

FRANKE GROUP SUSTAINABILITY REPORT 2017



MAKE IT WONDERFUL

FRANKE

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CEO STATEMENT



Dear Readers,

The subject of sustainability has become more than just a passion from a group of people who care about the environment. It now also demands global rethinking which goes beyond corporate responsibility.

Franke takes responsibility for corporate management being proactive with respect to economic, ecological and social performances. This ambition drives us. Accordingly, sustainability starts with our Be Accountable Franke value and our Make it Wonderful brand promise. It is against this background that Franke offers future-driven solutions – and contributes to a more sustainable world through the quality of its products and services, the professional expertise of its employees and social and ecological commitment.

In order to guarantee effective sustainability management, Franke joined the Global Compact of the United Nations in 2011 and thus committed itself to making the ten fundamental principles in the areas of human rights, labor, environment and anti-corruption a part of its corporate responsibility. We further commit ourselves to the goals of the Global Compact and have also integrated the United Nations Sustainable Development Goals (SDGs) as a supplement to the Global Reporting Initiative (GRI) standards in this report. By being guided by the 17 goals for sustainable development, we aim to make an impact by improving people's well-being and ensure long-lasting solutions to protect our planet.

To keep our competitive edge and overcome pressing market challenges, we remain focused on driving our strategic focus topics: Operational Excellence, Innovation Push, Marketing Excellence and Sales Excellence. Our development is a journey which is marked by continuous learning and successive adaptation processes. Franke has faced several challenging innovations when drawing up the report for 2017.

“We have aligned our efforts with the UN Sustainable Development Goals”

In this reporting period, the focus was on translating the United Nations Sustainable Development Goals to our business activities and defining effective and measurable performance indicators. In addition to that, we also took the challenge of raising awareness for sustainability. To this end, we provided our customers with extended information on the environmental impact of our products and services, for instance, by indicating energy efficiency classes.

“We took the challenge of raising awareness for sustainability”

Franke works hard to optimize its services by improving work processes. Thanks to efficiency-enhancing and energy-saving product innovations, we are furthermore achieving milestones, as with the Nautilus extractor hood by Faber, for example, with its energy efficiency “A”rating.

In the area of social responsibility, the Employee Engagement Survey, launched in 2016, allowed us to identify our potential for improvement. This survey provides

guidance in the area of social responsibility to Franke's management. In 2017, we directed our efforts at implementing concrete actions at the Group, country and team levels. Thereby, Franke aims to drive continuous improvement of the entire company and to further enhance its attractiveness as an employer. We want to constantly improve ourselves through collective work and thinking as well as investing into the development of our leaders and employees.

As a global company, our impact on society and the environment is significant, and accordingly there is great potential to do good.

Best regards,

Patrik Wohlhauser
President/CEO Franke Group

GROUP PROFILE

Franke Group includes the divisions Franke Kitchen Systems, Faber Hood & Cooking Systems, Franke Foodservice Systems, Franke Water Systems and Franke Coffee Systems. The Group employs around 9,000 people worldwide and generated consolidated net sales of CHF 2.1 billion in 2017.

Divisions



Franke Kitchen Systems
Integrated systems for food preparation and cooking, including sinks, taps, countertops, extractor hoods and cooking devices



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



Franke Foodservice Systems
Kitchen appliances, accessories and replacement parts in addition to a wide array of services for leading restaurant chains



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



Franke Coffee Systems
A comprehensive range of coffee machines for coffee preparation outside the home, including completely automatic and traditional coffee machines in addition to coffee brewers

Figures

- 4.5%
Reduction in CO₂ emissions
2017 vs. 2016

- 5.4%
Reduction in lost day rate
2017 vs. 2016

3.1%
Increase in net sales
2017 vs. 2016

92.5%
Production sites with quality
management certification
in 2017

75.8%
Proportion of successful
completion of online Code of
Conduct training courses

Net Sales 2017

BY DIVISION



IN CHF M

Franke Kitchen Systems*	989
Franke Foodservice Systems	657
Franke Water Systems	239
Franke Coffee Systems	228

* Including Faber Hoods & Cooking Systems

BY REGION



IN %

Europe	60.5
Americas	27.9
Asia/Oceania	8.1
Africa/Middle East	3.5

Employees by region 2017



IN %

Europe	60
Americas	17
Asia/Oceania	17
Africa/Middle East	6



Locations worldwide

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

Headquarters are 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

Brands

Franke bkon Carron Dominox
Dart Valley Systems Eisinger
Elikor Easi Serv Eurodomo Faber
FIFO Futurum Kindred KWC
Mamoli Mepam Newair Nokite
Roblin S2K Sertek Spar

Organization

Board of Directors

Thomas A. Erb, Chairman
Michael Pieper, Vice Chairman
Dr. Andreas Hauswirth
Christian Mäder
Dr. Michael Soormann

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
Patrik Wohlhauser (ad interim)
Faber Hoods & Cooking Systems
Ettore Zoboli
Franke Foodservice Systems
Thomas Campion
Franke Water Systems
Roger Basler
Franke Coffee Systems
Thomas P. Meier

UN SUSTAINABILITY GOALS: OUR CONTRIBUTION

All 17 Sustainable Development Goals (hereinafter SDGs) are important for the promotion of sustainable development. To sharpen our focus, we have prioritized eleven of these goals where we believe as a company, we can make the greatest impact.

In 2015, the UN member states adopted a series of targets aimed at reducing poverty, protecting the Earth and ensuring prosperity for all. With these globally valid priorities and goals as a guideline, the 17 SDGs are used as a way of joining forces to meet the most pressing challenges in the world. The achievement of these goals by 2030 depends, in particular, on the actions of corporations. Franke has accepted this responsibility and makes its contribution to achieving the SDGs along with sustainable development a priority. In the following sections of this report, we highlight the SDG actions that Franke has initiated for the first time.

“The achievement of these goals by 2030 depends on the actions of corporations”

Integration of the SDGs in Franke's sustainability ambitions

Based on the materiality analysis in accordance with the GRI standards, Franke has identified twelve essential topics on which the Group focuses for its sustainability management. We have investigated the extent to which these essential topics promote the UN Sustainability Goals. The analysis resulted in a list of eleven SDGs (see



chart on page 9), which were localized along our value chain. This enabled us to substantiate our contribution to the SDGs.





The SDGs identified were then embedded in our four reporting areas (environmental responsibility, social responsibility, economical responsibility, and product responsibility) and concrete Franke activities were thus assigned to the SDGs. This systematic compilation helps us to identify our risks and opportunities with respect to the SDGs and to better define corresponding indicators, measures and goals.

Franke Group views sustainability not only as a social obligation, but also as an essential component of its long-term business success. We have achieved a great deal in this area in recent years and, in the interests of our many stakeholders and the environment, we are committed to continuously optimizing our actions, enhancing our efficiency, and constantly finding new solutions that inspire.




Kirill Bourovoi
 Manager Group Sustainability
 Group Head of Learning & Development

OVERVIEW OF THE ELEVEN SDGS AFFECTED



Environmental Responsibility

-  **6 CLEAN WATER AND SANITATION** Ensure availability and sustainable management of water and sanitation for all.
-  **7 AFFORDABLE AND CLEAN ENERGY** Ensure access to affordable, reliable, sustainable and modern energy for all.
-  **13 CLIMATE ACTION** Take urgent action to combat climate change and its impacts.
-  **15 LIFE ON LAND** 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

-  **3 GOOD HEALTH AND WELL-BEING** Ensure healthy lives and promote well-being for all at all ages.
-  **4 QUALITY EDUCATION** Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
-  **5 GENDER EQUALITY** Achieve gender equality and empower all women and girls.

Economical Responsibility

-  **8 DECENT WORK AND ECONOMIC GROWTH** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
-  **16 PEACE, JUSTICE AND STRONG INSTITUTIONS** 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

-  **3 GOOD HEALTH AND WELL-BEING** Ensure healthy lives and promote well-being for all at all ages.
-  **9 INDUSTRY, INNOVATION AND INFRASTRUCTURE** Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
-  **12 RESPONSIBLE CONSUMPTION AND PRODUCTION** Ensure sustainable consumption and production patterns.

STRATEGY AND VALUE CHAIN

Our strategic areas of activity have one thing in common: They are all resources-intensive and have a considerable impact on the environment. After all, food preparation and housing are, next to mobility, the most important areas of human resource consumption.

Our business model





The five Franke divisions are active with their solutions in four business segments. These are divided up into the two areas of food and beverage preparation and water management and hygiene on the one hand and between the commercial and private sectors on the other. In the commercial sector, everything revolves around equipping kitchens for professional foodservice, semi-public and public washrooms with integrated systems, and coffee preparation outside the home. In the private sector, on the other hand, the focus is mainly on equipping domestic kitchens with integrated kitchen systems for food preparation, cooking and exhaust air cleaning,

as well as for private bathrooms with tap systems and accessory parts.

Longevity of our products

Food preparation, sanitation and hygiene technology and having a place to call home are, as we know, bare necessities – they are vital to human life. The everyday utilization intensity and the associated consumption of resources are considerable for these kinds of products: Not only in domestic households but also in the commercial sector, the majority of energy and resource consumption is linked to kitchens and bathrooms and thus to products that bear our brand name. Franke's impact

OUR STRATEGIC AREAS

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

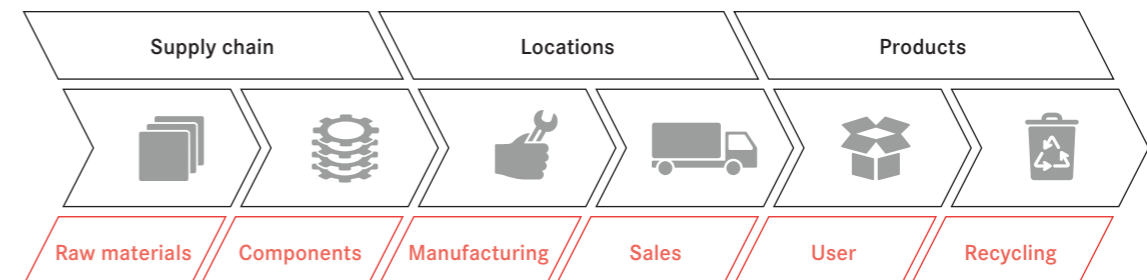
on society and the environment is accordingly great, as is the potential to do good deeds.

The comparatively long period of utilization of our products has a positive effect on the balance of energy and raw materials over the course of the entire product lifecycle. The majority of our products are designed for many years of use, reliability, and reparability: For example, the average lifetime durability of a private kitchen in Switzerland is between 20 and 25 years. Baths, showers, and toilets must be designed to last for 30 years. This shows that compared with other sectors of the consumer goods industry (e.g. household appliances, cosmetics, electronics, etc.), kitchen and sanitation technology have long lifecycles.

ucts, their manufacturing and their sales, all the way to their actual use and disposal and/or recycling. Sustainable consumption – inside and outside of our production sites – is therefore a central concern of our strategy.

The upstream and downstream processes, ranging from maintenance to kitchen accessories and through to the type of foods used or their method of preparation, have an impact. At Franke, we consider health and safety of all people who come into contact with our products to be a matter of our responsibility. This includes the health of our employees, as well as their work-life balance, as well as the safety of our products during their entire lifecycle. After all, our products have an impact on food preparation (e.g. ovens and stove tops), water cleanli-

THE FRANKE VALUE CHAIN



Sustainability along our value chain

Sustainable consumption of resources during the development and manufacturing of our products and the effects on climate change are central concerns of our strategy. As a production company, we are not only responsible to the environment but also have an internal responsibility, mainly to our employees and to our owner.

We influence mankind and the environment across our entire value chain and beyond the product lifecycle itself. People are involved and resources are required, right from the extraction and production of raw materials, their transport and logistics, the countless providers of semi-finished goods and components for our prod-

ness (e.g. taps and filters) and on the air (e.g. extractor hood systems).

In addition to customers such as restaurant chains, building supplies stores or kitchen and bathroom providers, other large customers also rely on our products: As a globally active original equipment manufacturer, we partner with global corporations – and our actions can have a correspondingly positive influence on their resource efficiency.

Outlook

We are, however, also taking a long-term approach that goes beyond our products: Sustainability is a central pillar

of our business strategy. Franke has set itself the targets of being the world's leading provider of systems for food and beverage preparation and for water management and hygiene, of growing both organically and through acquisitions, and of growing its profitability further. Franke Management and the owner base their efforts thereby on long-term considerations and are conscious of their

accountability to the environment, society, and economy. "For me, sustainability means fairness with respect to future generations," says Michael Pieper, the owner of Franke Group. "In everything we do, we should be able to look our children and grandchildren in the eye with a clear conscience. This makes acting sustainably a must."

SUSTAINABILITY MANAGEMENT

The existing management structures at Franke ensure that Franke has an optimum setup in terms of governance and that it is free of conflicts of interest. In addition to qualifying the Board of Directors with respect to sustainability, the internal guidelines affected should be identified and an overview of the most important stakeholders should be provided.

Governance structure, committees under the Board of Directors

Franke Group has a three-tier governance structure:

Board of Directors of Artemis Holding AG (Artemis Group)
7 members

Management Board of Artemis Holding AG (Artemis Group)
3 members

Board of Directors of Franke Holding AG (Franke Group)
5 members (3 of whom are members of the Artemis Group Management)

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

Each body has clearly defined purposes, duties and responsibilities defined by the organizational regulations and the terms of reference. The two Boards of Directors of Artemis Holding AG and Franke Holding AG are responsible for the strategic direction of Artemis Group and Franke Group and have a number of non-transferable and inalienable duties pursuant to the Swiss Code of Obligations.

The Board of Directors of Artemis Holding AG is composed of seven members. The board has three standing committees: the Audit, the Information Security and the Human Resources committees. The board and the

standing committees held regular meetings in 2017. The Artemis Group Management is composed of three members. For more information about the governance structure of Artemis Group, see:

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

The Board of Directors of Franke Holding AG is composed of five members. The board has no committees. The Franke Group Management Board is composed of ten members. For more details about the governance structure of Franke Group, see:

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

Separation of the chair of the Board of Directors and executive management

Thomas A. Erb, Chairman of the Board of Directors of Artemis Holding AG and Franke Holding AG, is neither a member of the Artemis Group Management nor of Franke Group. Three of five members of the Franke Holding AG Board of Directors are members of Group Management for Artemis Group.





Independent members of the Board of Directors

No member of the Board of Directors of Artemis Holding AG and its committees is involved in operative management. Three of the five members of the Board of Directors of Franke Holding AG have executive positions within Artemis Group.

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 the Vice-President of the Board of Directors of Franke Holding AG.

GENERAL PRINCIPLES AND CODES OF CONDUCT

 <p>Code of Conduct</p> <ul style="list-style-type: none"> 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 <p>The Code applies worldwide and is available on the intranet in 13 languages.</p> <p>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.</p>	 <p>Supplier Code of Conduct</p> <p>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 Group Management Board.</p>
 <p>Sustainability Principles</p> <ul style="list-style-type: none"> Equal opportunity and diversity Employee relations Personal safety and emergency planning Business travel Information security 	 <p>Sustainability Principles</p> <p>Internally defined framework for improving the economic, environmental and social performance of Franke Group.</p>

No employee representative sits on one of the Boards of Directors. Employee representatives of the European companies meet regularly in the context of the Franke Forum (European Works Council), with a member of the Franke Group Management Board. Selected concerns can be addressed to the Board of Directors through this channel.

Link between compensation and the organization's performance

The remuneration of the members of the Board of Directors is not linked to the performance of the company.

Members of the Franke Group Management as well as other employees are incentivized by a combination of personal and financial targets. Depending on the position, personal targets may be linked to the social and environmental performance.

Processes for the Board of Directors to avoid conflicts of interest

The Code of Conduct stipulates how conflicts of interest of board members are avoided. Board members are obligated to refrain from any involvement in the handling of matters affecting either their personal interests or those of a company or person with which they have an affiliation.

General principles and codes of conduct

Different sustainability topics are addressed in directives and a number of internal policies deal with matters related to sustainability and business ethics:

- Code of Conduct: Legal compliance, health and safety, fundamental labor standards such as child/forced labor and non-discrimination, (sexual) harassment, anti-corruption, gifts and entertainment, theft, fraud and dishonesty, 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 Group Management Board.
- Group Policy: 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 Group.

Oversight of sustainability performance by the Board of Directors

The Audit Committee of the Board of Directors of Artemis Holding AG discusses risks and opportunities that are relevant for Franke Group within the framework of approving the annual risk report.

Evaluation of sustainability performance of the Board of Directors

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

Precautionary approach

The precautionary principle plays an important role for Franke Group as both a production and a sales organization. The precautionary principle is reflected in the management systems (quality, environment, occupational health and safety) that are implemented at different sites. In operations, the precautionary principle is implemented by means of preventive approaches for environmental protection, occupational health and safety and quality assurance. Franke Group has in place a comprehensive system for the control and management of all risks involved in business activities. In accordance with standard ISO 31000, corporate risk management is at the intersection of all management systems. All Franke companies have a clearly defined crisis organization and conduct an annual risk analysis which identifies the key risks. All production companies must furthermore have a business continuity management plan that guarantees a quick and competent response in the event of an emergency. Furthermore, our employees are supported during crisis situations on business trips by an external intervention specialist.

External agreements and initiatives

Franke Group 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

Through the voluntary application of the Global Reporting Initiative's Guideline for Sustainability Reporting (new GRI standard), we aim to contribute to ensuring transparency and comparability in sustainability reporting.

Memberships in associations and organizations

Franke Group is active in a wide range of industry associations and initiatives in various countries. Many of these organizations deal with sustainability topics, for instance define best practice standards or develop product labels, including but not limited to:

- U.S. Green Building Council (USGBC), an organization committed to a sustainable future through cost-effi-

cient and energy-saving buildings. USGBC is the owner of the LEED building standard.

► www.usgbc.org

- European Committee of Domestic Equipment Manufacturers (CECED), a business association that represents the household appliance industry in Europe
- Oebu, a Swiss association and think tank for sustainable business
- Advance Women, with the objective of actively increasing the proportion of women in management positions in Swiss companies through an ongoing series of concrete measures

Relevant stakeholder groups

Franke Group considers the following stakeholder groups to be relevant:

- Customers and consumers
- Employees
- Suppliers and business partners
- Local communities, authorities, media, regulators
- Potential future employees
- Owner

Basis for selecting stakeholders

Franke Group is aware that its business interacts with various stakeholder groups. The above stakeholders have been identified as important for systematic stakeholder dialog, as they fulfill at least one of two criteria: Either the stakeholder group exerts a strong influence on the economic, environmental or social performance of Franke, and/or the stakeholder group is strongly affected by the economic, environmental or social performance of Franke.

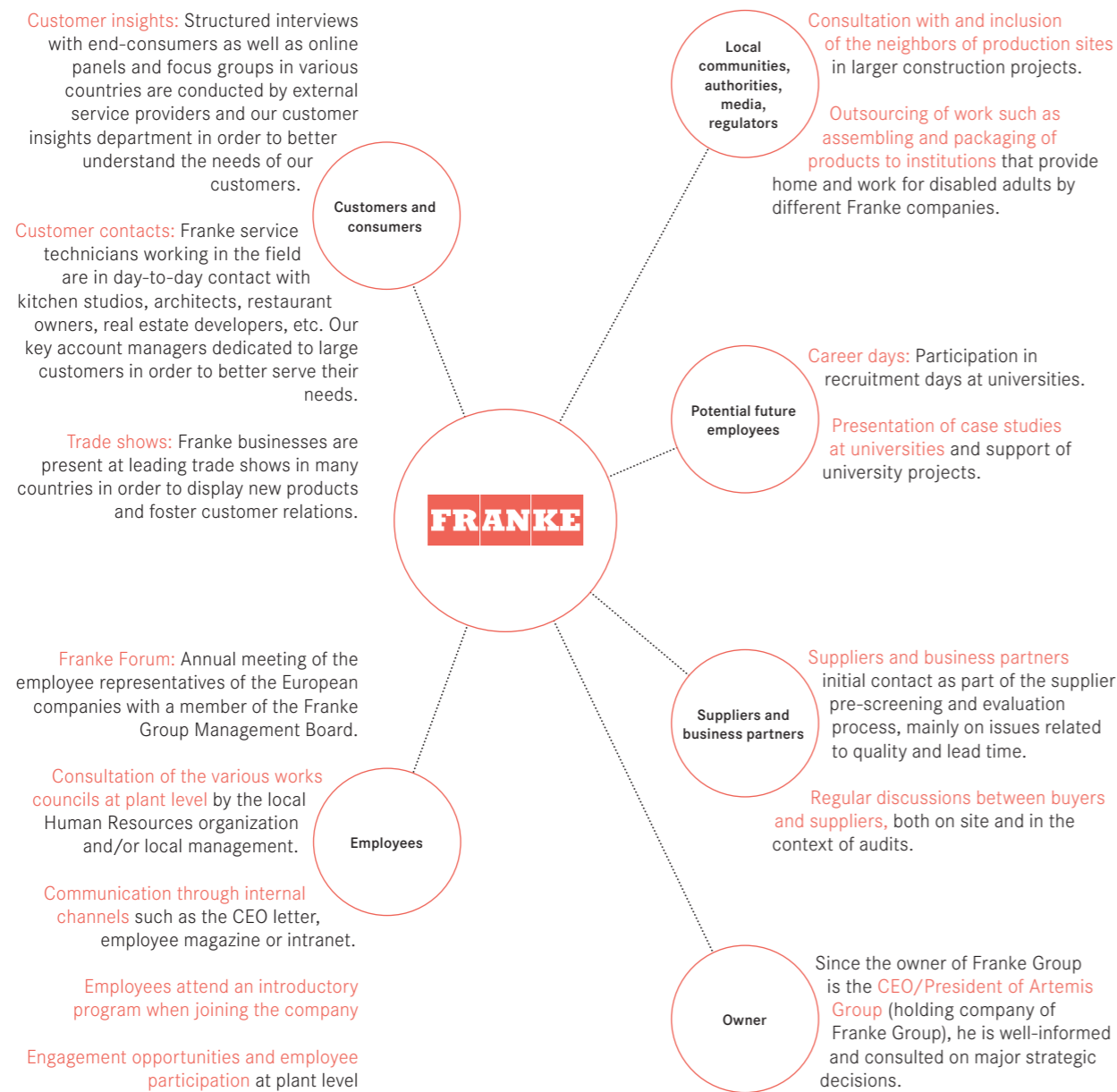
Approaches to stakeholder engagement

To date, dialog with external stakeholders has been highly decentralized. We are furthermore working on formalizing interactions with the representatives of relevant stakeholder groups and are striving to create a structured process for this dialog by 2020.

Response to key topics and concerns of stakeholders Sustainability topics are increasingly at the heart of many discussions with both internal and external stakeholders. The key topics and concerns that were raised include:

- Requirements of large customers regarding our sustainability standards: surveys addressing sustainability management, certifications, etc.
- Guidance on how products from Franke Group help meet building standards: We have applied the criteria of the LEED and Minergie building standards to some of our products in order to identify which products are best for complying with these standards.
- Operational Excellence program: achieving top performance, social and environmental standards through systematic management of operational safety, reliability, efficiency and overall cost reductions through the Group-

MOST IMPORTANT STAKEHOLDERS 2017



- Product Responsibility
- Reliability and longevity of the products
 - Safety impacts of products
 - Product innovation

Legal form, company size, and markets

Franke Holding AG (Franke Group) is a private company under Swiss law and is fully owned by Artemis Holding

AG (Artemis Group). In 2017, Franke Group generated sales of CHF 2,075.6 million, with 67 subsidiaries and 9,071 employees (FTEs). Total assets amounted to CHF 2,167.6 million as at the end of 2017. The products of Franke Group are sold to various business customers such as restaurant chains, wholesalers, kitchen studios or real estate developers in more than 100 countries.

wide Operational Excellence program. As in 2016, the Operational Excellence program also contributed to improving the Group's cost competitiveness in 2017.

Essential topics

The following twelve essential topics are treated in the following chapters:

Environmental Responsibility

- Energy efficiency in production
- Water, waste water

- Material efficiency in production
- Resource-efficient products

Social Responsibility

- Executive staff development
- Occupational health and safety

Economical Responsibility


- Profitability
- Business integrity*
- Human rights*

* Business integrity and human rights have previously been addressed in earlier sustainability reports. Now they have also been included as essential topics for 2017.



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

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

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

ENVIRONMENTAL RESPONSIBILITY

No production is possible without the consumption of resources or the generation of waste. The utilization of finite resources and the emissions caused by them have an effect on the Earth's ecosystem, particularly on climate change, and on the provisioning of future generations.

Since Franke was established over 100 years ago, many individual initiatives related to environmental protection have been launched, triggered by legislation, stakeholder concern or efficiency considerations. The environmental impacts of the activities of Franke Group are felt along the entire value chain.

In order to pool our resources, we focus on those segments of the value chain that we can influence most and where the greatest effects are achieved. With respect to product development and innovation, we take into account resource efficiency (with a focus on material, energy, water and waste), and we invest in environmentally friendly production processes. In the long run, however, we also intend to reduce the environmental footprint of our logistics and transportation.

Franke Group strives to consistently reduce the environmental impact of its operations, taking into account the

RISKS AND OPPORTUNITIES DUE TO CLIMATE CHANGE

Climate change is a strong driver for energy and water efficiency. The need to use resources more wisely in the future will increase demand for products that use less energy and/or water over their lifecycle. We have made it our goal at Franke to have our innovative products meet customer requirements in this regard. Based on the annual risk analysis, we believe that the exposure of Franke Group to the risks of climate change (e.g. natural perils for production plants or transportation) is moderate. At present, there are no special CO₂ regulations, for instance maximum emissions levels, which we are required to observe. However, Franke is aware that rising energy prices are directly linked to production costs. This is why Franke intends to further reduce energy consumption in the future.

ENVIRONMENTAL MANAGEMENT SYSTEMS

	2017	2016*
Production sites certified in accordance with ISO 14001	33/40	32/38

* Excluding Franke Industrie AG

commercial viability and the availability of environmentally friendly technology. Bruno Triet, Chief Risk & Real Estate Franke Group, is thereby responsible for a major part of these activities and, in particular, for risk assessments which also include ecological aspects. A number of measures ensure that our environmental footprint is reduced:

- Environmental management systems in the Franke companies ensure that ecological effects are identified and monitored. Franke Group works toward the continuous certification of all of its production sites in accordance with the ISO 14001 standard. By the end of 2017, 33 out of all 40 production sites were certified according to ISO 14001. In addition to the renewals of expired certifications, we also aim to certify additional production sites in the future.
- As in the prior year, good practices were exchanged across all Franke businesses to learn from examples that have shown good results (e.g. recycling of waste heat from presses and server rooms, or the substitution of materials in production processes).
- The quality of this data at company and Group level has considerably improved due to the critical checking of environmental data recorded and subsequent refinement of definitions. The parameters presented to all companies in Franke Group have been subjected to more stringent checks for both 2017 and 2016.

This meant that the numbers for 2016 also had to be revised. Monitoring the environmental data enables the continuous checking of progress over time and additional improvement measures to be defined.

- As in prior years, compliance with environmental laws and regulations must, of course, be observed as the minimum requirement for all Franke operations.

- In addition, Franke is actively involved in charitable objectives worldwide. An example of this is the planting of trees since 2013 under the auspices of the partnership between Franke Philippines and the College of Forestry and Natural Resources of the University of the Philippines – Los Baños (UPLB). 490 trees were planted in 2017.

ENERGY EFFICIENCY IN PRODUCTION

In 2017, Franke implemented measures in the following areas to reduce the environmental impacts in production:

- Sustainable buildings, such as the installation of solar systems at Franke Faber India Private Ltd. in India (Aurangabad) or the increased use of the CO₂-neutral wood chip plant at the Franke Water Systems AG production site in Unterkulm. With the wood chip incineration and photovoltaic plant that Franke operates in Aarburg and the purchase of electricity generated by hydroelectric power, Franke is CO₂-neutral at the Aarburg site.
- Improved lighting in buildings with energy-saving bulbs (e.g. LED), partitioning, motion sensors and daylight dimmers. For example, the production site in India (Pune) has replaced the previous factory lighting with LED lamps and not only reduced the use of plastic

bottles by installing a drinking water facility, but also enhanced drinking water safety.

- The commitment to LEAN management at Franke Group's production sites continued to be pursued in 2017, as in the prior year.

Systematic energy management has been expanded across various Franke sites. Software for monitoring energy consumption online and in real time as well as installing additional metering points increase transparency of energy flows. This allows the defining of additional improvement measures, such as optimizing hydraulic presses, switching lamps to LED or improvements to compressed air.

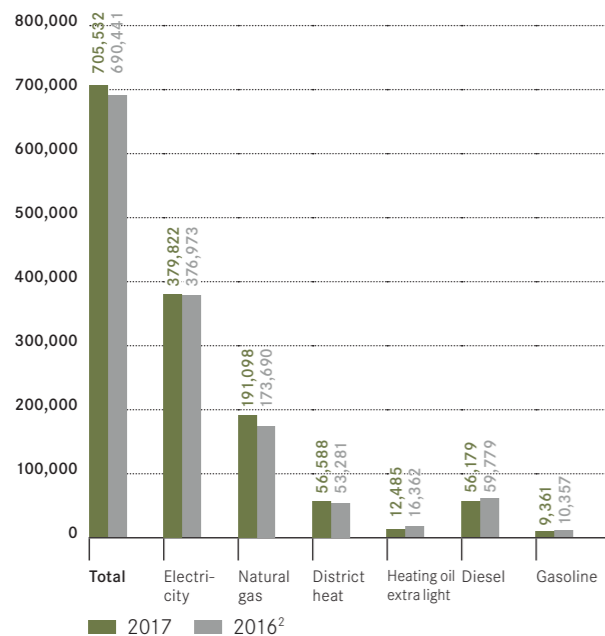
Energy consumption

Franke Group mainly uses externally purchased energy. It obtains energy in the form of electricity, natural gas, district heat and extra light heating oil. Energy consumption for 2017 and the changes with respect to the prior year are listed in the Energy consumption (absolute) table (see p. 23).

The reduction in heating oil consumption of 23.7 percent can be explained by the increased utilization of the CO₂-neutral wood chip plant at the Franke Water Systems AG production site in Unterkulm. Natural gas consumption increased by 10 percent in 2017 in comparison with the prior year. Several Franke Group companies are reporting an increase in natural gas consumption. In addition, a new production site came on stream at Strečno (Slovakia) in 2017. In contrast to the previous production site in Slovakia, natural gas is used in Strečno for heating, which led to a significant increase in natural gas consumption.

Consumption of both diesel fuel and gasoline declined slightly in 2017 in comparison with the totals of the prior year. Among other things, Carron Phoenix Ltd. and Industrias Spar San Luis S.A. (Franke Kitchen Systems) achieved a reduction in fuel consumption by switching to electric forklifts. Furthermore, part of the fluctuation experienced over the years can be explained by the

ENERGY CONSUMPTION IN GIGAJOULE¹



¹ Updated conversion factors for the calculation of energy consumption in GJ
² Excluding Franke Industrie AG and subsequent data corrections

ENERGY CONSUMPTION (ABSOLUTE)

	UNIT	2017	DIFR 2017/2016	2016 ¹
Electricity	MWh	105,506	0.8%	104,715
Natural gas	m ³	5,259,849	10.0%	4,780,688
District heat	MWh	15,719	6.2%	14,800
Heating oil extra light	Liters	346,860	-23.7%	454,594
Subtotal excluding fuel²	GJ	639,992	3.2%	620,305
Diesel	Liters	1,574,069	-6.0%	1,674,941
Gasoline	Liters	298,166	-9.6%	329,886
Total²	GJ	705,532	2.2%	690,441

¹ Excluding Franke Industrie AG and subsequent data corrections

² Updated conversion factors for the calculation of energy consumption in GJ

ENERGY CONSUMPTION (RELATIVE TO NET SALES)

	UNIT	2017	DIFR 2017/2016	2016 ¹
Electricity	MWh/m CHF	51	-2.3%	52
Natural gas	m ³ /m CHF	2,534	6.7%	2,375
District heat	MWh/m CHF	8	3.0%	7
Heating oil extra light	Liters/m CHF	167	-26.0%	226
Fuel	Liters/m CHF	902	-9.4%	996
Total²	GJ/m CHF	340	-0.9%	343

¹ Excluding Franke Industrie AG and subsequent data corrections

² Updated conversion factors for the calculation of energy consumption in GJ

CO₂ EMISSIONS

	UNIT	2017	DIFR 2017/2016	2016
Scope 1 (from fuels and combustibles)	Metric tons (t)	16,255	2.1%	15,920
Scope 2 (from electricity and district heat)	Metric tons (t)	46,735	-6.6%	50,054
Absolute CO₂ emissions	Metric tons (t)	62,990	-4.5%	65,974
Relative CO₂ emissions	t/million CHF	30	-7.4%	33

¹ Excluding Franke Industrie AG and subsequent data corrections

² Updated CO₂ emission factors

irregular utilization of fuel for generators in cases of malfunctions.

Whereas there were no major changes with respect to electricity consumption in comparison with the prior year, energy consumption for district heat increased slightly. This rise is primarily due to the increased use of the wood chip heating at the production site in Unterkulm.

Franke Group's total energy consumption increased slightly compared to the prior year. The largest part of this increase is to be credited to the area of natural gas as an energy source (see bar chart on p. 22). Relative

energy consumption, for which Group sales are taken into account, changed only slightly in comparison with the prior year.

Greenhouse gas emissions

In absolute terms, the greenhouse gas emissions (Scope 1 and Scope 2) dropped by 4.5 percent. This reduction can be explained by the drop in emissions from the electricity used. Despite a slight increase in electricity consumption and an increase in district heat, CO₂ pollution was reduced by indirect energy carriers (Scope 2). This is because, in comparison with the prior year, electricity with lower CO₂ intensity was procured at many production sites.

In relation to net sales (tons of CO₂ per million Swiss francs), greenhouse gas emissions declined in 2017 by 7.4 percent in comparison with 2016. In 2017, electricity consumption (around three quarters of the total greenhouse gas emissions) was by far the most significant CO₂ source.

Reductions in greenhouse gas emissions and energy consumption

Our approach to curbing greenhouse gas emissions has two objectives:

1. Implement energy-saving measures and increase energy efficiency.
2. Switch to renewable or low-carbon energy sources: With new construction or building conversions, Franke Group always attempts to promote the use of renewable energies, heat pumps, recovered heat from production processes and district heat, depending on availability.

In order to reduce energy consumption further at the most energy-intensive production sites, targets and measures have been defined such as switching light

sources to LED or improvements with respect to compressed air.

SDG application

Franke contributes to SDG 7 Affordable and clean energy and SDG 13 Climate action by using renewable energy for promoting clean energy sources. It is indeed true that the achievement of this target is connected with the risk of high initial investments. For Franke, however, this results in the opportunity of achieving an independent, affordable and sustainable energy supply over the long term. The use of renewable energy furthermore provides an important contribution to climate protection. Moreover, the possibility exists for Franke of enhancing its robustness in the face of fluctuating energy prices.

Franke has set itself the target of switching to renewable energies. As a result of the purchasing of electricity from hydro power, the wood chip plant and the photovoltaic plant, the production site in Aarburg is CO₂-neutral. Franke thus contributes to the energy revolution and to the fight against climate change.

WATER, WASTE WATER

Water consumption

Franke Group uses mainly fresh water from the public water system and some water from wells. We have been able to implement enclosed water circulation systems at most of our worldwide production sites. In 2017, water consumption increased by 21.9 percent compared with 2016. In comparison to net sales (m³ per million CHF), 2017 witnessed an increase of 18.3 percent in comparison with prior year figures. The recording of reliable data with respect to water consumption represents a challenge due to the absence of water meters in some places. Changes with respect to the prior year must be viewed with caution. We have set ourselves the target of continuously improving the quality of this data. Franke Group

aims to use the resource of water sparingly. At Group level, the water data is primarily dependent on the number of production sites and at the corporate level on production output. For this reason, we do not apply quantitative targets with respect to water consumption.

Sources significantly affected by withdrawal of water

The water consumption of our production plants does not place a significant burden on water sources as defined in the GRI guidelines.

Total water discharge

In 2017, 612,863 m³ of waste water were discharged, that is 23.6 percent more than in 2016. The relative quantity

WATER AND WASTE WATER

	UNIT	2017	DIFR 2017/2016	2016*
Water consumption	m ³	641,571	21.9%	526,131
Relative water consumption	m³/m CHF	309	18.3%	261
Waste water channeled into treatment plants	m ³	258,185	15.8%	222,997
Total waste water	m ³	612,863	23.6%	495,740
Relative waste water	m³/m CHF	295	19.9%	246

* Excluding Franke Industrie AG and subsequent data corrections

of waste water in 2017, at 295 m³ per million CHF net sales, was 19.9 percent higher than in 2016. A small quantity of waste water was disposed of by professional third-party companies. No unplanned discharges of waste water took place at Franke Group in 2017. In this report, we identify for the first time the water volume that was directed to a treatment plant and that did not go directly into surface or ground waters. In comparison with the prior year, the water volume increased by 15.8 percent.

SDG application

With respect to SDG 6 Clean water and sanitation, Franke can reduce the water consumption of users through its resource-efficient product range in the

area of kitchens and baths. This means that Franke can distinguish itself from its competitors, satisfy customer requirements at an early stage and still contribute to a sustainable management of water and sanitation. Furthermore, Franke also observes efficient water utilization during production.

Franke strives for a more sustainable use of water as a resource with respect to the entire water cycle. Although the overall water consumption at Franke Group has not declined, the Group is eager to reduce its water consumption and to make a contribution to a more sustainable water management throughout the entire water cycle.



MATERIAL EFFICIENCY IN PRODUCTION

Franke Group uses a wide range of materials of different quantity and quality. The most important materials that we use in our production are metals (mainly stainless steel) and plastics. A large amount of recyclable waste results from the cutting and punching of material during the processing of stainless steel for sinks, kitchen countertops and fixtures. This is returned to the manufacturer and reused for the manufacturing process of the raw material. This process is reflected in the reported figures. Franke Group has thus, as a result of the specifics of its resources and production, a large volume of waste and a high proportion of recycled materials. In this year's report (2017), we have for the first time compiled comparison values for materials consumption, after

beginning with systematic, Group-wide tracking in 2016. The most important material groups are summarized in the following table. In general, all parameters have risen since 2016. A drop can be seen with respect to glass. This decline was likely caused by changes to the product range.

Proportion of recycling raw materials in total raw materials utilization

Stainless steel, the main component of many of our products, is estimated to be made up of 70 to 75 percent of recycled material. Cardboard that we use for packaging mainly stems from recycled content (estimated 90% of total cardboard use). Based on the data for the

MATERIALS USED BY WEIGHT

MATERIALS IN METRIC TONS (T)	2017	DIFR 2017/2016	2016 ¹
Stainless steel	34,345	7.5%	31,949
Carbon and galvanized steel	14,531	14.8%	12,655
MMA (methyl methacrylate), mostly used for acrylic	2,045	12.9%	1,811
Quartz	6,169	1.0%	6,105
SMC (sheet molded compound), mostly used for fiber-reinforced plastics	1,744	6.5%	1,638
Plastic	2,400	9.1%	2,200
Brass	2,665	1.3%	2,630
Glass	1,675	-16.3%	2,000
Subtotal non-renewable materials	65,574	7.5%	60,988
Renewable sources	3,927	9.4%	3,590
Unclassified/other	19,927	9.7%	18,158
Total weight of used materials	89,428	5.2%	82,736

¹ Excluding Franke Industrie AG

² Subsequent data corrections 2016

2017 reporting period, we estimate that the proportion of recycling material represents a third of the total materials used. In this respect, it should be taken into account that a precise acquisition of the proportion at the Group level is difficult.

Total weight of waste

23,963 tons of non-hazardous waste, including metal scrap, and 2,061 tons of hazardous waste were generated in 2017. The increase in non-hazardous waste from 6.4 percent in 2017 on the prior year can be explained by, among other things, the move and the associated closure of the Franke España S.A. production site. The total waste in relation to net sales (tons of waste per million Swiss francs) was 2.7 percent higher in 2017 than in 2016.

Furthermore, for the first time a more detailed breakdown of the hazardous waste was made for this report. We now distinguish between hazardous waste which can be reused or recycled and hazardous waste which is disposed to landfill or incineration plants. In 2016, 1,450 tons of hazardous waste were reused or recycled. In 2017, this figure fell by 4.8 percent to 1,380 tons. By contrast, the hazardous waste that is disposed to landfill or incinerated increased from 602 tons in 2016 to 681 tons in 2017. An indication of the disposal method of this type with respect to non-hazardous waste is expected to be added by 2020.

Weight of packaging materials

This indicator was recorded for the first time in 2016 and it enables us to identify changes for this report. In the case of packaging materials, we make a distinction between renewable, non-renewable and unclassified materials. As a general rule, the total weight of the packaging materials increased by 8 percent on the prior year. The weight of renewable packaging has increased by 6.8 percent since 2016.

Furthermore, we record an increase among non-renewable packaging materials of 11 percent and among unclassified packaging materials of 7 percent. The classification of packaging materials is new at Franke Group. The recording of reliable data therefore still represents a challenge for individual companies, and part of the packaging materials had to be identified as unclassified. We anticipate a more precise recording of this data at the company level and consequently a greater informative value at the Group level. On the basis of this, development opportunities are to be identified and clear measures defined.

SDG application

The efficient utilization of resources and materials leads to a smaller environmental impact, in particular with respect to SDG 15 Life on land. As a result of its resource-efficient production and the process optimizations associated with it, Franke makes it possible

PACKAGING MATERIAL ACCORDING TO WEIGHT

MATERIALS IN METRIC TONS (T)	2017	DIFR 2017/2016	2016*
Renewable packaging material	13,998	6.8%	13,103
Non-renewable packaging material	6,227	11.0%	5,610
Non-classified packaging material	895	7.0%	836
Total weight of packaging material	21,120	8.0%	19,549

* Excluding Franke Industrie AG

ble to generate less waste and contributes to a reduction in environmental impacts via recycling. Even though no major improvements were recorded for 2017, Franke endeavors to achieve production that is as resource- and material-efficient as possible. Just

under 70 percent of the packaging materials used are renewable. Nonetheless, we want to continue to intensify our efforts toward a lower consumption of resources and a more sustainable contribution to the environment.



RESOURCE-EFFICIENT PRODUCTS

The responsibility of the company begins already at the product development stage. The goal in this area is to develop energy-efficient products which conserve resources and are safe for the end user. The biggest environmental contribution of our products lies in the efficient use of energy and (hot) water, which indirectly saves both energy and water. At the same time, our customers can save costs during the utilization of the products. We are therefore continuously looking for ways to design our products to be more resource-efficient, as can be seen from the following examples:

- In 2016, we brought to market the world's first oven with an A++ energy efficiency category rating, the Touch FS 913 M multifunctional oven. Italy's internationally renowned AE Test Institute confirms the energy efficiency tests performed by Franke in its own laboratories.
- At Franke Coffee Systems, we continued to work on an alternative heating system for heating milk and water as in the prior year. This heating system switches off for as long as no product is being dispensed, thereby enabling a considerable reduction in energy consumption.
- In March 2017, Franke Water Systems (WS) presented the new F3 and F5 generation of taps with the first self-closing ceramic cartridge at ISH, the world's largest trade fair for innovative sanitation technology, energy-efficient heating technology, climate technology and renewable energies. Thanks to the electronics developed by WS, drinking water hygiene can be ensured and water consumption reduced (see p. 54).
- In November 2017, at Mebel, the biggest annual furniture exhibition in Russia and Eastern Europe, the new Nautilus extractor hood from Faber was presented

with its impressive A energy efficiency class. In comparison with other extractor motors, the Nautilus motor is not only thinner, it is also more efficient.

- The integration of the AQUA open water management system from Franke Aquarotter (Franke Water Systems) in the building technology at the blu sports and recreational water park in Potsdam that opened in 2017 enables consumption-efficient and hygienically impeccable drinking water preparation.

While only a few of our products are required to include specific information regarding sustainability effects (e.g. taps, stovetops and ovens in the European Union), Franke focuses on various labels to simplify informed purchase decisions on behalf of our customers.

- EU Energy Label (energy efficiency for kitchen hoods and ovens)
- PEFC Chain of Custody (specification of origin for wood)
- Well, WRAS and EnergieSchweiz (water efficiency of taps and shower heads)

Franke Group strives to adapt proactively to rising customer expectations, regulatory changes, emerging product labels or buildings standards. At the same time, environmental risks and impacts of our products and services – material, energy and water consumption and the generation of waste – will be further reduced.

Impact of our measures in the area of environment

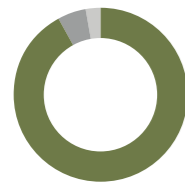
By increased use of CO₂-neutral energy (e.g. wood chip heating plants) which goes hand-in-hand with a reduced utilization of heating oil, we were able to lower greenhouse gas emissions. This in turn improved the CO₂ balance of Franke Group as a whole. A Reduction in green-

WASTE

	UNIT	2017	DIFR 2017/2016	2016*
Total non-hazardous waste	Metric tons (t)	23,963	6.4%	22,514
Hazardous waste that is reused or recycled	Metric tons (t)	1,380	-4.8%	1,450
Hazardous waste that is disposed to landfill or incineration plants	Metric tons (t)	681	13.3%	602
Total hazardous waste	Metric tons (t)	2,061	0.5%	2,052
Total waste	Metric tons (t)	26,024	5.9%	24,566
Relative waste	Mt/m CHF	13	2.7%	12

* Excluding Franke Industrie AG and subsequent data corrections

WASTE ACCORDING TO HAZARDOUSNESS



IN METRIC TONS (T)		2017
Total non-hazardous waste		23,963
Hazardous waste that is reused or recycled		1,380
Hazardous waste that is disposed to landfill or incineration plants		681
Total hazardous waste		2,061
Total waste		26,024

house gas emissions (t CO₂) by 4.5 percent and relative greenhouse gas emissions (t CO₂/m CHF sales) by 7.4 percent could be achieved in comparison with 2016. We consider this to be an indication of the effectiveness of our measures.

Nonetheless, we aim to continuously reduce our environmental impacts, in particular with respect to energy and water consumption, as well as material efficiency in production. Our energy-saving measures and energy efficiency are to be increased, and the replacement of CO₂-richer energy sources with CO₂-poorer ones is to be promoted further.

Especially, the water data recorded indicates potential for improvement. An increase in data quality is indispensable for evaluating water consumption more accurately in order to reduce it.

We have also managed to use our activities to design our products to be more resource-efficient. We are, however, aware that we still have a large number of development opportunities in this area. Here, too, we are therefore currently gathering more precise data regarding product impacts and the numerous improvement measures at

the individual companies in the interests of being able to improve the resource efficiency of our products systematically throughout the entire Group in the future.

SDG application

As an answer to our global presence and to our activities in energy-efficient areas of competition, we are making a significant contribution to SDG 13 Climate action through our consumption-efficient products and requirements-specific solution approaches. Thanks to our resource-efficient products and systems, we save our customers not only costs but also reduce their ecological footprint.

We have set ourselves the target of continuing to develop our products so that they are increasingly more resource-efficient and of providing our customers with specific information regarding the sustainability effects of the offerings. In 2017, we brought consumption-efficient products to market and signaled this fact with Efficiency Class A – as in the case of the Nautilus extractor hood. This allows us to mobilize and raise awareness of our consumers for combating climate change and to set incentives to act in accordance with this awareness.

ENERGY SAVINGS THANKS TO ENERGY CHECK-UPS

Various measures have been underway for some time to reduce electricity and heat consumption as well as CO₂ emissions within Franke Group. A particular focus in this context are the most energy-intensive production sites.

Together with an external energy provider, Corporate Real Estate Management, under the auspices of Dieter Deiss, Corporate Real Estate Manager, is performing energy check-ups at the most energy-intensive production sites in the Group. This results in action plans to reduce energy consumption for each production site. Between 2013 and 2017, the CO₂ emissions of the 13 most energy-intensive production sites were reduced – from around 23,400 tons of CO₂ to around 19,300 tons annually, which corresponds to a reduction of almost 18 percent.

Nevertheless, this number alone says nothing about efficiency. After all, as says a representative of DM Energieberatung, which was commissioned with the analysis notes: “Energy consumption and thus the amount of CO₂ emitted follows from production.” That means: The greater the productivity, the more energy is consumed. The number of units produced at the analyzed production sites dropped between 2013 and 2017, although only by 5.6 percent. Ultimately, however, there still remains an impressive CO₂ reduction and thus a gain in efficiency per unit produced. Heat consumption was also reduced in the same time period, and by 14 percent at that. Electricity consumption again dropped by 1.8 percent.

Franke has defined goals and measures to be implemented to further reduce electricity and heat consumption at selected production sites, such as optimizing hydraulic presses, switching light sources to LED and improvements to compressed air. However, wood chip plants – as already in operation in Aarburg and Unterkulm – are also a focus, as they save massive amounts of CO₂. “Thanks to the commissioning of the wood



chip heating at the head office in Aarburg, the Swiss production site can nowadays even produce in a way that is CO₂-neutral,” explains Deiss. The company is still far from implementing all planned measures. All participants are continuing to work on reducing energy consumptions even further.

Energy consumption at the head office in Aarburg was also reduced by around one third between 2010 and 2017 through systematic energy management. Dieter Deiss: “This shows that the measures are paying off.”

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 9,000 employees in 67 subsidiaries on five continents, our workforce is of special significance when it comes to sustainability. Healthy, motivated, and well-trained employees are the key to our success.

Our employees are our most valuable asset. We therefore support them in their efforts to remain healthy and with the continuous further development of their competencies. It is not only that we thereby avoid workplace accidents, we also make an overall contribution to the satisfaction of our employees. However, we also understand the term “social responsibility” to mean our duty to respect internationally applicable human rights at our locations and in our supply chain. By signing the UN Global Compact in 2011, we committed to “supporting and respecting the protection of internationally proclaimed human rights” (principle 1) and to “making sure that we are not complicit in human rights abuses” (principle 2).

Responsibility for labor practices at Franke Group lies with the Chief Human Resources Officer who reports directly to the CEO of Franke Group. Furthermore, the HR Committee of the Board of Directors supervises HR-related activities.

We conduct business in line with high ethical and moral standards. Our Code of Conduct (see chapter Economic Responsibility, p. 45) and internal policies define our business principles and serve as an authoritative source of guidance on various topics in the area of occupational health and safety. We focus on non-discrimination, equal opportunities and diversity, amicability among employees and the observance of basic employment standards.

The Franke values of Enable People, Foster Teamwork, Act Entrepreneurial, Deliver Solutions and Be Accountable are lived through the actions of every employee. We expect our leaders to create an environment where employees feel inspired to give their best and to contribute to developing new ideas.



HEADCOUNT BY REGION 2017

IN %	
60	Europe
17	Americas
17	Asia/Oceania
6	Africa/Middle East



HEADCOUNT BY DIVISION 2017

IN %	
56	Franke Kitchen Systems*
19	Franke Foodservice Systems
14	Franke Water Systems
5	Franke Coffee Systems
6	Group functions

* Including Faber Hoods & Cooking Systems

Total workforce

Franke Group maintained an average of 9,071 full-time employees (FTEs) during 2017, thus 6.6 percent more than in 2016. Part of this increase can be explained by the acquisition of Elikor LLC and Sertek LLC in 2017.

Female employees

The percentage (25 percent) of female employees in 2017 remained unchanged on the prior year. Whereas there has been a small decline in the number of female factory workers in comparison with the prior year, the share of female employees in the Global Leadership Team (85 individual leaders with major influence on our corporate success) increased slightly. Franke Group promotes gender equality, diversity and equal opportu-

Essential topics and our contribution to sustainable development

DEVELOPMENT OF EXECUTIVES
SDG 4: Quality education
SDG 5: Gender equality

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

nity and forbids discrimination on the basis of sex, age, color, nationality, race, religion, disability or any other legally protected personal characteristic (see Code of Conduct of Franke Group, p. 14). In the context of the internal talent promotion (One Franke Talent Program), the share of female talent in 2017 was 22.6 percent. When leadership positions are occupied with the support of external partners (Executive Search), Franke requires a focus on the identification of female candidates and

gives preference to female candidates in the event of equal suitability.

Employee turnover rate

The average employee turnover rate (of permanent employees) was 9 percent in 2017 as in the previous year. The following figures show the number of permanent employees leaving in 2017 and the turnover rate by region.

WORKFORCE

IN FULL TIME EQUIVALENTS	2017	2016*	% OF TOTAL 2017	DIFFERENCE
Europe	5,410	5,071	60%	6.7%
Thereof Switzerland	1,022	1,016	11%	0.6%
Americas	1,527	1,332	17%	14.7%
Asia/Oceania	1,543	1,484	17%	3.9%
Africa/Middle East	591	622	6%	-5.0%
Total	9,071	8,509	100%	6.6%
Permanent employees	8,129	7,622	90%	6.7%
Temporary employees	737	692	8%	6.5%
Apprentices	205	195	2%	5.3%
Total	9,071	8,509	100%	6.6%

* Excluding Franke Industrie AG

DIVERSITY: FEMALE EMPLOYEES

IN % OF TOTAL	2017 ¹	2016 ¹
Management Board Franke Group	0	0
Global Leadership Team (GLT)	7	3
Additional office employees ²	36	36
Total office employees	35	35
Factory workers	8	13
Total employees	25	25

¹ The percentages for 2016 and 2017 are based on the employee directory. Employees for whom no sex is specified were not taken into account
² Subsequent data corrections 2016

TURNOVER OF PERMANENT EMPLOYEES

IN FULL TIME EQUIVALENTS	2017	TURNOVER RATE 2017	2016*	TURNOVER RATE 2016*
Europe	352	7%	394	9%
Thereof Switzerland	73	8%	65	7%
Americas	57	4%	48	4%
Asia/Oceania	253	18%	214	16%
Africa/Middle East	59	11%	57	10%
Total	721	9%	713	9%

* Excluding Franke Industrie AG

EMPLOYEES BY EMPLOYMENT CONTRACT AND REGION

IN FULL TIME EQUIVALENTS	PERMANENT 2017	PERMANENT 2016*	DIFFERENCE 2017/2016	TEMPORARY 2017	TEMPORARY 2016*	DIFFERENCE 2017/2016
Europe	4,778	4,468	6.9%	488	461	5.9%
Thereof Switzerland	916	905	1.2%	28	25	12.0%
Americas	1,391	1,199	16.0%	113	113	0.0%
Asia/Oceania	1,402	1,361	3.0%	103	93	10.8%
Africa/Middle East	558	594	-6.1%	33	25	32.0%
Total	8,129	7,622	6.7%	737	692	6.5%

* Excluding Franke Industrie AG



EXECUTIVE STAFF DEVELOPMENT

The different Human Resources (HR) functions at Franke support the entire employment cycle, from recruiting, performing and developing to succession planning. Employees are trained and over 60 percent of our executive staff positions were recruited internally in 2017.

Our training and development offerings provided under the auspices of the Franke Academy focus on three key areas: leadership development, functional development (e.g. Sales Excellence), and lean and competence development (e.g. Communication). It supports all employees and executives in obtaining the necessary tools and targeted knowledge. Franke employees' personal and professional goals are supported through regular feedback, learning programs and development opportunities.

Programs for skills management and lifelong learning

Franke is a company built on ideas. At Franke, ideas are nurtured right from the start, so that they grow into innovative products and services that make the everyday something special, just as our slogan says – Make it Wonderful. Employees are developed at every level and career stage allowing Franke to advance as a company.

In 2015, a new competency appraisal process was rolled out that is closely linked to the Franke values and fosters open communication. Personal commitment is honored by rewarding performance and offering challenging careers in an international environment.

The One Franke Talent Program (OFTP) offers talented, ambitious employees the opportunity to develop their skills under the auspices of a real project and to promote exchanges with one another and with Senior Management.

The first global OFTP was successfully completed in 2017 and furthermore the OFTP at the European level was initiated.

Employees receive performance and career development reviews

Franke Group supports the personal and professional development of individual employees. Open dialogs between employees and managers are of key importance and provide opportunities to give and receive regular feedback. Our global HR processes and tools support us in ensuring that our employees' period of employment is structured in the best possible way.

EMPLOYEES WITH TARGET AGREEMENT (WITH MANAGEMENT INCENTIVE PLAN)

IN % OF TOTAL	FEMALE	MALE	TOTAL
Management Board Franke Group	0.0	0.2	0.2
Global Leadership Team (GLT)	0.1	0.8	0.9
Further employees with MIP	4.1	10.5	14.6
Further employees without MIP	21.3	63.0	84.3
Total	25.5	74.5	100

* The percentages are based on the employee directory. Employees for whom no sex is specified were not taken into account

The processes of performance appraisal and development planning are actively supported by a central system – such as in the context of the personal target agreement (Management Incentive Plan, MIP) or competency appraisal – and actions and results can also be recorded systematically. 1,130 MIPs and 1,800 competency appraisals were recorded in 2017.

Furthermore, an HR process was initiated in 2016 for Talent Management and Succession Planning (TMSP) and rolled out further in 2017. As part of this, employees are systematically appraised, talents identified, and potential development activities discussed. 830 employees were discussed in the context of TMSP in 2017. Identifying our internal talents and potential successors in key positions enables us to inform our employees of career opportunities and to increase the rate of internal promotions.

Through multi-faceted development programs, our goal is to unfold the full potential of our professionals and executives. The initiatives launched under the umbrella of the Franke Academy are long-term development projects. We monitor the success of our development and further improvement measures with the aid of, among other things, the worldwide Employee Engagement Survey that we carried out for the first time in 2016 and which is to be repeated every other year.

In accordance with the results of this survey, Franke achieved a total assessment of 52 percent with respect to employee commitment. This result puts us in mid-range, similar to 50 percent of all global companies. Our results show that 69 percent of all respondents are proud to be part of Franke. 80 percent of our employees are prepared to work hard in order to exceed customer expectations.

The engagement of our employees is key to our success. We have therefore, on the basis of the Employee Engagement Survey results, defined three drivers to intensify engagement at the Group, national and team level: leadership, learning and development as well as rewards and recognition. Within these drivers, measures such as improving communication, the pursuit of learning opportunities, the training of executives and the introduction of an acknowledgment program have been defined.

OCCUPATIONAL HEALTH AND SAFETY

Franke places strong emphasis on health and safety. The goal of the Franke Group Management Board is to implement and certify an occupational health and safety management system (OHSAS 18001)* in all production

Not only the Global Leadership Team (GLT) and HR at the Group and division level, but also executives at all levels are responsible for enhancing engagement. Improvement measures with respect to employee commitment have therefore been formulated throughout the company down to the smallest team. 80 percent of all teams have already drawn up their measurement plan. Franke communicated the measures defined at the Group and country levels throughout the company. In a subsequent step, responsible individuals will concentrate on the implementation of these plans – with the goal of increasing our employee commitment.

In 2015, Franke set itself the long-term goal of achieving a 70 percent internal promotion rate. We achieved a rate of 67 percent for the Global Leadership Team (GLT) in 2017 and are thus approaching our long-term goal of creating a development-driven corporate culture.

Starting in 2018, we are offering Leadership Development programs worldwide to help managers implement their role even better and thereby enhance their contribution to our success. Together with an external partner and our own resources, these programs are being implemented worldwide. Franke's goal is to systematically develop and promote executive staff.

SDG application

With respect to SDG 4 Quality education and SDG 5 Gender equality, Franke has positive effects on the professional development of its employees through its training and education programs. For Franke, this results in the opportunity to retain and promote talented employees as an attractive employer. Investments in our employees also support productivity and innovation potential. Franke employs around 9,000 individuals worldwide and has thus many opportunities to promote women along various leadership levels.

Franke aims to promote equal opportunities. In 2017, female employees accounted for 7 percent in the Global Leadership Team (top 85 managers), an increase on the 3 percent of the prior year. Furthermore, Franke achieved a rate of internal promotion of 67 percent in 2017. This way, Franke contributes to the professional advancement of its employees.

sites. By the end of 2017, 28 out of 40 production sites were certified according to the OHSAS 18001 standard. One additional certification is planned for 2018. Furthermore, efforts have been undertaken to

OCCUPATIONAL HEALTH AND SAFETY

	2017	DIFFERENCE 2017/2016	2016 ¹
Lost days due to occupational accidents or sickness	3484	1%	3464
Lost day rate (LDR) ²	40	-5%	43
Absenteeism rate	3.1%		2.9%
Number of injuries	320	13%	282
Fatal accidents	0	0%	0
Production sites certified in accordance with OHSAS 18001	28/40		27/38

¹ Excluding Franke Industrie AG and subsequent data corrections

centralize data collection and to facilitate a more precise tracking.

Internal and risk audits are performed as part of the measures for protecting health, safety and the well-being of employees. The internal audits performed address topics such as occupational health and safety.

Training classes in the workplace are the basis for safe working conditions, refresher courses for seasoned employees and sensitivity training course for new employees, in addition to a culture of open communication. These measures are leading to visible success. For example, our factory in the Philippines (Calamba City, Franke Foodservice Systems) celebrated one million safe personnel hours without an accident-related lost day during the 2017 reporting year.

An additional example is our Faber factory in Turkey (Manisa, Franke Mutfak): Based on measures coming out of the Employee Engagement Survey, a weekly tour of the factory has been introduced. Management and employees take this opportunity to discuss suggestions for improvement – including safety and efficiency topics.

What is more, we offer our employees at our head office in Aarburg the opportunity of contacting the occupational social services office in the event of social or professional difficulties. Health and occupational safety are furthermore ensured by adequate protective equipment in the workplace.

The mental, social and physical well-being of the employees is promoted at Franke in Smyrna by the Wellness Committee. The program offers activities such as yoga, CrossFit or fitness challenges and provides their employees with information about a healthy nutrition. Franke also offers its employees at the Aarburg site various opportunities through the Fit4Franke campaign for keeping both physically and mentally fit.

Furthermore, Franke engages itself together with its employees for the support of their fellow human beings. In 2017, for example, Franke Great Britain supported the campaign for people suffering from cancer with the Blooming Great Tea Party, which is organized annually by the Marie Curie charity. Franke Philippines takes part in blood drives and contributes to the promotion of good health through running such as the Stripes Run for Reading or the Fun Run events.

Accidents, injuries, fatalities

The minimization of occupational and health risks is achieved through safety training classes and occupational safety certificates. Franke Faber India Pvt. Ltd. has been accident-free for two years in a row. This success is to be credited primarily to the introduction of safety sensors in the production machines. It is with these kinds of measures that Franke is eager to achieve a Group-wide reduction in the number of injuries in the coming years and take action against the increase in Group-wide injuries of 13 percent recorded in 2017. We strive to continuously reduce the number of injuries and lost days and to keep them below the level of the prior year. The lost day rate (LDR, lost days per 100 employees) was 40 in 2017, down from 43 in 2016. The lost day rate has been reduced despite the slightly increased number of injuries. The increase in injuries can be explained by a slightly larger number of minor accidents, which did not lead to a rise of the lost day rate. Employee safety is of the utmost priority for Franke. Franke's goal is to avoid accidents of any type. The Group-wide absenteeism rate was 3.1 percent in 2017 and thus approximately the same as in the prior year.

No fatal accidents were recorded in 2017 (as was also the case in prior years).

Approximately half of the total workforce is currently covered by collective agreements (e.g. collective labor agreements, wage agreements). In Austria, France, Germany, Italy and Switzerland, over 90 percent of employ-

ees are governed by a collective labor or wage agreement. There are no collective agreements with employees in the US and China (19 percent of the total workforce).

SDG application

Franke undertakes continuous efforts with respect to SDG 3 Good health and well-being to structure the working conditions of its employees so that they are as pleasant and safe as possible. As a result of safety- and awareness-raising measures, accidents have been

avoided, health risks reduced and employee well-being promoted. In addition, employee productivity has thus been increased and health costs have been reduced.

Franke aims to introduce and certify (OHSAS 18001) a management system for occupational health and safety at all of its production sites. By the end of 2017, 28 out of 40 production sites were certified according to the OHSAS 18001 standard. As was the case in 2016, Franke again avoided any fatal accidents in 2017.

A HEALTHY WORKING ATMOSPHERE

Minor investment – significant effect. With newly installed air-scrubbing devices, Franke is showing how health hazards for employees – for instance, caused by particulate matter – can be reduced over the long term, at the production site of Franke Kitchen Systems Germany in Bad Säckingen. In addition to lower health costs, the installation may well also pay off in the form of productivity increases.

Particulate matter is the term used to refer to a mixture of minuscule dust particles with diameters of less than one hundredth of a millimeter. It is created when burning fossil fuels, during abrasion or as a result of agricultural processes. “At Franke Kitchen Systems in Bad Säckingen, particulate matter is created when handling cardboard packaging, particularly in the packaging sector, and is also caused by floor and tire abrasion from conveyor vehicles,” says Thomas Eschbach, Head Warehouse and Distribution at the site.

To improve the situation, the particulate matter concentration has now been reduced by around 80 percent (which is considerably below the recommended limit) in collaboration with Zehnder, a Swiss company. Eight air-scrubbing devices now ensure not only a healthy working atmosphere, but also reduce dust deposits on goods and installations. This leads to a reduction in cleaning costs, while ensuring a clean environment for inspections and customer visits at the same time.

But it is, of course, the employees at the site who are most pleased by the improvement in air quality. Thomas Eschbach: “I have the feeling I am now breathing clean air.” This is also confirmed by other employees at the site. The picker Andreas Willig, for example, finds the air to be cooler and more pleasant than it was before the devices were installed. The picker Andreas Hornauer, on the other hand, now feels fitter: “I find myself coughing noticeably less than I often used to.” And the packer



Daniele Frerk also says: “I noticed that I have far less need to sneeze than I did before the devices were installed.”

As a result of the positive responses and the very promising measurement results, it is now planned to install the air-scrubbing systems in additional production halls in Bad Säckingen.

* The change in international standards from OHSAS 18001 to ISO 45001 was published in March 2018.

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

Healthy profitability and financial stability are the permanent mainstays of our entrepreneurial actions. The Group Management Board and the owner are interested in Franke Group's long-term performance.

As part of a global value chain, our performance has an impact not only on our own company but is also a central element for the success of our numerous long-term suppliers and partners. Furthermore, at Franke, we focus on high ethical standards when exercising our business activities; integrity and compliance are therefore of key importance. At Franke Group, economic performance, market presence, and indirect economic

impacts fall under the strategic supervision of the Board of Directors and the operative management of Franke Group – the Group Management Board. The Management Board of Franke Group supervises compliance activities. Franke performs permanent monitoring in the context of internal risk management in order to identify business-relevant risks at an early stage.



PROFITABILITY

Taking into account economic performance, the market situation, and other factors, the strategies at Franke Group and its divisions are reviewed regularly and modified as required. In the interest of ensuring profitability, we have implemented not only timely reviews but also long-term planning.

For the timely reviews, we have implemented a monthly review cycle of the course(s) of action being pursued by management. The monthly results at the division level are consolidated and reviewed in these cycles in order to initiate control measures in a prompt manner should signs appear of a deviation from the annual targets.

In the medium-to-long term, we have an annual internal planning and a budgeting process, each of which considers the next three years. In our business strategy for 2020, we have set ourselves a target profitability of 12 percent EBIT. We would like to achieve this with organic growth, acquisitions, and efficiency gains in all functions.

KEY FIGURES

IN CHF M	2017	2016 ¹	DIFR
Net sales	2,075.6	2,012.9	3.1%
Organic growth	2.0%	10.6%	
EBIT	126.1	138.3	-8.8%
Investments	144.6	182.2	-20.6%
Employees average ²	8,866	8,314	6.7%

¹ Excluding Franke Industrie AG
² Excluding apprentices

Franke Group achieved a pleasing annual result in the reporting year. It generated consolidated net sales of CHF 2,075.6 million in 2017 compared to CHF 2,012.9 million in 2016, thereby recording a sales rise of 3.1 percent. In 2017, Franke's adjusted operating result (EBIT) was CHF 126.1 million (-8.8 percent on the prior year). Organic growth was 2 percent.

SDG application

With respect to SDG 8 Decent work and economic growth, Franke has had positive effects on employment and on economic growth through its long-term existence. The inclusion of new markets and the acquisition of new customers are tied to a variety of challenges, but also represent an opportunity for profitable opera-

§ BUSINESS INTEGRITY

The globally valid Franke Code of Conduct was last updated in 2013. All Franke employees commit to observing the highest ethical standards of professional and personal conduct in their interactions with customers, colleagues, business partners, competitors, regulators and the communities in which Franke operates. Compliance with laws and regulations is indispensable for a sustainable corporate success. Incorrect behavior results in reputational damage, fines, and decline of orders. We are therefore strengthening our employees' understanding of compliance of the laws governing particularly with regard to corruption, anti-trust law, product requirements, commercial copyrights of third parties, data privacy, and trade restrictions. In 2016, Franke introduced a Compliance Management System based on the pillars of prevention, identification, and control. 2017 was the first year that all employees received online compliance training. Compliance with laws and regulations is additionally promoted by the Group Compliance Officer, Marcel Enz, a member of the Group Legal & Compliance department, based in Switzerland. The Internal Audit department carries out the compliance processes at the individual sites. In addition, the SpeakUp@Franke integrity line established in 2013 can be used by all employees to report integrity concerns in a confidential and anonymous manner. In the event of misconduct, corrective measures are taken. Offered in 26 languages, the Integrity Line serves as an important tool and contributes to the upholding of high compliance standards.

Analysis of business units for risks of corruption

The number of audits was increased more than twofold in 2017. The Internal Audit department carried out 17 on-site audits in 2017 (as compared to eight such audits in

tions and for strengthening the company's own market position. Franke has set itself a target profitability of 12 percent EBIT for its business strategy for 2020. In 2017, the EBIT fell by 8.8 on the prior year. Franke had a workforce of 9,071 employees, a good 500 more than in 2016 (full-time positions).

2016). These internal audits are based on a risk-oriented audit approach and include, among others, consideration of compliance risks.

Anti-corruption policies training

The rollout of a total of three e-learning modules on the Code of Conduct started in February 2017; the modules are obligatory and must be repeated periodically. The first module is directed at around 5,500 employees and also has to be completed by new hires. The two other modules address bribery and anti-trust law topics and were launched in November 2017. 311 out of 758 employees have completed online training courses on the topic of bribery and 284 employees have completed the anti-trust law course (as of February 2018).

Franke employees worldwide have access to the Code of Conduct that is available in 13 languages. Furthermore, the SpeakUp@Franke integrity line for raising employee awareness was renewed in 2016.

SDG application

With respect to SDG 16 Peace, justice and strong institutions, Franke actively supports the avoidance of incidents of non-compliance with transparency throughout the entire value chain and training courses. Franke deems conduct in compliance with laws and regulations as a necessary prerequisite for sustainable success.

In order to achieve the goal of keeping non-compliance incidents low, the number of internal audits was expanded (17 internal audits in 2017). Franke thereby makes a contribution to the promotion of a peaceful and inclusive society.



HUMAN RIGHTS

Code of Conduct

The protection of human rights is a high priority at Franke and is prerequisite throughout the entire value chain when it comes to a license to operate being granted. In its Code of Conduct (see chapter Social Responsibility, p. 33), Franke Group commits to respecting and fully complying with all applicable laws and regulations and to supporting international human as well as fundamental labor regulations as defined in the International Labor Organization's Declaration on Fundamental Principles and Rights at Work. Furthermore, the code implies the basic occupational law regulations which tolerate neither child labor nor forced labor. Franke Group's Supplier Code requires that all suppliers and their respective supply chain comply with requirements regarding employment practices, environmental protection and business integrity. The Supplier Code of Conduct of Franke Group furthermore requires that all suppliers and their respective supply chain reject forced, bonded, prison, military or compulsory labor or any form of human trafficking. Compliance with the Supplier Code of Conduct is ensured by its inclusion under the agreements with our suppliers. In addition, audits are performed which also address these aspects in order to further check and minimize the risk of violations of human rights in our supply chain.

The responsibility for raising awareness and controlling internal human rights issues (e.g. non-discrimination, equal opportunities and diversity, freedom of association and the right to collective bargaining) rests with Corporate Compliance and Human Resources for all Franke Group locations. The purchasing functions integrate continuous requirements so that human rights and fundamental labor standards must be respected in the supply chain.

With auditing, certifications and training courses, we significantly contribute to the upholding of human rights, not only at the production sites but also in the supply chain. This ensures that employee rights are upheld and that child labor is excluded. These verification mechanisms should continue to exist in the future.

Employee training courses

All employees who have an email address completed the online training course on the Code of Conduct (including human rights) that was launched in February 2017. 4,161 employees out of 5,489 have completed the training course (as of February 2018). This represents a com-

pletion rate of 75.8%. Furthermore, in 2017 five on-site training classes (in comparison with six in the previous year) were held on the topic of compliance (including human rights) for employees.

The Code of Conduct applies for compliance and human rights topics. Franke employees worldwide have access to the Code of Conduct that is available in 13 languages. The Code of Conduct has been presented to all employees.

Incidents of discrimination

The Franke Group Code of Conduct fundamentally forbids discrimination on the basis of sex, age, color, nationality, race, religion, disability or any other legally protected personal characteristic. However, security rules may restrict certain work tasks to specific individuals.

Guarantee of freedom of association and collective bargaining

In its Code of Conduct, Franke Group commits to respecting the rights of its employees to freedom of association and collective bargaining within the boundaries of local law. The Supplier Code of Conduct of Franke Group furthermore requires that all suppliers and their respective supply chain respect the rights of employees to freely associate and bargain collectively, free of any restrictions or consequences.

SDG application

Franke contributes to SDG 8 Decent work and economic growth by means of both the Code of Conduct and the Supplier Code of Conduct. The protection of human rights and the combat against discrimination are prerequisites for Franke's long-term success in the entire value chain. Franke creates workplaces with well-designed conditions for employees of sex, age, color, nationality and qualification level and consequently supports the economic performance in the respective countries in which Franke operates.

Franke strives to continuously align its strategy and its objectives with human rights and has made it its objective to ensure that employee rights can be upheld and child labor can be ruled out. In 2017, 4,161 employees out of 5,489 were trained in the Code of Conduct online (as of February 2018). This represents a total of 75,8 percent.

EXPANDING A SUSTAINABLE COMPLIANCE CULTURE

In 2017, Franke used computers for the first time to train its employees on the subject of compliance. The subject was the Franke Code of Conduct and questions regarding anti-trust law and bribery matters.



Franke introduced a Compliance Management System in 2016 and also set up a Compliance Organization in 2017. For instance, the reporting process was simplified via the Integrity Line SpeakUp@Franke. Now, serious cases of misconduct can be reported to the Group Compliance Officer directly via SpeakUp@Franke and anonymously if preferred, insofar as the report is made in good faith. Furthermore, awareness of compliance risks has been raised among employees in training courses. The first

online Code of Conduct training courses took place in 2017, and every employee with an email address has completed these. By February 2018, 4,161 employees out of 5,489 had completed the module, which represents a rate of almost 76%. Participants had to answer 11 out of 15 questions correctly during the subsequent test.

For the two major risks of corruption and violations of anti-trust law, Franke has introduced e-learning programs for employees in functions where these risks exist. These e-modules on anti-trust law and corruption have thus been completed by members of the Executive Board, business managers, heads of the Finance department, members of the Global Leadership Team, employees in Purchasing, Sales and Internal Audit, local compliance officers and the Legal department. 284 out of 758 employees, that is 37 percent, have completed the antitrust law training course. The module on the topic of bribery has been completed by 311 out of 758 employees, which corresponds to 41 percent of the total. "All e-learning modules have been successfully implemented, and we're very satisfied with the completion rate", comments Marcel Enz, Group Compliance Officer.

In comparison to 2016, the number of cases of misconduct identified through the Integrity Line increased by 9 percent. Furthermore, sanctions resulting from violations of internal compliance regulations were imposed for the first time in 2017. According to Enz, this is an extremely positive development and reflects increasing confidence in the Compliance Organization.

PRODUCT RESPONSIBILITY



Essential topics and our contribution to sustainable development



RELIABILITY AND LONGEVITY OF THE PRODUCTS
SDG 12: Responsible consumption and production



SAFETY IMPACTS OF PRODUCTS
SDG 3: Good health and well-being



PRODUCT INNOVATION
SDG 9: Industry, innovation and infrastructure

PRODUCT RESPONSIBILITY

The customer pays us for our products and services. This is why we accept the ongoing challenge of ensuring that our products and services create added value for our customers.

The reliability and longevity of our products offer opportunities to save limited resources and support the perception of our company as a quality provider in the market. We can only maintain our leading market position through ongoing innovation and by upholding the highest of standards with respect to quality and safety. The latter are the basic prerequisites for the safe utilization of our products. The greatest impacts of product responsibility are to be seen in the utilization phase at the customer location. Not only technical modifications regarding product safety, but also the topics of innovation, reliability, and longevity have an indirect effect on the upstream stages. At Franke, product responsibility is assigned to a variety of departments: Product Development, Quality, Marketing, Risk Management, and Legal. At the end of 2017, 37 out of 40 production sites had implemented a quality management system certified in accordance with ISO 9001. Two companies (Elikor LLC and Sertek LLC) joined Franke Group in 2017 which have not yet been certified according to the ISO 9001 standard. The certification of two additional production sites is planned for 2018.

QUALITY MANAGEMENT SYSTEMS

	2017	2016*
Production sites with certified quality management systems (ISO 9001)	37/40	37/38

* Excluding Franke Industrie AG

Our quality management systems help to ensure compliance with compulsory technical and other standards. Furthermore, they lead to a continuous improvement process. The divisions and companies in Franke Group measure customer satisfaction in different ways. Measuring and securing customer satisfaction are a part of the quality management and follow clearly defined procedures. While some companies in the Group carry out customer surveys on their own, others rely on standardized surveys provided by third parties. Performance improvement plans are developed for those topics with the weakest survey results.



RELIABILITY AND LONGEVITY OF THE PRODUCTS

We focus on the reliability and longevity of our products. This means, on the one hand, that we ensure the high requirements of our customers with respect to quality, while at the same time making a contribution to saving resources. Our products belong to the high-quality segments. We have therefore implemented a broad range of measures for quality assurance in Product Development and Production. Among other things, we perform Failure

Mode and Effect Analyses (FMEA) in order to avoid errors and to enhance the technical reliability of our products. Furthermore, since 2016, regular exchange has been taking place between production and quality managers at a global level in order to streamline the processes and for each to learn from the respective experiences of the other. Products that do not pass our internal tests are either forwarded to a revision process

or disassembled in cases of major deficiencies in order to recycle the raw materials wherever possible. Furthermore, we are able to investigate process quality via the systematic surveying of percentages of rejects.

The reliability and, in particular, the longevity of our products are evidenced by the many years of use at the locations of our customers. Many of our products have been in use for decades.

To track the reliability and longevity even outside the factory gates, we collected data concerning the number of faulty products. By measuring the number of customer complaints within the warranty period, we can provide a better insight into the reliability and longevity of our products. Based on this information, we derive further improvement measures for our products and production processes.

The Service Call Rate indicates the percentage share of faulty products (number of customer complaints within

warranty period) in relation to the total number of products sold by Franke Group. In 2017, the Service Call Rate was 0.6 percent.

SDG application

With respect to SDG 12 Responsible consumption and production, Franke uses efficiency measures and the development of new business models to exercise a positive influence on the sustainable consumption of its customers. Because we develop high-quality, reliable and, in particular, durable products, we are able to meet the requirements of environmentally conscious customers.

Franke has set itself the goal of lowering the energy and water consumption of its end customers through smart technologies and products. In addition, Franke has achieved a Service Call Rate of 0.6 percent through quality assurance measures. We promote sustainable consumption with our durable and high-quality products that excite our customers.

SAFETY IMPACTS OF PRODUCTS

Practically all of our products are associated with either the preparation of food or the utilization of water. They must therefore comply with a multitude of technical and food safety-specific regulations. Franke follows the precautionary principle as part of quality management to ensure that all products comply with health and safety requirements. Consequently, we set high standards for the preparation of food or water.

In addition, we promote hygienic conduct through our innovative products and hence the health of our consumers, for example through our installation of touchless taps. The team at Franke Kindred Canada (FKC) in Midland has developed Medi-flo for fighting hospital infections, which is the industry's first hygienic washbasin with built-in laminary ozone chamber.

As is also the case with reliability and longevity, we rely on certified quality management systems at our production sites. Comprehensive data regarding incidents having health and safety impacts for the entire Franke Group does not yet exist. In Franke Kitchen Systems, the largest of our divisions, no safety or non-conformity related customer incidents were recorded in 2017. This parameter has improved markedly in comparison with prior year figures (four customer incidents).

We uphold high standards with respect to the health and safety of our products. In the future, we will continue to review our new developments and product modifications for impacts on health and safety against the precautionary principle. By centralizing quality management, we have laid the foundations to ensure the transfer of knowledge throughout the Group and to collect and evaluate data for the Controlling department in this division even more systematically.

SDG application

Due to the high quality of our products and the high safety standards, 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 pursuant to SDG 3 Good health and well-being. High safety standards are an essential element of Franke's reputation.

Franke relies on certified quality management systems at its production sites and pursues the goal of ensuring a high standard of health and safety for its products. There were no reports of safety-related customer incidents at KS in 2017. Franke is thereby promoting healthy living for its consumers.

PRODUCT INNOVATION

For Franke, innovation is not only one of the most important prerequisites for future success, it is also a decisive lever for sustainability. More environmentally friendly products are thus being promoted which are, among other things, energy-efficient and water-saving. The Innovation, Marketing and Design Board (IMD) is the driving force behind innovation and meets four times a year. The IMD controls and makes decisions regarding innovation projects and provides a network of individuals both inside and outside Franke to implement these projects. Thus, for example, we schedule so-called Innovation Days under the auspices of the IMD and bring in stakeholders from other areas such as technical universities or start-ups in order to promote the culture of innovation. Our standardized innovation process helps us to foster and convert new ideas into innovation projects.

In addition to product innovation, however, process or production innovation is an important cornerstone – whether it be for our business success or for a sustainable development. We promote efficiency enhancement, particularly to save costs and minimize resource consumption. Robotization and LEAN management are key topic areas for our innovation activities. Once again, our striving for innovation paid off last year, in the form of numerous awards that Franke Kitchen Systems and Franke Water Systems won. These included such tributes as the Red Dot Design Award, the iF Design Award, the Kitchen Innovation of the Year, the ADEX-Awards/KBB Awards, the KBB Review Award and an award from Coci-nas y Baños. At the Kitchen & Bath Industry Show (KBIS) 2017 in Orlando, Florida, the largest B2B trade fair in North America, the Beautiful Kitchen & Baths Magazine listed the Chef Center from KS as one of the 30 most innovative products.

As a means of assessing product innovation, we have applied the change in net trading volume of products which

were launched in the market over the past three years. In comparison with 2016, we achieved an increase by 7 percent.* We were able to identify data regarding product innovations for the first time. However, the informative value of this indicator should not be overestimated, given that the activities of Franke Group do not correspond to any uniform picture and, among other things, some companies produce customer-specific manufactures exclusively. This contributes to an increase in the indicator value. The informative value of the indicator of product innovation is to be enhanced for the next report.

Although positive developments were not observed for all indicators, Franke achieved improvements with respect to different topics across all four areas (environmental responsibility, social responsibility, economical responsibility and product responsibility) and posted progress for 2017. The improvement of data quality is particularly gratifying and is expected to continuously increase in the future, so that the data can be used as a reliable basis for trend-setting decisions. We want to pursue and intensify our efforts directed at promoting sustainability at Franke Group further in 2018.

SDG application

With respect to SDG 9 Industry, innovation and infrastructure, Franke is making a positive contribution to innovation through the market launches of consumption-efficient products. Its investments in research and innovation afford Franke the opportunity to win new customers and to drive the adaption of environmentally friendly technologies.

Franke has made it a goal to continuously support product innovation. In 2017, approximately one third of total sales was achieved with products that had been brought to market within the past three years. Franke thereby contributes to innovation in its markets.

* Estimate based on all Franke companies which have already provided complete data regarding innovation

INNOVATIVE, DURABLE AND ROBUST

The new F3 and F5 taps from Franke Water Systems are designed for public and semi-public spaces. They are noteworthy for their robustness, longevity and thrifty water consumption. And: The F5 line is equipped with the world's first ceramic self-closing cartridge.



hydraulic control of the water flow. "We are the first and only company to have introduced this new technology," asserts FRAMIC Project Head Rainer Urban.

FRAMIC is used in the F5 self-closing taps, which were launched in 2017. The models with thermostat offer secure protection against scalding. The wall mixers of the series for surface installation are additionally equipped with a safe-touch housing to protect against scalds. The combination of the F5 tap with a hygiene unit permits automatic hygienic flushing and thermal disinfection of the taps, which significantly improves drinking water hygiene. In addition, Franke has introduced a new Systembox for the wall-mounted installation of the F5 taps and their F3 sister series with newly developed, steplessly adjustable disk adhesive flanges. These ensure the secure sealing of wall-mounted taps. The European Patent Office has granted patents not only for FRAMIC components but also for the disk adhesive flange.

With its new FRAMIC cartridge, Franke Water Systems (WS) is placing the emphasis on sanitation technology. The abbreviation stands for Franke Modular Innovation Cartridge - the world's first self-closing ceramic cartridge. It is particularly reliable, durable, and therefore suitable for long-term use. It enables stagnation-free,

The F5 and F3 taps are designed for sanitation areas with high user frequency, for instance schools, indoor swimming pools or shopping centers. That means: They are particularly robust and easy to clean and maintain. Furthermore, they ensure economical water utilization through a multitude of built-in technologies for triggering and stopping the water flow, that is the self-closing technology and the touchless triggering of electronic taps.



REPORT PARAMETERS

REPORT PARAMETERS

GRI CONTENT INDEX

CONTACT

Reporting period

This report covers the 2017 fiscal year (January 1 to December 31, 2017). Information from previous years is included where deemed necessary to give the reader a comprehensive picture of Franke's approach to sustainability and performance. Information not from 2017 is clearly marked as such.

Date of the most recent previous report

Franke Group's 2016 Sustainability Report was published in August 2017. For reports from previous years, see:

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

Reporting cycle

Franke Group publishes a sustainability report every year. Publication of the next report is planned for August 2019 at the latest.

Process for defining report content

The Core option of the GRI Guidance was followed for determining report content and for defining the priorities for Franke. The basis for our sustainability reporting is a materiality analysis to identify aspects that are of significance to Franke and our stakeholders and which have the greatest impact on Franke. The relevant stakeholders and their most important interests are described on page 13.

Franke performed a second materiality analysis in preparation for this Sustainability Report and in view of the adoption of the newly introduced GRI Standards. The previous topics were checked with respect to their completeness and subsequently assessed qualitatively by a group of internal experts regarding their relevance to Franke's stakeholders and with respect to their essential economic, ecological, and social impacts. In order to take into account to a greater extent inclusion of the stakeholders and the consideration of the sustainability context, Franke plans to perform a validation of the material topics and their limits in view of the upcoming sustainability reports.

The sustainability topics listed below account for special points of focus in our Sustainability Report for 2017:

- Production: energy efficiency
- Water and waste water management, material efficiency, resource efficiency
- Employees: executive development, occupational health and safety, business integrity, human rights
- Products: resource efficiency, profitability, reliability and longevity, health and safety of products, product innovation

Additional topics which are regarded as important for Franke and for its stakeholders: customer service, sales excellence, risk management, personnel development, employee participation, supply chain management, and the ten principles of the UN Global Compact, which are also briefly touched upon in this report.

Limits of the report, joint ventures, subsidiaries, outsourced operations, etc.

This report covers the entire Franke Group. If only part of the company is referred to (as mentioned in an example or due to the availability of data), this is clearly indicated. This report does not cover outsourced operations. Although legally still a part of Franke Group, Franke Beverage Systems was factored out of Franke Group and has a new reporting line to Artemis Group, effective as of January 2016. Starting in 2017, Franke Industrie AG (manufacturer of hot gas parts for industrial gas turbines and for the aerospace industry) also reports directly to Artemis Group. For the purposes of comparability, Franke Industrie AG was also not taken into account for 2016. Based on these changes made, the figures from 2016 had to be modified for this report.

In addition, the following changes were made in connection with joint ventures, subsidiaries or outsourced operations during the period under review: In January 2017, Franke sold theway2solutions GmbH, Germany, to Artemis Asset Management. In April, Franke acquired Sertek LLC in full: Sertek equips fast-food restaurant chains with workstations and devices in the kitchen area and with furnishing elements in the dining area. And, finally, Franke acquired a majority stake in Elikor LLC in June. Franke is thereby expanding its brand portfolio in the segment of range hoods for domestic kitchens.

Data measurement techniques and calculation bases
 Franke has been measuring non-financial data for many years. Consolidation of non-financial data, according to the GRI indicators at Group level, was first conducted for the 2011 fiscal year.

For this report, financial, headcount and environmental data (energy, CO₂ emissions, water, material and waste sources) was extracted from the COGNOS system. Occupational health and safety data was collected with a Group-wide reporting tool. Specific employee data, covering approximately 40 percent of the total workforce (mainly office workers), was extracted from the HR tool. With respect to materials, the central purchasing data was identified after it had been checked against the COGNOS data that was collected. If no central purchasing data was available for a particular type of material, the COGNOS data was identified (renewable materials and non-classified materials).

Environmental and occupational health and safety data for the 2017 fiscal year was reported by all production, services and sales companies. The data regarding water and waste water was collected on the basis of the invoices of the communal water supply or other utilities.

The conversion factors for energy consumption are from the fact sheet: CO₂ emission factors of the greenhouse gas inventory of Switzerland from 2016 (Federal Office for the Environment). The greenhouse gas emissions for fossil energy (heating oil, natural gas, diesel and gasoline; Scope 1 as defined by the Greenhouse Gas Protocol) are based on emission factors from the Swiss Fed-

eral Office for the Environment (2016). The greenhouse gas emissions for electricity and district heat (Scope 2) were calculated with the emission factors provided by the Franke Group companies.

The relative environmental and occupational health and safety data at Group level was calculated by dividing the absolute values by the net sales in Swiss francs. Many key figures under the headings of Environment and Social Responsibility are strongly dependent on Franke's economic development. The key figures are therefore listed relative to total net sales.

Effects of any restatements of information provided in earlier reports

The non-inclusion of Franke Industrie AG in this year's report led to subsequent modifications to the key figures presented in last year's report. Furthermore, under the auspices of a more comprehensive audit, subsequent data corrections were also undertaken for 2016. As a result, the key figures for 2016 in this report differ from those in the prior year's report.

For the first time we took district heating into consideration for the energy consumption data. The data for 2016 had to be adjusted accordingly.

GRI reference

This report was created in compliance with the GRI standards: core option.

External assurance for the report

No external assurance was obtained for this report.

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Omissions and remarks

1. As a result of the current system landscape, some itemizations could not yet be implemented. We are working to set up corresponding surveys with the objective of being able to report on this in 2019.
2. The data for an itemization according to place of discharge and water quality is not yet available. We are working to set up corresponding surveys with the aim of being able to report on this in 2019.
3. Materials are contained within which were used for the manufacture and packaging of the most important products. It was not possible to carry out an itemization of all materials used according to renewable and non-renewable materials. We are working to set up corresponding surveys with the aim of being able to report on this in 2019.
4. The data for an itemization according to disposal method for non-hazardous waste is not yet available. We are working to set up corresponding surveys with the objective of being able to report on this in 2020.
5. The information regarding the type of injuries, the injury rate as well as the data for the calculation of occupational disease rates and for the itemization according to gender and region are not yet available. We are working to set up corresponding surveys with the aim of being able to report on this in 2019.
6. The data for an itemization according to percentage of operations is not yet available. In addition, there is still some information missing regarding potential significant risks related to corruption identified through the risk assessment. We are working to set up corresponding surveys with the objective of being able to report on this in 2019.
7. The data for an itemization according to salary employee category, type of business partner and region is not yet available. We are working to set up corresponding surveys with the objective of being able to report on this in 2020.
8. The data for an itemization according to total number of hours expended during the reporting period for training courses is not yet available. We are working to set up corresponding surveys with the objective of being able to report on this in 2020.
9. The cases reported all are in reference to the Franke Kitchen Systems division.

SDG-INDEX

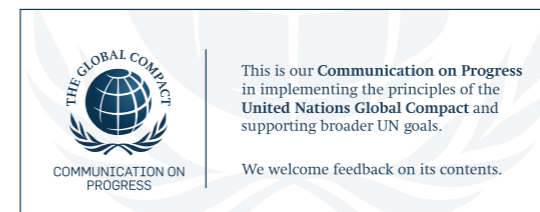
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