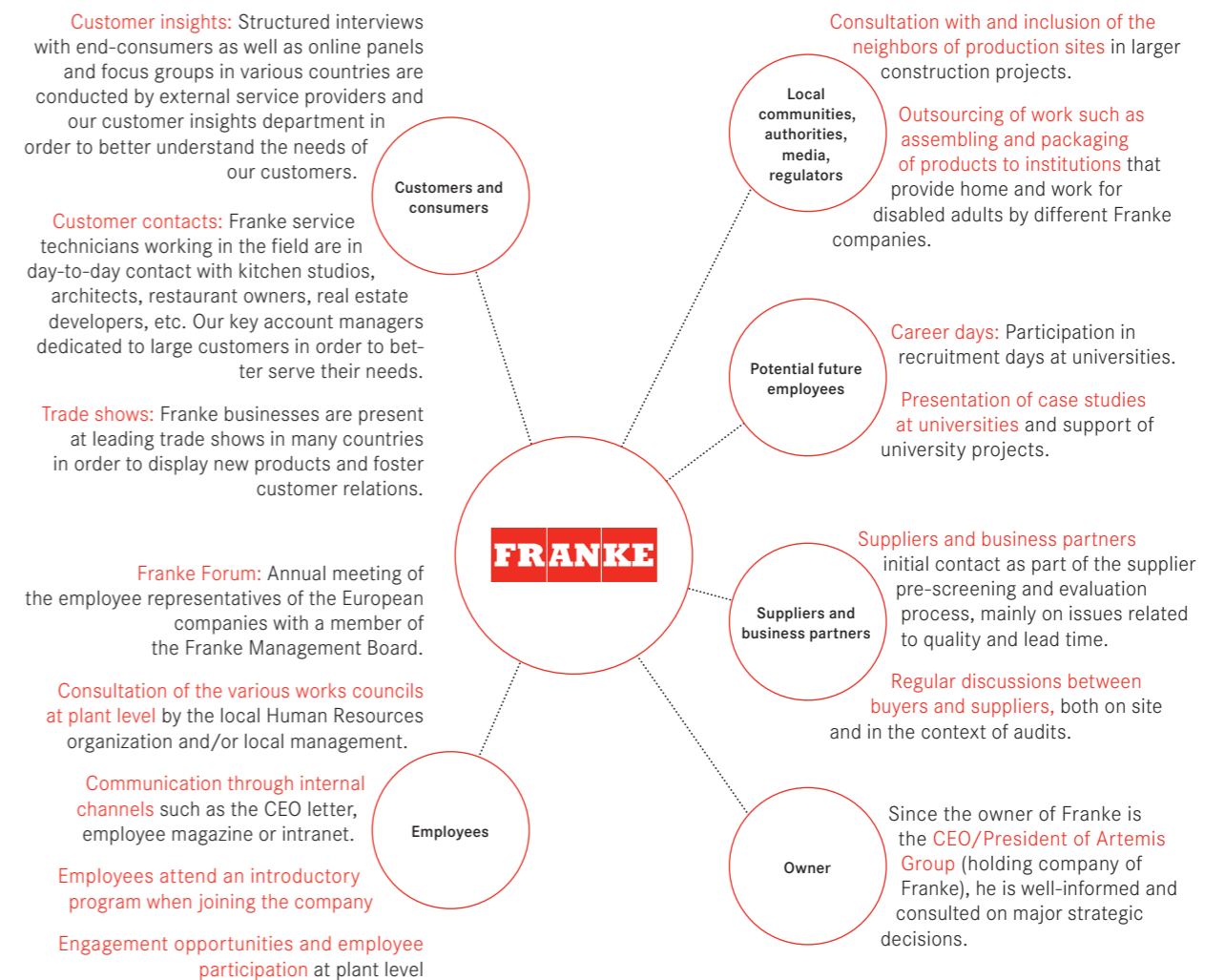
Sustainability issues are increasingly becoming the focus of discussions with both internal and external stakeholders. The following central topics and interests are addressed in particular:

- Requirements of major customers for our sustainability standards: Surveys on sustainability management, certifications at Franke, etc.
- Instructions on how Franke products support building standards compliance: We apply the LEED and Minergie building standards criteria to some of our products to determine which of our products best meet these standards.
- Operational Excellence program: Achieving excellence and meeting social and environmental standards through the systematic management of operational safety, reliability, efficiency and total cost reductions through the Franke-wide Operational Excellence program. As in 2017, the 2018 program also contributed to improving Franke's competitiveness by reducing costs.

## Key topics

The following twelve topics are covered in the succeeding chapters:

## MOST IMPORTANT STAKEHOLDERS 2018



## Environmental Responsibility

- Energy efficiency in production
- Water, waste water
- Materials efficiency in production
- Resource-efficient products

## Social Responsibility

- Leadership development
- Occupational health and safety

## Economical Responsibility

- Profitability
- Business integrity
- Human rights

## Product Responsibility

- Reliability and longevity of the products
- Product safety
- Product innovation

## Legal form, company size and markets

Franke Holding AG (Franke) is a joint-stock company under Swiss law and is 100 percent owned by Artemis Holding AG (Artemis Group).


In 2018, Franke, with 68 branches and 9,362 employees (full-time equivalents), generated sales of CHF 2,117.2 million. The balance sheet total amounted to CHF 2,063.5 million as at the end of 2018. The equity ratio was 52.6% in 2018. Franke's products are sold to various business customers such as fast-food chains, wholesalers, kitchen studios and construction companies in over 100 countries.





ENVIRONMENTAL  
RESPONSIBILITY

Essential topics and our contribution to sustainable development

 **ENERGY EFFICIENCY IN PRODUCTION**  
SDG 7: Affordable and clean energy  
SDG 13: Climate action

 **WATER, WASTE WATER**  
SDG 6: Clean water and sanitation

 **MATERIALS EFFICIENCY IN PRODUCTION**  
SDG 15: Life on land

 **RESOURCE-EFFICIENT PRODUCTS**  
SDG 13: Climate action

## ENVIRONMENTAL RESPONSIBILITY

For manufacturing companies, a certain consumption of resources is unavoidable. It is therefore crucial to optimize these resources in a way that conserves the environment as much as possible. This includes steps such as reducing emissions, recycling waste materials or increasing the energy efficiency of our products in order to ensure a good life for future generations.

Since Franke was established over 100 years ago, numerous environmental protection initiatives have been launched as a result of new legislation, stakeholder interests or for efficiency reasons. The positive effects of Franke's activities on the environment unfold along the entire value-added chain.

To concentrate our resources, we focus on those segments of the value-added chain on which we can exert the most significant influence and where the greatest impact can be achieved. We focus on product development and innovation, resource efficiency (focusing on raw materials, energy, water and waste), and we invest in environmentally friendly production processes. Over the long term, we also intend to reduce our ecological footprint in logistics and transport.

**RISKS AND OPPORTUNITIES OF CLIMATE CHANGE**

Climate change requires the efficient use of energy and water. With the need to use these resources in a smarter fashion in the future, demand for products that consume less energy and/or water will increase. We at Franke have set ourselves the goal that our innovative products meet these requirements. Based on the annual risk analysis, we believe that Franke is only moderately exposed to climate change-related risks (such as natural hazards at production sites or transport facilities). There are currently no special CO<sub>2</sub> regulations, such as emission ceilings, which we have to comply with. However, Franke is doing everything in its power to continuously reduce CO<sub>2</sub> emissions on a voluntary basis, especially at its energy-intensive production sites. In addition, Franke strives to continuously reduce energy consumption in order to take responsibility for the environment and to counteract rising energy prices.

**ENVIRONMENTAL MANAGEMENT SYSTEMS**

	2018	2017
Production sites certified in accordance with ISO 14001	31/37	33/40

Franke is committed to continuously reducing the ecological impact of everyday operations, as far as this is economically feasible and environmentally friendly technologies are available. Bruno Triet, Chief Risk & Real Estate Franke Group, is responsible for the majority of the measures - in particular for risk assessments, which also include ecological aspects. A series of measures are in place to reduce the environmental impact of our operations:

- Environmental management systems at the Franke companies ensure that ecological effects are identified and controlled. Franke strives for the continuous certification of all production companies to ISO 14001 standard. By the end of 2018, 31 of 37 production companies were certified to ISO 14001. In 2018, the production facility in Ras Al Khaimah (United Arab Emirates) was certified to ISO 14001 standard.
- As in the previous year, all Franke companies exchanged best practices to learn from examples that produced good results (such as the consistent use of waste heat from production facilities, the use of building management systems or the use of more energy-efficient pumps and motors).
- The comprehensive review of the environmental data collected and the sharpening of the definitions in 2017 were a solid basis to build on in 2018. For example, when distinguishing between packaging materials,

there is now a clear allocation between renewable and non-renewable materials. In general, the monitoring of environmental data enables continuous progress monitoring and, thanks to an increased focus on improved data quality, resulted in steep learning curves in the year under review.

- Environmental laws and regulations are observed as a minimum standard in all of Franke's activities.

- What is more, Franke is committed to charitable purposes around the world. For example, trees have been planted since 2013 as part of the partnership between Franke Philippines and the College of Forestry and Natural Resources of the University of the Philippines – Los Baños (UPLB). The replanting is now completed. The current activities revolve around the observation of growth progress.

## ENERGY EFFICIENCY IN PRODUCTION

In 2018, Franke implemented measures to reduce the environmental impact of production in the following areas:

- More efficient lighting in buildings through energy-saving lamps (e.g. LED), motion sensors and daylight control.
- Replacement of air compressors by more efficient models with higher efficiency, replacement of heating distributors or electric boilers by heat pump boilers, substitution of crude oil by natural gas
- Optimization of waste heat utilization and operation of ventilation and cooling systems
- Franke Aquarotter in Ludwigsfelde, Germany, has already achieved substantial success in waste management as part of a comprehensive environmental

program that was further expanded in 2017. In 2018 alone, non-recyclable residual waste was reduced by as much as 57 percent.

- As in previous years, the commitment to LEAN management in Franke's production facilities was continued in 2018.

Systematic energy management was expanded at various Franke locations. Software for monitoring energy consumption online and in real time as well as the installation of additional measuring points ensure transparent energy flows, thus enabling further optimization measures, such as the optimization of hydraulic presses or improvements in compressed air.

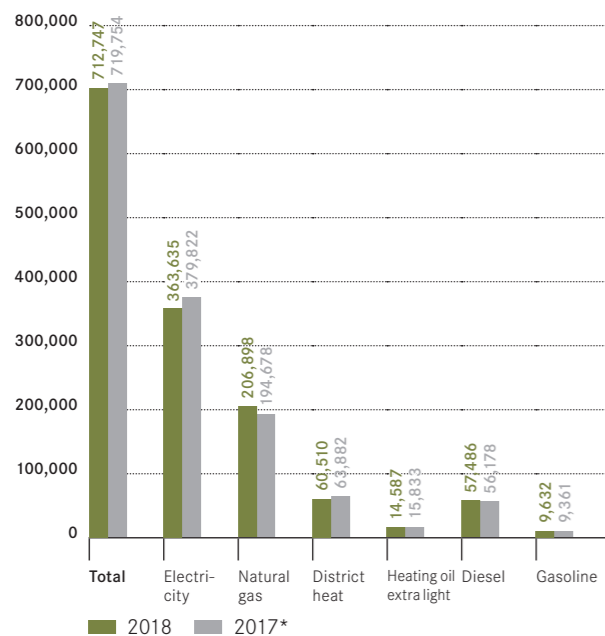
### Energy consumption

Franke mainly uses externally purchased energy. It obtains energy in the form of electricity, natural gas, district heating and heating oil extra light. Energy consumption for 2018 and changes compared to the previous year are shown in the Energy consumption (in absolute terms) table (see page 21).

The 7.9 percent reduction in heating oil consumption is mainly attributable to three locations. For example, the increased use of the CO<sub>2</sub>-neutral wood chip plant at the Unterkulm, Switzerland, site of Franke Water Systems AG saved 12,000 liters of heating oil compared to the previous year. Furthermore, fluctuations are generally to be expected for heating oil, as storage is usually organized in large tanks, which are topped up as required and in line with market price developments. Natural gas consumption in 2018 was 6.3 percent up on the prior year. This is mainly due to the new production facility in Strečno, Slovakia, which was built in 2017 and 2018 and started production at the end of June 2018. It should be noted that natural gas is used instead of heating oil for the heating systems.

Both diesel and gasoline consumption rose slightly in 2018 versus the prior year. Small increases and decreases can be observed across Franke, which can be attributed to reasons such as more efficient vehicles,

### ENERGY CONSUMPTION IN GIGAJOULE<sup>1</sup>



\* Subsequent data corrections for 2017

### ENERGY CONSUMPTION (IN ABSOLUTE TERMS)

	UNIT	2018	DIFR 2018/2017	2017*
Electricity	MWh	101,010	-4.3%	105,506
Natural gas	m <sup>3</sup>	5,694,724	6.3%	5,358,383
District heat	MWh	16,808	-5.3%	17,745
Heating oil extra light	Liters	405,262	-7.9%	439,893
<b>Subtotal excluding fuel</b>	<b>GJ</b>	<b>645,629</b>	<b>-1.3%</b>	<b>654,215</b>
Diesel	Liters	1,610,709	2.3%	1,574,066
Gasoline	Liters	306,781	2.9%	298,166
<b>Total</b>	<b>GJ</b>	<b>712,747</b>	<b>-1.0%</b>	<b>719,754</b>

\* Subsequent data corrections for 2017

### ENERGY CONSUMPTION (IN RELATION TO NET SALES)

	UNIT	2018	DIFR 2018/2017	2017*
Electricity	MWh/m CHF	48	-6.1%	51
Natural gas	m <sup>3</sup> /m CHF	2,690	4.2%	2,582
District heating	MWh/m CHF	8	-7.1%	9
Heating oil extra light	Liters/m CHF	191	-9.7%	212
Fuels	Liters/m CHF	906	0.4%	902
<b>Total</b>	<b>GJ/m CHF</b>	<b>337</b>	<b>-2.9%</b>	<b>347</b>

\* Subsequent data corrections for 2017

### CO<sub>2</sub> EMISSIONS

	UNIT	2018	DIFR 2018/2017	2017*
Scope 1 (from fuels and combustibles)	Metric tons (t)	17,395	4.2%	16,698
Scope 2 (from electricity and district heating)	Metric tons (t)	39,293	-11.6%	44,436
<b>Absolute CO<sub>2</sub> emissions</b>	<b>Metric tons (t)</b>	<b>56,688</b>	<b>-7.3%</b>	<b>61,134</b>
<b>Relative CO<sub>2</sub> emissions (Scope 1 and 2)</b>	<b>t/million CHF</b>	<b>27</b>	<b>-9.1%</b>	<b>29</b>

\* Subsequent data corrections for 2017

increased or reduced demand for operating vehicles or, in the case of diesel consumption, to the irregular use of fuel for generators in the event of faults.

which includes Group sales, also showed only a slight downward change on the prior year.

### Greenhouse gas emissions

In absolute terms, greenhouse gas emissions (Scope 1 and Scope 2) decreased by 7.3 percent. This decrease can be explained by the reduction in emissions from the electricity used and alternatively, by the reduction in electricity consumption.

In relation to net sales (tons of CO<sub>2</sub> per million Swiss francs), greenhouse gas emissions in 2018 fell by 9.1 percent compared with 2017. In 2018, electricity consumption (around 65 percent of total greenhouse gas emissions) was by far the most important source of CO<sub>2</sub>.

## Reduction of greenhouse gas emissions and energy consumption

To reduce greenhouse gas emissions, we pursue two goals:

1. Implement energy-saving measures and increase energy efficiency.
2. Switch to renewable or low carbon energy sources: When constructing new buildings or renovating existing ones, Franke always tries, depending on availability, to promote the use of renewable energies, heat pumps, recovered heat from production processes and district heating.

In order to further reduce energy consumption at the most energy-intensive locations, targets and measures were defined, such as switching from lighting sources to LEDs or improvements in compressed air. For example, Franke Hellas S.A. has also been using LED lamps since 2018.

## WATER, WASTE WATER

### Water consumption

Franke mainly uses drinking water from the public mains system and well water. Closed water cycles have been achieved at most of the world's production sites. Water consumption remained virtually unchanged in 2018 compared to 2017. In relation to net sales (m<sup>3</sup> per million francs), this resulted in a reduction of 2.2 percent compared to the prior year. However, it should be stressed that the collection of reliable data on water consumption due to a lack of water meters is a challenge. This was particularly noticeable in the prior year, when reporting was partially revised. Clear improvements can be seen here for 2018. We have therefore come one step closer to our goal of continuously improving data quality. At Group level, water data is primarily dependent on the number of production sites and at company level on the production intensity. For this reason, we do not set quantitative targets for water consumption.

### WATER AND WASTE WATER

	UNIT	2018	DIFR 2018/2017	2017*
Water consumption	m <sup>3</sup>	641,064	-0.2%	642,482
<b>Relative water consumption</b>	<b>m<sup>3</sup>/m CHF</b>	<b>303</b>	<b>-2.2%</b>	<b>310</b>
Waste water channeled into treatment plants	m <sup>3</sup>	264,031	2.3%	258,183
Total waste water	m <sup>3</sup>	635,250	3.5%	613,765
<b>Relative waste water</b>	<b>m<sup>3</sup>/m CHF</b>	<b>300</b>	<b>1.5%</b>	<b>296</b>

\* Subsequent data corrections for 2017

### SDG reference

By using renewable energy to promote clean energy sources, Franke contributes to SDG 7 Affordable and clean energy and SDG 13 Climate action. Admittedly, the achievement of this goal is associated with the risk of high initial investments. This, however, gives Franke the opportunity to achieve an independent, affordable and sustainable energy supply in the long term. The use of renewable energy also makes an important contribution to climate protection. Franke also has the opportunity to become more resilient to volatile energy prices.

Franke pursues the goal of further promoting the switch to renewable energies. Franke has been able to reduce CO<sub>2</sub> emissions for the third year in a row. Since 2015, they have fallen by almost one third. The promotion of renewable energies made this reduction possible to a significant degree.

### Water sources significantly affected by the removal of water

The water consumption of our production sites does not represent a significant burden for water sources as defined in the GRI guidelines.

### Total waste water discharge

In 2018, 635,250 m<sup>3</sup> or 3.5 percent more wastewater than in 2017 was discharged into the sewer system. The relative volume of wastewater in 2018 was 300 m<sup>3</sup> per million Swiss francs, 1.5 percent up on 2017. A small amount of waste water was disposed of by external specialist companies. In 2018, there were no unplanned waste water discharges at Franke.

The volume of water forwarded to a treatment plant and not directly discharged into surface water or groundwater increased by 2.3 percent year on year.

### SDG reference

With regard to SDG 6 Clean water and sanitation, Franke can reduce the water consumption of users through its resource-efficient product range in the kitchen and bathroom areas. This enables Franke to stand out from the competition, meet customer needs at an early stage and contribute to the sustainable management of water and sanitation. In addition, Franke ensures the efficient use of water in production.

Franke strives for a more sustainable use of water resources throughout the entire water cycle. Although it is not yet possible, at least for the time being, to set a quantitative target for water conservation, Franke nevertheless aims to reduce water consumption and make a contribution to a more sustainable water management throughout the water cycle.



## MATERIALS EFFICIENCY IN PRODUCTION

Franke uses a large number of materials of different quantity and quality. The main materials we use in our production are metals (predominantly stainless steel) and plastics as well as semi-finished and finished products. When processing stainless steel for sinks, kitchen covers and equipment, cutting and punching the material results in a large amount of recyclable waste. This is returned to the manufacturer and reused for the production process of the raw material. This process is reflected in the reported figures. As a result, Franke has a large amount of scrap and a high proportion of recycled materials due to its resources and production.

After Franke reported comparative values for material consumption for the first time last year (2017), we established an improved process for collecting this data in this year's report (2018). The data was collected and carefully checked in close cooperation with the Central Purchasing department of Franke. In addition to improving data quality, this also resulted in closer cooperation between the Central Purchasing department and sustainability reporting.

The increase in the purchased quantities of quartz and SMC (sheet molded compound) compared to the previ-

ous year is particularly notable. It can be explained by the increase in the production of colored sinks in 2018. In addition, a reduced use of the material glass can be observed. This is mainly due to the shift of certain production steps within the value-added chains.

It should also be noted that as of 2018 we will only be reporting on centrally purchased raw materials. The materials that have been recorded decentrally so far (materials from renewable sources and unclassified/ diverse materials) are no longer listed. As part of the measures to improve data quality, it was found that the decentralized recording had some shortcomings and that the allocation of materials was not uniform throughout Franke. Franke is currently examining how this data can be collected in the future.

### Share of recycled raw materials in total raw material input

Stainless steel, which is the main component of many of our products, is estimated to be 87 percent recycled materials. This estimate comes from our largest steel supplier. We have now also collected estimates for the proportion of recovered constituents in other material. For both brass (4%) and carbon steel and galvanized

### MATERIALS BY WEIGHT

MATERIALS IN METRIC TONS (T)	2018	DIFR 2018/2017	2017
Stainless steel	32,701	-4.8%	34,345
Carbon and galvanized steel	14,367	-1.1%	14,531
MMA (methyl methacrylate), mostly used for acrylic	2,236	9.3%	2,045
Quartz	7,346	19.1%	6,169
SMC (sheet molded compound), mostly used for fiber-reinforced plastics	2,076	19.0%	1,744
Plastic	2,250	-6.3%	2,400
Brass	2,450	-8.1%	2,665
Glass	1,450	-13.4%	1,675
<b>Total weight of non-renewable materials</b>	<b>64,876</b>	<b>-1.1%</b>	<b>65,574</b>

steel (10%), the proportion of recovered constituents is rather low in each case. MMA, quartz, SMC, plastic and brass do not contain any recovered constituents. As a result, in the 2018 reporting year, the proportion of recovered constituents from all non-renewable materials was 46 percent. Compared to the prior year, this is a significantly improved estimate, which is mainly due to the support of the Central Purchasing department.

The cardboard we use for our packaging consists mainly of recycled constituents (estimated at 90% of the total cardboard used). The pallets, which also make up a large part of the renewable packaging materials, consist of the naturally renewable raw material of wood.

#### Total weight of waste

In 2018, 23,396 tons of non-hazardous waste including scrap metal and 2,271 tons of hazardous waste was generated. Thus, non-hazardous waste (-0.9%) has decreased and hazardous waste (+7.6%) increased compared to 2017. Total waste in relation to net sales (tons of waste per million Swiss francs) was 2.2 percent lower in 2018 than in 2017.

Since 2017, we have distinguished between hazardous waste that is reused or recycled and hazardous waste

that is disposed of in landfills or incinerators. 1,413 tons of hazardous waste was reused or recycled in 2017. In 2018, this figure rose by 5 percent to 1,487 tons. By contrast, hazardous waste that goes to landfill or is incinerated increased by 12.2 percent from 699 metric tons in 2017 to 784 metric tons in 2018. Almost 50 percent of this increase can be explained by the fact that this KPI was not yet recorded by one of our locations in 2017.

Now (since 2018), we can make the same breakdown also for non-hazardous waste. Due to the large quantities of scrap metal, the proportion of reused and recycled non-hazardous waste is particularly high (85 percent).

#### Weight of the packaging material

The packaging materials are recorded decentrally. A distinction is made between renewable and non-renewable materials. Since 2018, the category of unclassified packaging materials no longer exists. Accordingly, all Franke companies now distinguish between renewable and non-renewable packaging materials. The total weight of packaging materials increased by 8.8 percent on the prior year. The weight of renewable packaging has increased by 11.3 percent since 2017. We also recorded an 18.9 percent increase in non-renewable packaging.

#### PACKAGING MATERIAL ACCORDING TO WEIGHT

MATERIALS IN METRIC TONS (T)	2018	DIFR 2018/2017	2017*
Renewable packaging material	15,583	11.3%	13,998
Non-renewable packaging material	7,433	18.9%	6,254
Non-classified packaging material	0	-100.0%	895
<b>Total weight of packaging material</b>	<b>23,016</b>	<b>8.8%</b>	<b>21,147</b>

\* Subsequent data corrections for 2017

The classification of packaging materials is still relatively new for Franke companies. The collection of reliable data is a challenge for individual enterprises and is therefore mainly based on estimations. In the future, we expect this data to be recorded more precisely at a company level and consequently more meaningful at Group level. Based on this, development opportunities are then to be identified and clear measures defined.

#### SDG reference

The efficient use of resources and materials leads to a lower environmental impact, in particular with regard to SDG 15 Life on land. Franke has managed to generate less waste through its resource-efficient production and the associated process optimizations

and contributes to a reduction in environmental impacts through recycling.

Improvements could not be achieved in all categories in 2018. Despite the increase in the amount of packaging materials, however, some pleasing observations were made. At our site in Ukraine, for example, we reduced the amount of non-renewable packaging materials by 75 percent by increasing the reuse of tensioning straps for transport. Another example is the complete replacement of bubble wrap in Poland without compromising the protection of products by packaging.

Nevertheless, we will continue to intensify our efforts to contribute to a lower consumption of resources and a more sustainable approach to the environment.

#### WASTE<sup>1</sup>

	UNIT	2018	DIFR 2018/2017	2017 <sup>2</sup>
<b>Total non-hazardous waste</b>	<b>Metric tons (t)</b>	<b>23,396</b>	<b>-0.9%</b>	<b>23,616</b>
Hazardous waste to be reused or recycled	Metric tons (t)	1,487	5.3%	1,413
Hazardous waste disposed of in landfills or incinerators	Metric tons (t)	784	12.2%	699
<b>Hazardous waste total</b>	<b>Metric tons (t)</b>	<b>2,271</b>	<b>7.6%</b>	<b>2,111</b>
<b>Total waste</b>	<b>Metric tons (t)</b>	<b>25,667</b>	<b>-0.2%</b>	<b>25,727</b>
<b>Relative waste</b>	<b>Mt/m CHF</b>	<b>12</b>	<b>-2.2%</b>	<b>12</b>

<sup>1</sup> The data is partly from internal data sources and partly from external disposal companies.  
<sup>2</sup> Subsequent data corrections for 2017

#### WASTE ACCORDING TO HAZARDOUSNESS



IN METRIC TONS (T)	2018
Non-hazardous waste to be reused or recycled	19,804
Non-hazardous waste disposed of in landfills or incinerators	3,592
<b>Non-hazardous waste total</b>	<b>23,396</b>
Hazardous waste to be reused or recycled	1,487
Hazardous waste disposed of in landfills or incinerators	784
<b>Hazardous waste total</b>	<b>2,271</b>
<b>Total waste</b>	<b>25,667</b>



#### RESOURCE-EFFICIENT PRODUCTS

The company's responsibility begins with product development. The aim is to develop energy-efficient and resource-saving products that are safe for end consumers. The greatest environmental contribution of our products lies in their economical use of energy and (hot) water, which indirectly saves energy and water. At the same time, our customers can save costs when using the products. That is why we are constantly working on making our products more resource-efficient, as the following examples show:

- The Mythos 2gether induction hob with an integrated extractor hood was presented at the EuroCucina 2018 international kitchen trade fair. This corresponds to the highest energy efficiency class A+++ and offers numerous high-tech solutions such as automatic pan detection and extractor activation.
- Three different hoods from Faber Hoods & Cooking Systems were brought to market this year. They contain the unique SIL & STILL technology, which aims to optimize air flow and minimize noise. The energy efficiency class A++ is also achieved.
- At Franke Water Systems, the KWC Monta tap line was a great success. In addition to perfect ergonomics and

high-class manufacturing techniques, the CoolFix setting makes hot water more economical to use. This special design of the tap makes it much less likely that consumers use hot water unless it is absolutely necessary.

- In 2018, the Joulia Inline shower channel, which is already well-known in Switzerland, was also sold in Franke Water Systems products in Germany. With this innovation, in which the fresh water is heated by the run-off water, energy savings of up to 40 percent can be achieved.

Whereas only a few of our products need to contain specific information on sustainability impacts (e.g. taps, hobs and stoves in the European Union), Franke relies on various labels to facilitate informed purchasing decisions by our customers.

The list of such labels contains:

- EU energy label (energy efficiency for extractor hoods and ovens)
- PEFC Chain of Custody (indication of origin wood)
- Well, WRAS and Energie Schweiz (water efficiency of taps and shower heads)

Franke aims to actively adapt to higher customer expectations, regulatory changes, newly introduced product labels or building standards. At the same time, we will further reduce environmental risks and the impact of our products and services, such as material, energy and water consumption and waste generation.

#### Effect of our measures in the area of ecology

Through the increased use of CO<sub>2</sub>-neutral energy (e.g. wood chip heating), which goes hand in hand with a reduced use of heating oil, we were able to reduce greenhouse gas emissions. This has improved Franke's CO<sub>2</sub> footprint. However, such optimization measures cannot explain the overall CO<sub>2</sub> reduction. The substitution of high-emission production facilities for new, low-emission production facilities (e.g. in Strečno, Slovakia) also contributes to improving the CO<sub>2</sub> footprint. Greenhouse gas emissions (tons of CO<sub>2</sub>) fell by a total of 7.3 percent and relative greenhouse gas emissions (tons of CO<sub>2</sub>/CHF million of sales) by 9.1 percent compared with 2017.

We aim to continuously reduce our environmental impact, especially in terms of energy consumption, but also in terms of material efficiency in production. Our energy saving measures and energy efficiency should be increased and the substitution of high-CO<sub>2</sub> energy sources for low-CO<sub>2</sub> energy sources should be further promoted. The recorded water data still shows potential for improvement. In order to better assess and consequently reduce water consumption, an increase in data quality

is indispensable. Despite some improvements in 2018, there is still room for improvement in the future.

We were also able to make our products more resource-efficient thanks to the large number of activities we carried out. However, we are aware that there is still a lot of development potential in this area. For this reason, we are also busy collecting more precise data on product impacts in order to systematically increase the resource efficiency of our products across the entire Group in the future.

#### SDG reference

In response to our global presence and our activities in energy-intensive competitive fields, we are making a significant contribution to SDG 13 Climate action through consumption-efficient products and needs-specific solutions. Our resource-efficient products and systems not only save our customers money, but also reduce their ecological footprint.

We have set ourselves the goal of continuously developing the resource efficiency of our products and providing our customers with specific information on the sustainability effects of our products. In 2018, we brought consumption-efficient products to market and - as the KWC Monta tap shows - reduced water consumption and heating costs. We thereby mobilize our consumers' participation for the fight against climate change and give them impulses to act on their awareness.



## REDUCTION IN WASTE VOLUME

Continuously improving energy efficiency and reducing environmental emissions are some of the primary targets at Franke. At the Franke Aquarotter site in Ludwigsfelde, Germany, considerable success has already been achieved.

For Franke Aquarotter (Franke Water Systems), transparency has always been part of a trustworthy environmental and energy policy. "We have all our activities evaluated at regular intervals by independent bodies and maintain a constant dialog with the public about sustainable business practices and what is needed to achieve them," says Managing Director Oliver Gessert. Franke Aquarotter has been awarded various management certificates in the fields of energy, environment, quality and health & safety since 2003 and is constantly driving the development of the corresponding management systems.

The proactive efforts are reflected in an environmental program that Franke Aquarotter's management further expanded at the beginning of 2017. It sets clear goals and can be measured by their achievement. Well-known successes have already been achieved in waste separation. After reducing non-recyclable residual waste by more than 12 percent in the first year, the consistent separation in 2018 led to a further reduction by 57 percent. In addition, reusable containers were introduced throughout the entire company.

The hazardous substances used in the Ludwigsfelde production process were also reduced by 10.8 percent in the year under review. "The consistent testing of substitutes and the inclusion of environmental aspects in the development process have contributed to this further improvement," says Oliver Gessert. The site also achieved a reduction in its annual electricity consumption of almost 3 percent in 2018, while gas consumption (+ 4%) rose slightly.

In addition to the considerable reduction of waste and hazardous substances, Franke Aquarotter also installed an environmentally friendly infiltration system for test water in Ludwigsfelde in the year under review. This water is



used on site at the test center to test new products before they are launched on the market. Furthermore, the change from water test benches to compressed air test benches was promoted; this reduces water consumption. On the other hand, testing with compressed air eliminates the need for time-consuming drying and finishing processes.

The company's environmental program includes a total of 38 targets with different deadlines. "The complete conversion to compressed air test benches is one of the central measures for the near future," announces the managing director. The use of modern LED light sources is also intended to achieve a sustainable reduction in electricity consumption. Franke Aquarotter also expects considerable savings from the prompt replacement of the older gas burners (building heating and hot water generation) during operation. Oliver Gessert: "We are on track."

# SOCIAL RESPONSIBILITY

A simple line drawing of a cartoon character with a round head, large eyes, and a small mustache. The character is wearing a red and white horizontally striped shirt and light blue pants. He is holding a solid red heart in his right hand. The character is positioned between the words 'SOCIAL' and 'RESPONSIBILITY' in the main title.

# SOCIAL RESPONSIBILITY

With around 9,400 employees at 68 branches on five continents, our workforce plays a key role in Franke's sustainability efforts. Healthy, committed and well-trained employees and managers are the key to our success.

Our employees are our most valuable asset. As an employer, we bear a social responsibility for them and their families. We therefore support them in staying healthy and continuously developing their skills. Not only do we avoid accidents in the workplace, but we also contribute to the continuous improvement of working conditions through regular employee surveys, thereby increasing the commitment of our employees. However, we also understand social responsibility to mean our obligation to respect internationally applicable human rights at our sites and in our supply chain. By signing the Global Compact 2011, we committed to "supporting and respecting the protection of internationally proclaimed human rights" (Principle 1) and to "making sure that they are not complicit in human rights abuses" (Principle 2).

Responsibility for Human Resources & Organization at Franke lies with the Chief Human Resources Officer, who reports directly to the CEO of Franke and is a member of the Management Board. In addition, the Human Resources (HR) Committee of the Board of Directors monitors personnel-related activities.

We conduct our business in accordance with high ethical and moral standards. Our Code of Conduct (see chapter Economy, p. 39) and internal policies define our business principles and are regarded as the authoritative source for regulations on various topics in the area of occupational safety. The focus is on the prevention of discrimination and harassment, the promotion of equal opportunities and diversity, collegiality among employees and compliance with basic employment standards.

The Franke values of "Enable people", "Foster teamwork", "Act entrepreneurial", "Deliver solutions" and "Be accountable" apply equally to all employees as guidelines



**HEADCOUNT BY REGION 2018**

IN %	
60.6	Europe
16.4	Americas
17.1	Asia/Oceania
5.8	Africa/Middle East



**HEADCOUNT BY DIVISION 2018**

IN %	
33	Franke Kitchen Systems
23	Faber Hoods & Cooking Systems
19	Franke Foodservice Systems
13	Franke Water Systems
6	Franke Coffee Systems
6	Gruppenfunktionen

and run through all our corporate communications. We expect our managers, as multipliers, to create an environment in which our employees are willing to give their best and contribute to the development of new ideas. The corporate value "Be accountable" has a direct link to sustainability and thus to the activities described in this report.

**Total workforce**  
In 2018, Franke employed an average of 9,362 full-time equivalents (FTEs) worldwide, 3.2 percent more than in 2017. This increase is mainly due to the acquisitions of Chain Link Services, LLC and Facility Solutions, Inc in 2018.

Essential topics and our contribution to sustainable development

**LEADERSHIP DEVELOPMENT**  
SDG 4: Quality education  
SDG 5: Gender equality

**OCCUPATIONAL HEALTH AND SAFETY**  
SDG 3: Good health and well-being



## Female employees

The percentage of female employees (26%) remained unchanged in 2018 compared to the prior year. We have now aligned our diversity reporting with the schilling-report. The schillingreport collects data on the composition of the management boards and supervisory boards of Switzerland's 100 largest employers, among others with a special focus on the developments in the field of gender diversity. As a result of this alignment, the report now distinguishes between the following levels (see Table):

- Management Board: All members of the Management Board are included at this level.
- Management Level 1: All employees reporting directly to a member of the Management Board.

- Management Level 2: All employees directly reporting to Management Level 1.

Barbara Borra (CEO Franke Kitchen Systems) is the new female member of the Management Board. At Management Level 1, there was a minimal increase in the number of female employees in 2018 compared to the previous year. In contrast, there was a slight decline in the number of female employees at Management Level 2. As in the previous year, the proportion was 26 percent across all employees.

Franke promotes gender equality, diversity and equal opportunities and prohibits discrimination based on, for example, gender, age, skin color, nationality, ethnic

## WORKFORCE

IN FULL TIME EQUIVALENTS	2018	2017	% OF TOTAL 2018	DIFFERENCE
Europe	5,729	5,410	61%	5.9%
Thereof Switzerland	1,057	1,022	11%	3.4%
Americas	1,522	1,527	16%	-0.3%
Asia/Oceania	1,574	1,543	17%	2.0%
Africa/Middle East	537	591	6%	-9.1%
<b>Total</b>	<b>9,362</b>	<b>9,071</b>	<b>100%</b>	<b>3.2%</b>
Full-time employees	8,368	8,129	89%	2.9%
Part-time employees	801	737	9%	8.7%
Apprentices	193	205	2%	-5.9%
<b>Total</b>	<b>9,362</b>	<b>9,071</b>	<b>100%</b>	<b>3.2%</b>

## FULL-TIME EMPLOYEES BY REGION

IN AVERAGE FULL TIME EQUIVALENTS	2018	2017	DIFR 2018/2017
Europe	5,043	4,778	5.5%
Thereof Switzerland	937	916	2.3%
Americas	1,423	1,391	2.3%
Asia/Oceania	1,402	1,402	0.0%
Africa/Middle East	500	558	-10.4%
<b>Total</b>	<b>8,368</b>	<b>8,129</b>	<b>2.9%</b>

## PART-TIME EMPLOYEES BY REGION

IN AVERAGE FULL TIME EQUIVALENTS	2018	2017	DIFR 2018/2017
Europe	549	488	12.5%
Thereof Switzerland	42	28	50.0%
Americas	74	113	-34.5%
Asia/Oceania	141	103	36.9%
Africa/Middle East	37	33	12.1%
<b>Total</b>	<b>801</b>	<b>737</b>	<b>8.7%</b>

## DIVERSITY: FEMALE EMPLOYEES COMPARED TO THE PRIOR YEAR

NUMBER OF WOMEN	2018	% OF 2018 TOTAL	2017	% OF 2017 TOTAL <sup>1</sup>
Management Board	1	9%	0	0%
Management Level 1 (reporting directly to Management Board)	12	12%	10	10%
Management Level 2 (reporting directly to Management Level 1)	74	21%	88	23%
<b>Total employees<sup>2</sup></b>	<b>2,068</b>	<b>26%</b>	<b>2,004</b>	<b>26%</b>

<sup>1</sup> Subsequent data correction in 2017

<sup>2</sup> The shares are based on the list of employees. In the event of missing gender data, we extrapolated this information based on existing gender data.

origin, religion, disability or other characteristics of a person (see Franke Code of Conduct, p. 13). Within the framework of the internal talent promotion program (One Franke Talent Program), the proportion of female talent in 2018 was 41.4 percent. When executive positions are filled with the support of external partners (executive search), Franke demands a focus on diversity when identifying potential candidates.

## Employee Engagement Survey

A new Franke-wide employee engagement survey was conducted in 2016, as the commitment of our employees is central to our success. In 2017, on the basis of the results of the 2016 survey, we defined three drivers for even more commitment at Group, country and team level: Leadership, Learning and Development as well as Recognition. Within these drivers, measures were defined such as improving communication, promoting learning opportunities, training managers and introducing a recognition program.

In 2018, the second employee engagement survey was conducted with a very high participation rate of 89 percent. In this survey, Franke achieved an overall rating of 56 percent, meaning that the company improved by 4 percentage points compared to the 2016 survey. This result places us in the middle by external comparison (with 50 percent of all companies surveyed). Nevertheless, we achieved excellent results in some sub-topics of the survey. For example, 81 percent are willing to work hard to exceed customer expectations. Compared to the 2016 results, an improvement was achieved in all focus areas. However, we are not satisfied with these achieve-

ments and aim to continuously improve our working conditions, which are ultimately responsible for the commitment of our employees.

Senior Leadership and HR at Group/division level as well as managers at all levels are responsible for the continuous optimization of working conditions within the framework of the engagement process. For this reason, improvement measures were set out for employee engagement at all levels of the company. In 2017, 89 percent of all teams drew up their action plan and worked continuously on implementing the measures until the second survey in October 2018. The next step will be to focus on creating new plans based on the results of 2018.

## Franke Academy

Based on the results of the first employee engagement survey, the Franke Academy was further expanded in 2016. It includes all training and further education measures of Franke. Central to this is our company-wide strategy with the core objectives of outstanding production, excellent marketing and sales and the promotion of our innovative strength. Specifically, we conduct programs and training courses in the areas of executive development, technical sales and product competencies as well as individual work task-related competencies (e.g. language courses or software training). The Franke Academy thus supports all employees and managers in acquiring the necessary tools and relevant knowledge. Franke employees receive long-term support in achieving their personal and professional goals through regular feedback, learning programs and development opportunities.

## LEADERSHIP DEVELOPMENT

The following chapter deals with the essential topic of executive development. To this end, we will first explain our supporting HR processes and provide insights into the development programs.

### HR processes for sustainable performance

The processes of performance assessment and development planning are actively supported by a central system. Measures and results can be systematically recorded as part of the personal goals achievement (Management Incentive Plan, MIP or SIP, Sales Incentive Plan) or the competency appraisal. In 2018, 1,181 MIPs and 2,111 competence appraisals were recorded across all levels of the hierarchy.

The competency appraisal process introduced in 2015 is closely linked to the Franke values and promotes open communication. The process has been extended to ever more employees in recent years. Development goals are defined and specified together and their implementation is monitored. In the MIP, both financial and personal goals are jointly defined, whose achievement defines the amount of the bonus payment. The majority of this model is applied to employees with management, project or specialist functions (see also table below).

In addition, an HR process for Talent Management and Succession Planning (TMSP) was initiated in 2016 and rolled out further in 2017. This involves systematically assessing employees, identifying talents and discussing potential development opportunities such as participation in the talent program (more information in the next chapter). In 2018, 793 employees were assessed within the TMSP framework.

### Competency promotion programs

The regularly held One Franke Talent Program (OFTP) is designed to give talented and ambitious employees the opportunity to develop their skills in a real project and to promote exchange among themselves and with senior management. The second global OFTP was successfully completed in 2018.

Since 2018, we have also been offering leadership development programs worldwide that help managers to execute their role even better and thus increase their contribution to success. Together with an external partner and our own resources, these programs are implemented globally. Franke's goal is to offer executives development opportunities and to promote them. By the end of 2018, 47 participants had already completed the new development programs.

Identifying and developing our internal talent and potential successors to key positions allows us to provide our employees with career opportunities and increase the rate of internal promotions. For the Global Leadership team (GLT), we achieved a rate of 71 percent in 2018. Compared to the prior year (67%), Franke recorded an increase, achieved the target of an internal promotion rate of 70% and was thus able to make a significant contribution to a development-driven culture.

### SDG reference

With regard to SDG 4 Quality education and SDG 5 Gender equality, Franke has made progress in the education of its employees through its education and training programs. This gives Franke the opportunity to retain and develop talented employees as an attrac-

tive employer. Investments in our people also support productivity and innovation potential. Franke employs more than 9,000 people worldwide and has many opportunities to promote women at different management levels. Compared to the prior year, the proportion of female employees at Management Board Level

and Management Level 1 increased in 2018. Franke continues to promote women in management positions and provide equal opportunities. In 2018, Franke also rolled out global leadership development programs for managers at all levels of the hierarchy.

## OCCUPATIONAL HEALTH AND SAFETY

Franke attaches great importance to occupational health and safety. Franke's Management Board aims to ensure that all production companies roll out and certify a management system for occupational health and safety (OHSAS 18001 and ISO 45001). By the end of 2018, 28 of 37 production companies were certified to OHSAS 18001 or ISO 45001. The production facility in Ras Al Khaimah (United Arab Emirates) has been newly certified to OHSAS 45001 standard. In addition, Franke Kaffeemaschinen AG in Aarburg, Switzerland, was the first production facility to switch from OHSAS 18001 to ISO 45001.

Internal risk audits are carried out as part of measures to protect the health, safety and well-being of employees. In 2018, cooperation between the internal audit team and sustainability reporting was further intensified. Among other things, a standardized process has been set up to report sustainability risks so that they can be taken into account in the audit if necessary.

Training in the workplace, refresher courses for long-term employees and awareness training for new employees as well as an open communication culture form the basis for safe working. Health and safety at work is also ensured by adequate protective equipment in the workplace.

These measures are leading to visible success. For example, we offer our employees at our head office in Aarburg the opportunity to contact the company's social services department in the event of social or professional issues. In addition, the Fit4Franke campaign offers various possibilities to stay physically and mentally fit. Franke in Smyrna, USA, also promotes the mental, social and physical well-being of its employees through its Wellness Committee. The program offers activities such as yoga, CrossFit or fitness challenges and provides employees with information on a healthy diet.

Together with its employees, Franke is also committed to the society as a whole. For example, in 2018 Franke United Kingdom supported the Blooming Great Tea Party, a campaign for people with cancer organized

annually by the Marie Curie charity, as in the prior year. Over GBP 23,000 has already been raised through this commitment. Franke Philippines has also been involved in quarterly blood donation campaigns since 2012. In 2018, around 80 percent of the workforce was able to participate in the project.

### Accidents, injuries, deaths

We minimize occupational health and safety risks through safety training and occupational health and safety certification. With measures such as the installation of safety sensors on production machines, Franke aims to achieve an overall reduction in the number of injuries in the coming years and to permanently reduce the number of injuries. An impressive example of this is our site in the United Arab Emirates, which has been accident-free for over 1,000 days.

The Franke-wide lost day rate (LDR = lost days per 100 employees) was 27 in 2018, compared with 39 in 2017. This year, only incidents that led to lost days are now taken into account in the injury figures. The reason for this is a harmonization of the definitions between the different functions. One day lost is defined as a planned working day that cannot be performed due to an accident on the prior day. When comparing the lost days between 2018 and 2017, a decline of 30 percent can be observed. The majority of this difference is due to three accidents that led to numerous lost days in 2017. As in the previous year, no fatal accidents were recorded in 2018.

The Franke-wide absence rate for 2018 could not be fully recorded due to a change in reporting. For this reason, the absence rate for 2018 of 3.0 percent is an estimate based on the data available that was collected by the end of August 2018. A new system is currently being set up and we will be able to calculate the absence rate again on the basis of complete data as of the 2020 report.

About half of the entire workforce is currently covered by collective agreements such as collective labor agreements or collective bargaining agreements. In Austria, France, Germany, Italy and Switzerland, over 90 percent

### TARGET AGREEMENTS (EMPLOYEES WITH MANAGEMENT INCENTIVE PLAN)

IN % OF TOTAL WORKFORCE	FEMALE	MALE	TOTAL
Franke Management Board	0.01	0.13	0.14
Management Level 1 (reporting directly to Management Board)	0.15	1.08	1.23
Management Level 2 (reporting directly to Management Level 1)	0.93	3.50	4.43
Other employees with MIP*	2.94	7.08	10.02
<b>Total employees with target agreement</b>	<b>4.03</b>	<b>11.78</b>	<b>15.81</b>
Employees without target agreement*	21.84	62.35	84.19
<b>Total employees</b>	<b>25.87</b>	<b>74.13</b>	<b>100.00</b>

\* The shares are based on the list of employees. In the event of missing gender data, we extrapolated this information based on existing gender data.

## OCCUPATIONAL HEALTH AND SAFETY

	2018	DIFFERENCE 2018/2017	2017 <sup>1</sup>
Lost days due to occupational accidents or work-related illnesses	2,324	-31%	3,389
Lost days rate	27	-31%	39
Absence rate <sup>2</sup>	3,0%		3.1%
Number of work-related accidents/illnesses resulting in lost days <sup>3</sup>	91	2%	89
Fatal accidents	0	0%	0
Production facilities certified according to OHSAS 18001 or ISO 45001	28/37		30/40

<sup>1</sup> Subsequent data correction in 2017

<sup>2</sup> Absence rate extrapolated for 2018 based on data collected until end of August 2018. Further information is given in the Annex (p. 58).

<sup>3</sup> Replaces the previous indicator Number of injuries

of employees are bound by a collective employment agreement or collective bargaining agreements. There are no collective agreements for employees in the US and China, which represent 19 percent of the total workforce.

### SDG reference

Franke always aims to make the working conditions of its employees as comfortable and safe as possible in accordance with SDG 3 Good health and well-being. Safety and awareness-raising measures can prevent

accidents, reduce health risks and promote the well-being of employees. It can also increase employee productivity and reduce healthcare costs.

Franke aims to introduce and certify (OHSAS 18001 and ISO 45001) a management system for occupational health and safety at all production companies. By the end of 2018, 28 of 37 production companies were certified to OHSAS 18001 or ISO 45001. As in previous years, Franke also avoided any fatal accidents in 2018.

## LOCAL INITIATIVES INTERNALLY AND EXTERNALLY

Help in need, community service and employee recognition: Franke lives social sustainability and demonstrates this at locations worldwide, as shown by three examples from Italy, the UK and India.

At Franke, solidarity and team spirit are directed both externally and internally. The recent success of Franke Faber India Private Limited with several hundred employees is proof of the latter: Franke's Indian subsidiary was awarded the Great Place to Work seal of approval in the medium-sized companies category in 2018. The Great Place to Work Institute uses a sophisticated selection process to choose the best employers in more than 50 countries in various company categories. Countless companies are examined using detailed surveys among their employees in the five categories of "credibility", "respect", "fairness", "team spirit", and "pride". Franke Faber India is officially authorized the title "Great Place to Work" from October 2018 to September 2019.

The following two examples from Europe show that Franke also does its utmost to promote social issues in the regions where it operates. One great initiative is the "Risorgimarche," a solidarity festival in the Marche region of Italy which combines music, art, food and wine, featuring celebrated Italian artists, and unites all communities affected by the severe earthquakes in 2016. Franke's Faber division was also directly affected by the disaster. Both its head office and the plants in Fabriano and Sassoferrato are located in this region. It was therefore a natural outcome for the company to become a partner of Risorgimarche and to sponsor the organization. The festival aims to give a sense of community to the population suffering from the consequences of the earthquake, to show appreciation for nature and to celebrate the beauty of the region. "We not only support the festival to the best of our ability, we live it," says Egle Galli, Junior Communication Specialist Faber. Once again, many Faber employees and customers visited the second edition of the 2018 festival and took an active part in the exciting event.





"In a 'You said, We did' session, our employees voiced the wish to engage in a charitable cause within the framework of a team event," says Louise Holloway, Human Resources Manager Franke UK. "For that reason, we started working with Groundwork this year." The non-profit organization works together with the local population to improve their opportunities and to live in a more environmentally friendly way. Franke UK supported four projects in the summer of 2018. In one of Manchester's most deprived areas, employees helped create a community garden, and in Trafford Ecology Park they worked on a picnic area by the lake and started revegetating roads by removing weeds. "It's great to help local communities create safe and beautiful places to live and play", says Holloway. "28 Franke employees committed and did not shy away from any efforts. The team and I hope that we can also support Groundwork next year."

ECON  MICAL  
RESPONSIBILITY

# ECONOMICAL RESPONSIBILITY

Essential topics and our contribution to sustainable development

 **PROFITABILITY**  
SDG 8: Decent work and economic growth

 **BUSINESS INTEGRITY**  
SDG 16: Peace, justice and strong institutions

 **HUMAN RIGHTS**  
SDG 8: Decent work and economic growth

The basis for the long-term survival and successful development of a company is its financial stability (strong equity base) and healthy profitability. The Management Board, the Board of Directors and the owner of Franke push for results and are driving these key areas forward by setting the right conditions for success.

Franke is part of a global value-added chain. For this reason, the performance and developments achieved do not only have a direct impact on the company. Our numerous suppliers and customers around the globe, with some of whom we have been cooperating for a very long time, are also an important part of this network and thus also depend on its overall success. Figures are not the only important factor; adherence to high ethical standards in the conduct of our business is central and integrity and compliance are therefore key success

factors. Franke's economic performance, market presence and indirect economic impacts are monitored strategically by the Board of Directors and the operating management of Franke - the Management Board. Compliance activities are directly monitored by Franke's Management Board or the Audit Committee. As part of its internal risk management, Franke conducts permanent monitoring in order to identify business-relevant risks at an early stage.

## PROFITABILITY

The market orientation and internal strategies and processes of Franke and its divisions are regularly reviewed and adjusted where necessary. The economic performance, possibly changing framework conditions and market conditions as well as a number of other factors are carefully considered. To maintain profitability, we have implemented a timely review and long-term planning measures.

The necessary flexibility within management is gained by monthly meetings to make sure that we are staying on track. In this regular process, monthly results are being consolidated and reviewed on a divisional level to detect indications for a deviation from the annual targets and allow for the timely implementation of countermeasures.

In the medium to long term, we have an annual internal planning and budgeting process that takes into account the following three years. Franke recorded sales growth

**KEY FIGURES**

IN CHF M	2018	2017	DIFF.
Net sales	2,117.2	2,075.6	2.0%
Organic growth	1.0%	2.0%	
EBIT	67.2	126.1	-46.7%
Investments	177.0	144.6	22.4%
Employees average	9,362	9,071	3.2%

and lower profitability in the year under review. It achieved consolidated net sales of CHF 2117.2 million in 2018, compared with CHF 2075.6 million in 2017, an increase of almost 2 percent. Organic growth came in at 1 percent.

The operating result (EBIT) fell by 46.7 percent from CHF 126.1 million to CHF 67.2 million. This decrease was also reflected in a lower EBIT margin of 3.2 percent (prior

year 6.1%) and is mainly attributable to one-off effects. EBIT adjusted for one-off effects fell by 8.3 percent from CHF 130.6 million to CHF 119.7 million. The adjusted EBIT margin thus fell to 5.7 percent (prior year 6.3%).

#### SDG reference

With regard to SDG 8 Decent work and economic growth, Franke can claim positive effects on employment and economic growth through its long-term existence.

## § BUSINESS INTEGRITY

The globally valid Franke Code of Conduct was revised and rolled out in 2018. The new version came into force on January 1, 2019. All employees are obliged to follow the highest ethical standards of professional and personal conduct in their dealings with customers, colleagues, business partners, competitors, regulators and the communities in which Franke operates. The new Code of Conduct contains 15 clearly structured ethical principles, which are also reflected in the corresponding e-learning program. New topics incorporated in the Code of Conduct include trade restrictions, product safety and quality, and the confidentiality of personal data. Another change relates to the internal reporting system, which is now explained in the annex rather than at the beginning, to ensure a focus on the essential information in the Code of Conduct. Like the previous edition, the new document is valid worldwide, available in 13 languages, communicated via a Franke-wide notification and rolled out locally.

Compliance or rule-compliant conduct is indispensable for sustainable corporate success. Incorrect conduct leads to reputational damage, fines and lost orders. We are therefore strengthening our employees' understanding of compliance with the law, particularly with regard to corruption, antitrust law, product requirements, third-party industrial property rights, data protection and trade restrictions. In 2016, Franke introduced a compliance management system with the pillars of prevention, detection and control. In 2017, all employees were trained online for the first time on the subject of compliance. Compliance with laws and regulations is additionally promoted by Marcel Enz, the Group Compliance Officer. He is a member of the Group Legal & Compliance department and is based in Switzerland. The compliance processes at the individual sites are carried out by the Internal Audit department. In addition, the SpeakUp@Franke Integrity Line, launched in 2013, can be used confidentially and anonymously by all employees with integrity concerns. Corrective measures are taken in the event of misconduct. The Integrity Line is available in 26 lan-

The development of new markets and the acquisition of new customers is associated with a variety of challenges, but also always represents an opportunity to operate profitably in the long term and to strengthen the company's market position.

In 2018, the adjusted EBIT margin fell to 5.7 percent year on year. Franke employed 9,362 people worldwide, almost 300 more than in 2017 (full-time equivalents).

guages and makes an important contribution to maintaining high compliance standards.

#### Analysis of business units due to corruption risks

In 2018, 15 audits were carried out by Internal Audit (compared with 17 in the prior year). These are based on a risk-oriented audit approach and include, among other things, compliance risks.

#### Anti-corruption policy training

In February 2017, the rollout of a total of three e-learning modules in relation to the Code of Conduct and two policies (bribery and antitrust law), which are mandatory and must be repeated periodically, began. The first module is aimed at around 5,300 employees and must also be completed by new employees. The other two modules cover bribery and antitrust law and were launched in November 2017. As of December 31, 2018, 813 employees were trained in bribery, 82 percent of whom successfully completed the module. Of these 813 employees, 79 percent were trained in antitrust law.

All Franke employees worldwide have access to the Code of Conduct, which is available in 13 languages. In addition, since 2016, we have renewed communication via the SpeakUp@Franke integrity line to raise employee awareness, in particular through periodic articles in the One Franke employee magazine.

#### SDG reference

With regard to SDG 16 Peace, justice and strong institutions, Franke is actively committed to avoiding incidents of non-compliance through transparency along the value-added chain and training. Franke sees compliant behavior as a necessary prerequisite for sustainable success.

In order to achieve the goal of keeping non-compliance incidents low, internal audits were again conducted in 2018 (15 internal audits in 2018). Franke thus makes a contribution to the promotion of a peaceful and inclusive society.



## HUMAN RIGHTS

#### Code of Conduct

The protection of human rights has a high priority at Franke and is a requirement in the entire value-added chain to guarantee the license to operate. In its binding Code of Conduct (see chapter Social Responsibility, p. 29), Franke commits to respecting and complying with all applicable laws and regulations and to support international human rights as well as basic labor regulations such as the Declaration on Fundamental Principles and Rights at Work of the International Labor Organization. Furthermore, the Code implies basic labor law provisions that do not tolerate child labor or forced labor. An additional Franke supplier code also requires that all suppliers and their respective supply chains comply with labor practices, environmental protection and business integrity requirements. In addition, the supplier code requires that all suppliers and their suppliers refrain from forced, bonded, prisoner, military or compulsory labor and any form of human trafficking. Compliance with the supplier code is ensured by forming part of the contracts with our suppliers. In addition, audits are carried out, which also address these aspects to further verify and minimize the risk of human rights violations in our supply chain.

Corporate Compliance and Human Resources are responsible for raising awareness and the internal monitoring of human rights matters (such as discrimination, equal opportunities and diversity, freedom of association and the right to collective bargaining) at all Franke sites. The purchasing functions integrate continuous requirements that human rights and basic labor standards must be respected in the supply chain.

Through audits, certifications and training, Franke makes a significant contribution to the protection of human rights at production sites and in the supply chain. This ensures that workers' rights are respected and that child labor is ruled out.

#### Employee training

All employees with an email address were able to complete the online training courses on the Code of Conduct (including human rights) launched in February 2017. In 2018, 850 online training sessions on the Code of Conduct (including human rights) were held. Of those employees who completed the training as of December 31,

2018, 78 percent successfully completed it. In 2018, two face-to-face training sessions (compared with five in the prior year) on compliance (including human rights) for employees were also held in comparison with the prior year. The Code of Conduct is authoritative for compliance and human rights issues. All Franke employees have access to the code, which is available for download on the Franke intranet in 13 languages. The Code of Conduct was presented to all employees worldwide to ensure its global proliferation.

#### Cases of discrimination

The Franke Code of Conduct prohibits discrimination on the basis of gender, age, skin color, nationality, ethnicity, religion, disability or other legally protected characteristics of a person. However, due to safety regulations, certain work tasks may be restricted to specific persons. For example, different reasonable load weights for lifting and carrying may apply to men and women.

#### Guarantee of freedom of association and the right to collective bargaining

In its Code of Conduct, Franke undertakes to respect the rights of its employees to freedom of association and collective bargaining within the limits of local law. The supplier code also requires that all suppliers and their respective supply chains respect the right of employees to freely associate and negotiate collectively, without restriction or consequence.

#### SDG reference

Franke contributes to SDG 8 Decent work and economic growth through the Code of Conduct and the supplier code, among other things. The protection of human rights and the fight against discrimination along the value-added chain are prerequisites for Franke's long-term success. Franke creates jobs with well-designed conditions for employees of all sexes, genders, ages, skin colors, nationalities and skill levels, supporting the economic development of the countries in which Franke is present.

Franke is committed to driving its strategy and fully support human rights, ensuring that workers' rights are respected and that child labor can be ruled out. The completion rate of online training regarding the Code of Conduct at the end of 2018 was a considerable 65 percent.

## SUPPORTING SWITZERLAND AS A RESEARCH HUB

Thanks to a donation of four million Swiss francs from Franke, the Student Project House at ETH Zurich will be able to considerably expand its range of services over the next few years.



120 events were held by 800 registered students at the Student Project House. ETH Zurich planned to expand the premises for the Student Project House in several stages until 2020 (Center) and 2025 (Hönggerberg) respectively.

Thanks to a donation of over four million francs from Franke, officially handed over in December 2018, the final construction measures can now begin much earlier. The contribution initiated by Franke owner, Michael Pieper, is to be used to promote student projects in the focus areas of nutrition and agriculture, innovation for social change and space technology. Michael Pieper: “When I heard about the Student Project House at a meeting with Lino Guzzella and Donald Tillman, the Managing Director of the ETH Foundation, I spontaneously replied that we at Franke would be happy to support such an institution.” He visited the Student Project House and was impressed, but he also saw that there is still a lot to be improved. “I’m pleased to announce that we can now proceed with the further development of this great project.”

Anyone wanting to study successfully at ETH Zurich is increasingly required to be able to organize as a team. The significance of project work at the university has increased considerably in recent years. As a direct result, the Student Project House was created on the initiative of former ETH President, Lino Guzzella. It is a creative Think tank and workshop for student project teams that has been in operation as a pilot at the ETH Hönggerberg site since autumn 2016.

The new co-working space is particularly suitable for interdisciplinary teams from the mechanical and process engineering sectors to exchange ideas and use common infrastructures such as 3D printers, laser cutters or milling cutters for CNC (computerized numerical control) machines. The roll out has been promising. Over the past two years, 30 projects have been developed and

The Student Project House is intended to provide an infrastructure where students can simply try out their ideas, says ETH Zurich. It is a laboratory where it is also fine for projects to occasionally fail. After all, failure is part of every learning process, especially in the event of complex tasks. Thanks to the donation from Franke, even more students will now have the opportunity to pursue their creative ideas. The sponsorship is a very wise investment in the sustainable promotion of Switzerland as a location for innovation, research and business.

# PRODUCT RESPONSIBILITY





## PRODUCT RESPONSIBILITY

### Essential topics and our contribution to sustainable development



**PRODUCT RELIABILITY AND LONGEVITY**  
SDG 12: Responsible consumption and production



**PRODUCT SAFETY**  
SDG 3: Good health and well-being



**PRODUCT INNOVATION**  
SDG 9: Industry, innovation and infrastructure

Our business is based on the sale of products and services to our customers. As a result, our goal is to continuously improve the quality of our products 24/7 as our customers should get real value added. We thrive on high performance, distinguishing ourselves from competitors by pursuing the highest quality possible in our products and services.

It is important to us to be perceived as a quality supplier in the market. The arguments for this are given in the form of the reliability and longevity of our products. These product properties guarantee not only functional value added, but also careful handling of finite resources. This is fully in line with sustainability. To maintain our leading market position in the future, we constantly make adjustments to innovations and meticulously ensure that the highest quality and safety standards are maintained in all processes. The latter are the basic prerequisites for the safe use of our products. The key effects and consequences of Franke's high regard for product responsibility are experienced directly by the customer, i.e. in the usage phase. Technical requirements for product safety, but also innovation, reliability and longevity have an indirect effect on the upstream stages. At Franke, product responsibility is located in various departments: Product Development, Quality, Marketing, Risk Management and Legal. At the end of 2018, 34 of 37 production sites had implemented a certified quality management system according to ISO 9001. The new certifications planned for 2018 for the production

### QUALITY MANAGEMENT SYSTEMS

	2018	2017
Production sites with certified quality management systems (ISO 9001)	34/37	37/40

site in Strečno (Slovakia) and the production site in Ras Al Khaimah (United Arab Emirates) were both successfully completed.

Our quality management systems help to ensure compliance with mandatory technical and other standards. They also result in a continuous improvement process. The surveying and ensuring of customer satisfaction are part of quality management and follow clearly defined procedures. Whereas some companies in the Group conduct customer surveys independently, others rely on standardized third-party surveys. Routinely, plans are developed to improve performance in the areas that perform weakest in the surveys.



### PRODUCT RELIABILITY AND LONGEVITY

We ensure high quality requirements in order to meet customer expectations and thereby preserve resources. Our products are in high-quality segments. That is why we have implemented a wide range of quality assurance measures in product development and production. Among other things, we carry out failure mode and effects analyses (FMEA) to avoid faults and increase the techni-

cal reliability of our products. Since 2016, there has also been a regular exchange between production and quality managers on a global level in order to standardize processes and learn from each other's experiences. Products that do not pass our internal tests are subjected to a revision process or, in the case of major faults, are dismantled in order to recycle the raw materials

wherever possible. The systematic collection of scrap rates also enables us to monitor process quality.

Manufacturing a reliable product involves key elements such as durability, functionality and quality; it must operate with accuracy over a specified duration in order to prove successful. Many of our products have been in use for over two decades. To enable us to track product performance outside the factory gates as well, the “Faulty Products Indicator” was surveyed for the first time in 2017. It records the number of faulty products. This is measured by the number of customer complaints within the warranty period.

For 2018, we decided to track this KPI at division level rather than company level in order to improve data quality. In collaboration with the quality managers of our five divisions, we defined a new process to measure both the Franke-wide number of faulty products and the service call rate (percentage of faulty products compared to the total number of products sold). This approach is most effective because the divisional quality managers have the necessary knowledge of the markets and products concerned in order to give accurate estimates. Markets or product groups were disregarded if not enough data was available. These estimates resulted in a Franke-wide service call rate of 2.14 percent for 2018, a significant increase compared to the 0.6 percent in 2017. This is

## PRODUCT SAFETY

Almost all our products are either related to the preparation of food or the use of water. They must therefore comply with a large number of technical and food safety regulations. Franke follows the precautionary principle as part of quality management to ensure that health and safety requirements are met by all products.

What is more, our innovative products promote hygiene behavior and thus the health of our consumers, for example by installing contactless fittings. Since the beginning of 2018, for example, Franke has been producing the new Planox washing troughs, which set new standards in meeting the highest hygiene standards. These are welded hygienically and seamlessly from the inside using the innovative robot laser welding process: dirt and bacteria have no chance to stick to the surfaces. The troughs are made of high-quality and robust chromium-nickel steel, which is not only corrosion-resistant, but also allow easy hygienic cleaning.

As with reliability and longevity, we rely here on certified quality management systems in our production facilities. Complete data on incidents related to health and safety

mainly due to changes in the recording and validation method. As a result, the companies and markets taken into account do not exactly correspond to the previous year's figures. Thanks to this approach, we can now refer to a more reliable database in the future.

The key figures provide us with better insights into the effective service life of our products. From this, we derive appropriate further development measures for our products and production processes.

### SDG reference

With regard to SDG 12 Responsible consumption and production, Franke has a positive influence on the sustainable consumption of its customers through efficiency measures and the development of new business models. By developing high-quality, reliable and, in particular, durable products, we can also meet the needs of environmentally conscious customers.

Franke has set itself the goal of reducing the energy and water consumption of its end customers through smart technologies and products. Furthermore, quality assurance enabled Franke to achieve a service call rate of 2.14 percent. We promote sustainable consumption through our durable and high-quality products, which inspire our customers.

impacts for the whole group do not yet exist. During the 2018 reporting period, as in the prior year, our Kitchen Systems division recorded no customer incidents relating to safety that would have led to sanctions, warnings or product recalls.

We adhere to the high health and safety standards of our products. In line with the precautionary principle, we will examine our new developments and product adaptations for effects on health and safety in the future. Franke intends to further strengthen the centralization of its quality management. To this end, a new position for Franke-wide quality management was created in 2019. This is particularly important to ensure the transfer of knowledge across the Group and to collect and evaluate data for controlling in this area in an even more methodical way. The Head of Quality of Franke Group is responsible for the coordination of the company-wide quality assurance and improvement activities.

### SDG reference

Through the high quality and high safety requirements of our products, we make an important contribution to

the reduction and avoidance of accidents. This commitment has a positive effect on the health of the end customers within the meaning of SDG 3 Good health and well-being. High security requirements are an essential building block for Franke's reputation.

Franke relies on certified quality management systems at its production facilities and pursues the goal of

## PRODUCT INNOVATION

Franke considers innovation one of the most important prerequisites for future success and also as an authoritative lever for sustainability. This will support more environmentally friendly products that are energy-efficient and water-saving, among other things. The driving force behind the innovation activities is the Innovation, Marketing & Design Board (IMD), which meets four times a year. The IMD controls and decides on innovation projects and creates a network of Franke-internal and external persons for the implementation of these projects. Within the framework of the IMD, for example, we hold Innovation Days and involve players from other areas such as universities or startups in order to promote a culture of innovation. Our standardized innovation process helps us to quickly transform new ideas into innovation projects and promote them accordingly.

Process or production innovation is also an important cornerstone - both for our business success and for a sustainable performance. In particular, we promote increased efficiency to save costs and minimize the consumption of resources. Robotisation and LEAN management are central topics of our innovation activities.

Our drive for innovation prospered last year - in the form of numerous awards won by Franke Kitchen Systems, Franke Water Systems and Franke Coffee Systems. These include honors such as the Red Dot Award, the iF Design Award, the Kitchen Innovation of the Year, the Iconic Award and the German Innovation Award.

To assess product innovation, we used the net trading revenue of products launched over the past three years

ensuring a high standard of health and safety for its products. In 2018, as in the prior year, Franke Kitchen Systems had no customer security incidents to report that would have led to sanctions, warnings or product recalls. Franke, therefore, promotes a healthy life for its consumers.

as the basis. This figure rose by 3.9 percent\* compared with 2017. However, the significance of this indicator should not be overestimated, as the activities of Franke do not correspond to a uniform picture and some companies make exclusively customer-specific products. This contributes to an increase in the indicator value, whereas factors such as the limited influence of customer demand can lead to a reduction.

In 2018, progress was observed across all four areas (Ecology, Social Responsibility, Economy and Product Responsibility). In particular, the further improvement in data quality is positive. We will continue to work on this in the future in order to obtain a meaningful database and thus a reliable foundation for future-driven decisions. We intend to continue and intensify our efforts to promote sustainability within Franke in 2019.

### SDG reference

With regard to SDG 9 Industry, innovation and infrastructure, Franke makes a positive contribution to innovation by bringing consumption-efficient products to market. By investing in research and innovation, Franke has the opportunity to win new customers and promote the adaptation of environmentally friendly technologies.

Franke has set itself the target of continuously supporting product innovation. In 2018, Franke generated one third of its sales with products launched over the past three years. Franke thus contributes to innovation in its global markets.

\* Estimate based on all Franke companies that have already provided complete innovation data.

## ENERGY CONSUMPTION REDUCED BY ONE THIRD

Within the framework of the “Project Phoenix”, Franke Faber S.p.A. in Italy has succeeded in reducing the energy efficiency of its extractor hoods by 30 percent. Customers and the environment alike benefit from the energy savings in the kitchen.



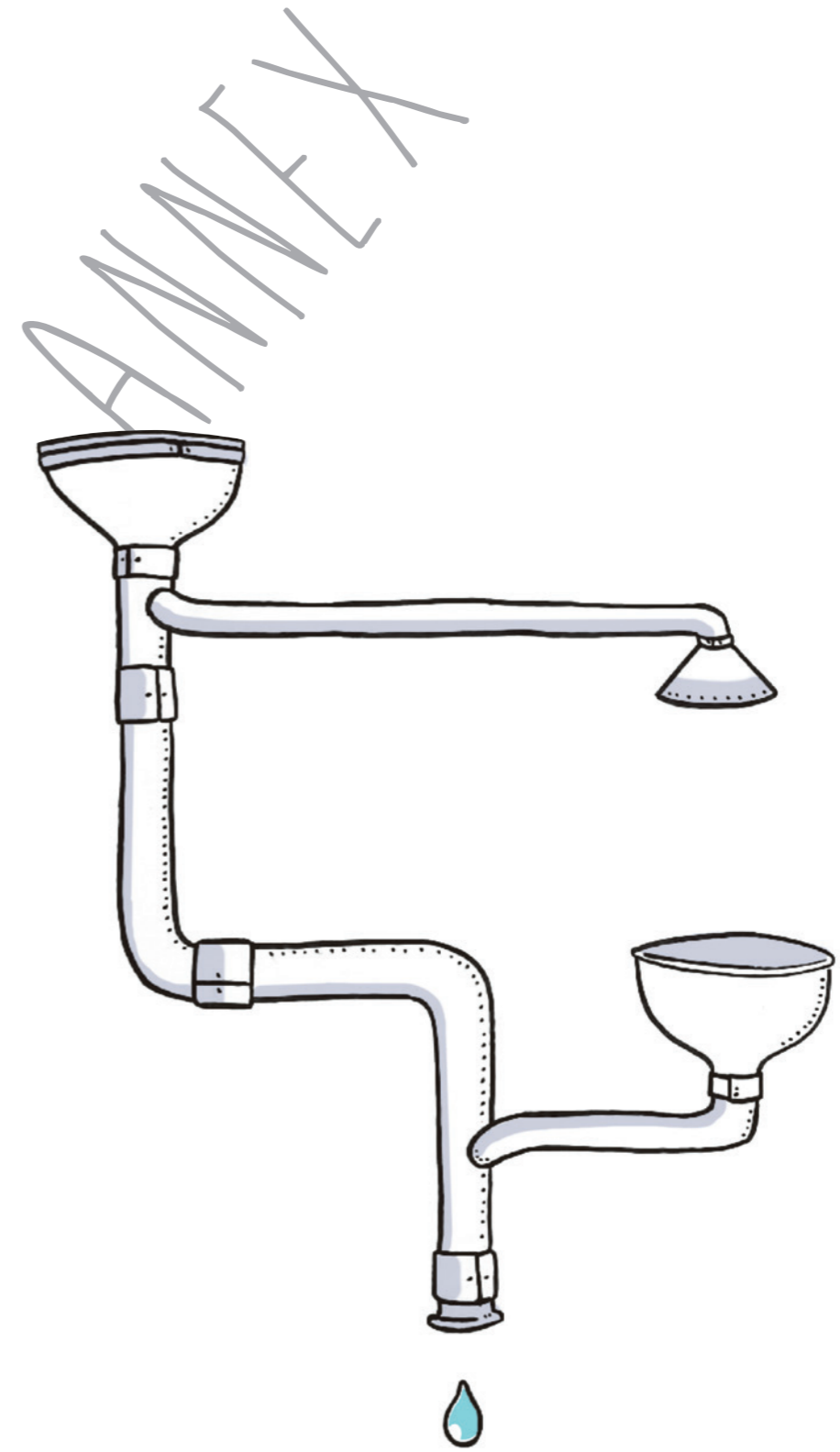
2018, Faber’s developers and engineers managed to achieve an energy efficiency increase of over 30 percent with the help of Phoenix technology. And it even did so without significant additional costs.

Phoenix technology now makes it possible to operate cooker hoods in energy efficiency class D and makes them only marginally more expensive. “Thanks to the successful implementation of Project Phoenix, we have succeeded in transforming a production volume of 250,000 extractor hoods per year in line with the new EU regulations,” says Laura Cintioni, Certification & Testing Manager in the Research and Development department of Franke Faber S.p.A. This corresponds to a sales volume of 6.8 million euros and thus more than 4 percent of the total European sales generated by Franke Faber S.p.A.

Consumers in international markets are placing increasing value on ecological criteria such as economy, energy efficiency or low emissions in the decision-making process for products and services. In parallel with this trend, politicians are also moving forward with new laws to regulate sustainability. For example, the new EU Regulation 66/2014 on energy efficiency has introduced much stricter criteria for extractor hoods in kitchens. The objective is to permanently displace non-energy-efficient products and companies from the market.

In September 2017, Franke Faber S.p.A., based in Fabriano, Italy, launched its “Project Phoenix” for the sustainable improvement of the energy efficiency of its extractor hoods in response to the regulation that came into force on February 20, 2019. Within the framework of the one-year project, which was completed in October

Franke Faber S.p.A. has further strengthened its position in the fiercely contested competition for kitchen equipment and plans to use the momentum to further improve energy efficiency. “As the next step in Project Phoenix, we plan to integrate and combine the new technology with state-of-the-art motors and drive wheels,” says Laura Cintioni. The aim is to convert even more products from our own production to higher energy efficiency and quieter operation on an ongoing basis. And to do so without significant price increases for customers.



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## REPORTING PARAMETERS

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REPORTING PARAMETERS

GRI CONTENT INDEX

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### Reporting period

This report covers the 2018 financial year (January 1, to December 31, 2018). Information from prior years was included where it seemed necessary to give the reader a complete picture of Franke's sustainability approach and performance in this area. If information does not originate from 2018, we clearly indicate this.

### Date of the most recent previous report

In August 2018, Franke published its 2017 sustainability report. The reports from prior years can be found here:

► [www.franke.com](http://www.franke.com) ► [About Us](#) ► [Sustainability](#)

### Reporting cycle

Franke publishes a sustainability report every year. The next report will be published in August 2020 at the latest.

### Procedure for determining the report content

The GRI standards Option Core were followed in defining the report content and priorities for Franke. Our sustainability report is based on a materiality analysis to identify those aspects that are important to our stakeholders and on which Franke has the greatest impact. The relevant stakeholders and their most important interests are described on page 15.

As in previous years, this sustainability report is based on the materiality analysis, which was prepared as a result of the newly introduced GRI standards. The previous topics were reviewed for their completeness and subsequently assessed in terms of quality by a group of internal experts for their relevance to Franke stakeholders and for their significant economic, ecological and social impacts. In order to take greater account of stakeholder involvement and the sustainability context, Franke plans to validate the key issues and their limitations with regard to the following sustainability reports.

The sustainability topics listed below form a special focus of our 2018 Sustainability Report:

- Production: Energy efficiency
- Water and waste water management, materials efficiency, resource efficiency

- Employees: Management development, occupational health and safety, business integrity, human rights
- Products: Resource efficiency, profitability, reliability and durability, product safety, product innovation

Other topics considered important for Franke and our stakeholders include: Customer service, sales excellence, risk management, human resources development and employee participation, supply chain management and the ten principles of the UN Global Compact, which are also briefly addressed in this report.

### Reporting boundaries, joint ventures, subsidiaries, outsourced activities, etc.

This report covers Franke in its entirety. If only a part of the company is meant (as an example or due to the data situation), we clearly point out that. This report does not cover outsourced activities. Although Blefa Beverage Systems (formerly named Franke Beverage Systems) is still legally part of Franke, the company is no longer included in the calculation of Franke and has had a new reporting line to Artemis Group since January 2016. Since 2017, Franke Industrie AG (production of hot gas components for industrial gas turbines and aerospace) also reports directly to Artemis Group.

In addition, the following changes in connection with joint ventures, acquisitions, divestments or mergers in the reporting period occurred: In January 2018, Franke acquired Facility Solutions Inc, a project management company for national restaurant and retail chains in the US. In November 2018, Franke also acquired Chain Link Services LLC, a US distributor that focuses as a project manager on national key accounts in the system catering industry and retail chains. In addition, the business activities of Franke Foodservice Solutions, Inc. (excluding the Coffee Systems business) were transferred to Franke Foodservice Supply, Inc., now operating under the name Franke Foodservice Systems Americas, Inc.

### Data collection methods and bases of data calculation

At Franke, non-financial data has been measured for many years. A consolidation of non-financial data according to the GRI indicators at Group level was carried out for the first time in 2011.

The financial, personnel and environmental data (energy, greenhouse gas emissions, water, materials and waste generation) for this report was taken from the COGNOS system. Data on occupational health and safety was collected using a Franke-wide reporting tool. Certain personnel data was extracted from the HR tool, which now covers approximately 90 percent of the workforce. Since 2017, the central purchasing data for materials has been shown after being carefully checked with the collected COGNOS data. Since some materials are still purchased locally, it is not possible to enter reliable data at the moment. However, we are working on a solution to ensure that these figures will be transparent again in the future. This would also allow us to make a clear distinction between renewable and non-renewable materials. This is mainly data on the purchase quantity of wood and of semi-finished and finished products.

The environmental data and occupational health and safety data for the 2018 financial year was reported by all production, service and sales companies. The data on water and waste water was collected on the basis of municipal water supply bills or other utility bills.

The conversion factors for energy consumption come from the fact sheet: CO<sub>2</sub> emission factors of the Swiss greenhouse gas inventory from 2016 (Federal Office for the Environment). Direct greenhouse gas emissions from fossil fuels (heating oil, natural gas, diesel and petrol; Scope 1 of the GHG Protocol) are also based on the fact sheet of the Swiss Federal Office for the Environment (2016). The individual greenhouse gases emitted at Franke sites are CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O, which have been converted into CO<sub>2</sub> equivalents for this report according to the above mentioned fact sheet. Greenhouse gas emissions for electricity and district heating (Scope 2) were calculated on the basis of the emission factors reported by the Franke companies.

The environmental data and occupational health and safety data was determined in relation to each other by dividing the total values by net sales in Swiss francs. Many key figures in the Ecology and Social Responsibility sections are heavily dependent on Franke's economic performance. For this reason, the key figures are listed relative to total net revenues.

Furthermore, we do not consider the share of temporary employees in the total workforce to be significant at 8.6 percent, and therefore do not discuss in detail their precise activities. In addition, there are no significant seasonal fluctuations in the total workforce.

With regard to our data sources for the statements on the workforce made in the report, the following distinction must be made. When we speak of full-time equivalents, the information is taken from our financial reporting system and, if a number of employees is mentioned, from the employee directory.

For the calculation of the proportion of female employees in the Social Responsibility chapter, the status at the end of the year is taken into account. Since the Group profile (p. 6) always shows the most current status at the time of publication, there are minor discrepancies between the Group profile and the chapter on social responsibility in the data at Management Board level.

It is also important to mention the changed data basis for calculating the absence rate. As the survey of the underlying indicators changed in the reference year 2018, the absence rate for the 2018 period was calculated based on the data collected up to August 2018.

#### Effects of any restatements of information provided in earlier reports

In the context of a more comprehensive audit, subsequent data corrections were also made for 2017. The correction in heating oil of 100,000 liters, which is almost exclusively attributable to a single location that had not yet recorded this figure in 2017, should be mentioned in particular. As a result, the 2017 key figures of this report differ from those of the prior year.

In last year's report, the balance sheet total for the 2017 period was reported incorrectly. The balance sheet total for 2017 is CHF 1977.4 million instead of the CHF 2167.6 million published in the prior report. In addition, the adjusted EBIT of 130.6 million Swiss francs was replaced by the unadjusted EBIT of 126.1 million Swiss francs.

In particular, the omission of the KPI of employee fluctuation should be emphasized at this point. This is due to the lack of data resulting from a change in reporting for the year 2018. It is currently still unclear in what form fluctuation will be recorded throughout the Group in the future. It is also still unclear whether this will be published again in the sustainability report in the future.

#### GRI reference

This report has been prepared in accordance with the GRI Standards: Core option.

#### External assurance for the report

No external confirmation was obtained for this report.

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### Exclusions and remarks

1. Due to the current system landscape, some breakdowns cannot yet be made. We are in the process of developing a new system that will allow us to collect the missing data. The missing data mainly concerns the variables gender and type of employment, which we are not yet able to identify in all areas. We expect to be able to introduce and use this system in 2020. Accordingly, we expect to be able to make all the breakdowns from 2020 onwards. We had to adjust the timing of this target in this year's report, as the introduction of the new system will not yet be completed in 2019.
2. Data on the detailed breakdown by water source is not yet available. We will collect it for the 2020 report.
3. The data for a breakdown by water quality is not yet available. We are working on establishing a corresponding data collection process with the goal of reporting on this in 2021. Unfortunately, we had to adjust the timing of this target in this year's report, as the necessary capacities for its implementation were not yet available.
4. Includes the most important non-renewable materials that are used for manufacturing and packaging the products. Data on both renewable raw materials and semi-finished and finished products is not yet included. We are working on establishing a data collection process with the goal of reporting on this in 2019.
5. The data for assessing the reduction of the energy demand of our products is not yet available. We are working on establishing a data collection process with the goal of reporting on this in 2020.
6. Information on the injury rate and the breakdown by region is not yet available. We are working on establishing a data collection process with the goal of reporting on this in 2019. Data on the occupational disease rate cannot be collected for reasons of confidentiality (medical secrecy). For this reason, the following will also not be reported in the future. The type of the injuries and the breakdown by gender are also not available. Since Franke wants to avoid injuries completely, regardless of type or gender, the collection of this data has a low priority. For this reason, no survey is planned in the near future and therefore no time horizon can be defined.
7. From now on, our own indicators are listed for Business Integrity, as a detailed review has shown that not all requirements of the GRI indicators used to date (GRI 205-1 and GRI 205-2) can be met in the near future. The company's own indicators are based on the GRI standards used to date. This ensures the continuity of the published data despite the change in indicators.
8. The topic of human rights is part of the e-learning module on the code of conduct. Since this module covers many other topics, it is not possible to reliably estimate the number of training hours.
9. The documented cases relate to the Kitchen Systems division.

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