

# FRANKE GROUP SUSTAINABILITY REPORT 2014



MAKE IT WONDERFUL

**FRANKE**



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# CEO STATEMENT

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Dear Stakeholders,

Franke Vision 2020 is geared toward profitable growth and leveraging market opportunities. This growth must be sustainable, which means we operate in a socially and environmentally responsible way.

The key element for Franke's future success lies in the implementation of its' One Franke, One Strategy, One Brand concept, a future-oriented management structure that leverages competencies, resources and assets throughout the Franke organization to create a powerful global brand.

### **Franke values include sustainability**

We started to roll out the new Franke values in 2014. The values help us to translate our strategy and brand into concrete behaviors and actions. We lead by example and motivate ourselves by letting our values act as an inner compass, guiding us to take the right decisions to make it wonderful. The values embrace the notion of corporate sustainability:

#### **ENABLE PEOPLE**

We build on the engagement and initiative of our people and treat each other with trust and openness.

#### **FOSTER TEAMWORK**

We work together with respect across divisions and geographies. Diversity is highly valued as a major contributor to creativity.

#### **ACT ENTREPRENEURIAL**

We challenge the status quo and seize opportunities to do things smarter, better and more efficient way.

#### **DELIVER SOLUTIONS**

We are committed to creating long-term value for our customers, employees and for society.

#### **BE ACCOUNTABLE**

We go all the way to reach agreed goals and take responsibility for our actions.

### **Progress in most sustainability topics**

The sustainability topics that matter most to Franke are: energy consumption, CO<sub>2</sub> emissions, waste, product quality and occupational health & safety. I am pleased to report that Franke Group was able to improve its performance in all environmental topics except waste. Health & safety performance was also lower compared to 2013.

Some highlights that we achieved in 2014 are presented in this report. They range from the first logistics center in Germany that has been awarded a LEED Gold certificate (page 19), to the Change Ambassador Program (page 25), through to our revolutionary kitchen system Frames by Franke (page 34).

Franke remains committed to the UN Global Compact and making its principles in the areas of human rights, labor standards, the environment and anti-corruption part of our day-to-day operations.

We hope you find this report useful and welcome any feedback you may have.

Yours sincerely,

Alexander Zschokke, CEO Franke Group

May 2015

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## KEY IMPACTS, RISKS AND OPPORTUNITIES

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The Franke Group continuously works to improve the resource efficiency (energy, water and material), safety and durability of its products. We provide fair and safe working conditions for roughly 9,000 employees across the world. This implies a social responsibility for our employees and their families.

We also strive to consistently reduce the environmental impact of our operations, taking into account the commercial viability and the availability of environmentally friendly technology.

Franke Group is impacted by a number of sustainability trends that pose either a risk or an opportunity for our long-term business success. The most important trends are:

- While we are permanently improving our competitiveness, we still depend on the macro economic environment for our success. In January 2015, the European Central Bank (ECB) decided to launch a large-scale quantitative easing program to boost the European economy. In the same month, the Swiss National Bank decided to unpeg the Swiss franc from the euro. As a consequence, the Swiss franc gained instantly versus all major currencies, leading to strong negative effects for all companies like Franke that consolidate in Swiss francs and that have a substantial cost base in Switzerland. However, we also foresee positive development: the outlook for all major European economies has significantly improved since the announcement of the ECB program and we want to make sure we take full advantage of this opportunity.
- Globalization and the growth of emerging economies offer new market opportunities for our products and services. At the same time, increased competition in these economies requires Franke Group to remain innovative and cost-efficient and to offer solutions/systems rather than single products.
- In many countries, we face a scarcity of skilled employees. Franke Group has to remain an attractive employer in order to attract and retain talented people.
- Customers are increasingly asking for information about sustainability aspects such as energy efficiency, water consumption, labor standards or hygiene of our products, services, operations or our supply chain. What is more, there is a trend toward “green building”, with the spread of labels such as LEED, which is beneficial for our innovative, resource-efficient products and services.
- The regulatory environment is getting more complex with stricter legal (US Foreign Corrupt Practices Act, UK Bribery Act, etc.) and technical (EU energy-related products directive, water saving standards, etc.) regulations.

# ORGANIZATIONAL PROFILE

## Name of the organization

Franke Group

## Brands, products and/or services

Franke is a world-leading provider of products and solutions for residential kitchens and bathrooms, professional foodservice, coffee preparation, beverage delivery and semi-/public washrooms. For more information on the product range, see:

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

Franke's portfolio consists of several strong brands. The portfolio, in addition to the Franke brand, includes premium, expert brands that cover specific market segments, channel and service brands. Some brands are deployed internationally, others nationally. The list of brands is available at:

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

Franke Group also manufactures products or components that are purchased by other companies and retailed under the purchasing companies' brand names (OEM - Original Equipment Manufacturer).

## Organizational structure

Franke Group consists of five businesses:

- Franke Kitchen Systems
- Franke Foodservice Systems
- Franke Water Systems
- Franke Coffee Systems
- Franke Beverage Systems

For more details about the organizational structure, see:

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

## Head office

Franke Group (Franke Holding AG) has its headquarters in Aarburg, Switzerland.

## Ownership and legal form

Franke Group (Franke Holding AG) is a private company under Swiss law. It is fully owned by Artemis Holding AG (Artemis Group), which is also a private company.

## Markets served

The products of Franke Group are sold to various business customers such as restaurant chains, wholesale trade, kitchen studios or real estate developers through different channels.

The products of Franke Group are sold in over 100 countries.

## Scale of the reporting organization

Franke Group generated sales of 2,134 million Swiss francs in 2014 (2,070 million Swiss francs in 2013). At the end of 2014, the Group had 8,964 employees (9,237 employees at the end of 2013) and total assets as at the end of 2014: 2,053 million Swiss francs.

## NET SALES BY REGION



### IN CHF M

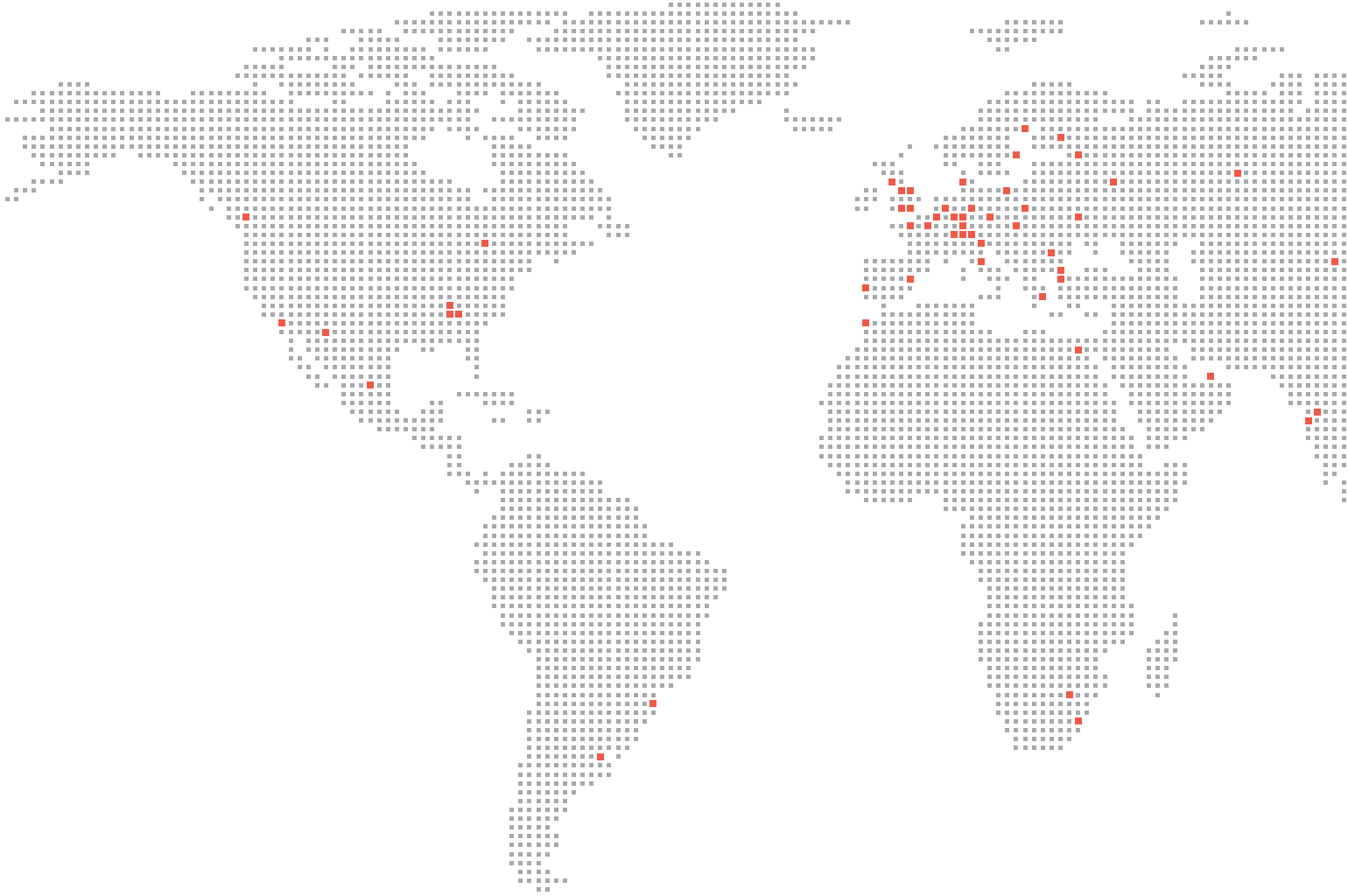
Europe	1,199
Americas	574
Asia/Oceania	193
Africa/Middle East	168

### IN % OF TOTAL NET SALES

Europe	56
Americas	27
Asia/Oceania	9
Africa/Middle East	8

Employees by region are shown under the chapter Employer Responsibility (page 23). The number of operations is listed on page 10. For more information on Franke Group, see:

[www.franke.com](http://www.franke.com) ► [About us](#) ► [Key Figures](#)



### Significant changes regarding size, structure or ownership

The following transactions executed in 2014 changed the scope of consolidation of Franke Group:

- As of 1 January 2014, Franke CS Trading AG was sold from Franke Kaffeemaschinen AG to Artemis Holding AG and renamed as Artemis Real Estate AG. This transaction has no impact on profit or loss 2014 and the Group's equity.
- In November 2014, Aqualnno Srl was established: a joint venture for the development of taps between Franke with 55% of outstanding shares and Paini with 45%.

### Awards received

The FoamMaster™ of Franke Coffee Systems won several awards in 2014, including the Caterer Product Excellence Award and the Intergastra Innovation Prize ("Innovationspreis"). Different Franke products have been awarded the prestigious Red Dot Award for product design.

### Countries with business operations

Franke Group has production companies and/or own representatives in 37 countries:

#### Europe (21 countries)

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

#### Americas (5 countries)

Argentina, Brazil, Canada, Mexico, USA

#### Asia/Oceania (7 countries)

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

#### Africa/Middle East (4 countries)

Egypt, Morocco, South Africa, United Arab Emirates



**-12%**

ABSOLUTE CO<sub>2</sub> EMISSIONS

**-20%**

FRESH WATER CONSUMPTION

**-9.7%**

ENERGY CONSUMPTION

**0**

FATAL ACCIDENTS



# HUMAN RESOURCES

## DIVERSITY: FEMALE EMPLOYEES

IN FULL TIME EQUIVALENTS	2014	% OF TOTAL 2014	2013	% OF TOTAL 2013
Franke Group Management Board	0	0%	0	0%
Senior Management	3	4%	4	5%
Employees (mainly office staff)	1,202	33%	1,232	34%
<b>Total office staff</b>	<b>1,205</b>	<b>33%</b>	<b>1,236</b>	<b>33%</b>

## EMPLOYEE TURNOVER: LEAVING PERMANENT EMPLOYEES

IN FULL TIME EQUIVALENTS	2014	TURNOVER RATE 2014	2013	TURNOVER RATE 2014
Europe	432	9%	332	7%
North America	224	15%	237	16%
Asia/Oceania	344	24%	488	33%
Africa/Middle East	67	10%	82	8%
<b>Total</b>	<b>1,067</b>	<b>13%</b>	<b>1,139</b>	<b>13%</b>

## OCCUPATIONAL HEALTH & SAFETY

	2014	DIFFERENCE 2013/2014	2013	2012
Lost days due to occupational accidents or diseases	12,859	6%	12,120	10,220
Lost day rate (LDR)*	172	12%	153	142
LDR per net sales (per million Swiss francs)	0.08	9%	0.07	0.07
Number of injuries	188	NA	NA	NA
Fatal accidents	0	0%	0	0
Production companies certified in accordance with OHSAS 18001	20	33%	15	14

\* Lost day rate (LDR) = Lost days per performed total working hours times 200,000 hours (50 working weeks at 40 hours per 100 employees).  
By using this factor, the resulting rate is related to the number of employees, not the number of hours.

# ENVIRONMENT

## ENERGY CONSUMPTION (ABSOLUTE)

	UNIT	2014	DIFR 2013/2014	2013	2012
Electricity	MWh	109,680	-11.4%	123,725	114,727
Heating oil extra light	Liters	4,558	NA	NA	NA
Natural gas	m <sup>3</sup>	702,263	-41.3%	1,196,692	716,538
<b>Subtotal excluding fuel</b>	<b>GJ</b>	<b>5,696,956</b>	<b>-24.8</b>	<b>7,578,823</b>	<b>7,090,868</b>
Gasoline	Liters	642,196	-15.7%	761,997	694,842
Diesel	Liters	1,922,323	315.2%	463,002	465,768
<b>Total</b>	<b>GJ</b>	<b>1,755,251</b>	<b>36.3%</b>	<b>1,287,459</b>	<b>1,029,957</b>

## ENERGY CONSUMPTION (RELATIVE TO NET SALES)

	UNIT	2014	DIFR 2013/2014	2013	2012
Electricity	MWh/m CHF	51	-14.0%	60	57
Heating oil extra light	Liters/m CHF	329	-43.1%	578	356
Natural gas	m <sup>3</sup> /m CHF	2,670	-27.1%	3,662	3,524
Fuel	Liters/m CHF	1,723	103.8%	846	743
<b>Total</b>	<b>GJ/m CHF</b>	<b>359</b>	<b>-9.7%</b>	<b>397</b>	<b>371</b>

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

	UNIT	2014	DIFR 2013/2014	2013	2012
Scope 1 (from fuels and combustibles)	Metric tons	22,345	-1.9%	22,773	19,864
Scope 2 (from electricity and district heat)	Metric tons	47,330	-16.0%	56,363	56,460
<b>Absolute CO<sub>2</sub> emissions</b>	<b>Metric tons</b>	<b>69,675</b>	<b>-12.0%</b>	<b>79,136</b>	<b>76,324</b>
<b>Relative CO<sub>2</sub> emissions</b>	<b>Mt/m CHF</b>	<b>33</b>	<b>-14.6%</b>	<b>38</b>	<b>38</b>

## WATER AND WASTE WATER

	UNIT	2014	DIFR 2013/2014	2013	2012
Fresh water consumption	m <sup>3</sup>	532,442	-20.0%	665,891	524,337
<b>Relative water consumes</b>	<b>m<sup>3</sup>/m CHF</b>	<b>250</b>	<b>-22.4%</b>	<b>322</b>	<b>261</b>
Waste water	m <sup>3</sup>	491,126	-19.8%	612,562	444,783
<b>Relative waste water</b>	<b>m<sup>3</sup>/m CHF</b>	<b>230</b>	<b>-22.2%</b>	<b>296</b>	<b>221</b>

## WASTE

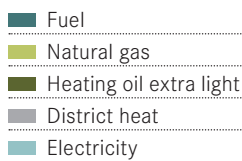
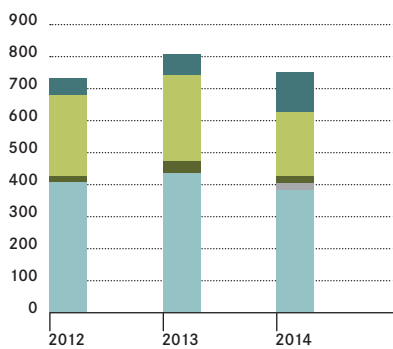
	UNIT	2014	DIFR 2013/2014	2013	2012
Non-hazardous waste	Metric tons	25,601	29.4%	19,792	18,866
Hazardous waste	Metric tons	1,701	-35.7%	2,646	1,841
<b>Total waste</b>	<b>Metric tons</b>	<b>27,302</b>	<b>21.7%</b>	<b>22,438</b>	<b>20,707</b>
<b>Relative waste</b>	<b>Mt/m CHF</b>	<b>12.8</b>	<b>18.0%</b>	<b>10.8</b>	<b>10.3</b>

## ENVIRONMENTAL MANAGEMENT SYSTEMS

	UNIT	2014	DIFR 2013/2014	2013	2012
Production companies certified in accordance with ISO 14001	Companies	25	19.0%	21	20

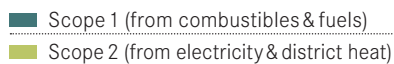
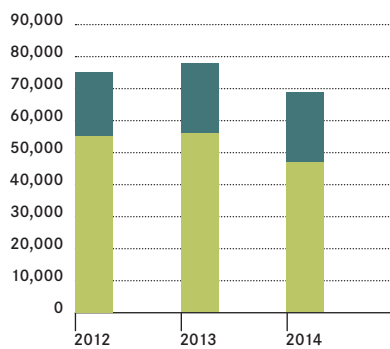
## ENERGY CONSUMPTION (ABSOLUTE)

IN GIGAJOULE (GJ)



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

IN METRIC TONS (MT)



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# REPORT PARAMETERS

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## Reporting period

This report covers the 2014 fiscal year (January 1, to December 31, 2014). Information from previous years is included when deemed necessary to give the reader a comprehensive picture of Franke's sustainability approach and performance. Information that is not from 2014 is clearly marked as such.

## Date of most recent previous report

The Sustainability Report 2013 of Franke Group was published in May 2014. For reports from previous years, see: [▶ www.franke.com](http://www.franke.com) ▶ [About us](#) ▶ [Sustainability](#)

## Reporting cycle

Franke Group publishes a sustainability report every year. We plan to publish our next report in May 2016.

## Process for defining report content

The GRI guidance on defining report content was followed to define the priorities for Franke. The basis for our sustainability reporting is a materiality analysis for the identification of those aspects that are of significance for Franke and our stakeholders. The basis for stakeholder selection and their key concerns are described on pages 12 and 13.

In spring 2013, we consulted over 30 external stakeholders and over 30 internal staff from different regions and functions. They have rated sustainability topics according to their importance for the business success of Franke and the interest of stakeholders. The topics were prioritized according to the principle of materiality and the results discussed and verified with the Franke Group Management Board.

The sustainability topics listed below were identified as most relevant by the Management Board and are central in our Sustainability Report 2014:

- Products and services: innovation, quality, safety and impact
- Production: energy, CO<sub>2</sub> emissions, water, waste
- Employees: occupational health & safety, business integrity

Other topics that are seen as important for both Franke and our stakeholders are: customer service, supply chain management, risk management, employee development and employee satisfaction, as well as the ten principles of the UN Global Compact, which are briefly addressed in this report.

## Boundary of the report

This report covers the entire Franke Group (see pages 4 and 5 for details). If only part of the company is being referenced (as mentioned in an example or due to the availability of data), this is clearly indicated. This report does not cover outsourced operations.

## Special limitations

There are no special limitations.

## Joint ventures, subsidiaries, outsourced operations, etc.

There were no significant changes related to joint ventures, subsidiaries or outsourced operations during the period under review which significantly influence reporting.

## Data measurement techniques and bases for calculations

Franke has been measuring non-financial data for many years. However, consolidation of non-financial data, according to the GRI indicators at Group level, was first done for the 2011 fiscal year.

For this report, financial, headcount and environmental data (energy, CO<sub>2</sub> emissions, water, material and waste sources) was extracted from COGNOS. Occupational health & safety data was collected with a Group-wide reporting tool. Specific employee data, covering approximately 40% of the total workforce (mainly office workers), was also extracted from the HR tool.

Environmental and occupational health & safety data for the 2014 fiscal year was reported by all production, services and sales companies.

Data for the 2011 to 2013 fiscal years was only reported by 38 production companies, three major logistics sites, as well as the corporate headquarters of Franke Group. Data for these years was linearly extrapolated based on the number of employees which likely resulted in overstated values. Therefore, comparison of 2014 data with previous years is limited.

The CO<sub>2</sub> 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 Federal Office for the Environment. The CO<sub>2</sub> emissions for electricity and district heat (Scope 2) were calculated with the emission factors provided by the companies.

The relative environmental and occupational health & safety data at Group level was calculated by dividing the absolute values by the net sales in Swiss francs.

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

Both the availability and quality of sustainability data has improved since it was first consolidated at Group level in 2012.

The key figures presented on pages 6 and 7 generally cover the years 2012, 2013 and 2014.

#### **Changes from previous reporting periods in scope, boundary or measure**

There were no significant changes during the reporting period with regard to scope, reporting boundary or measuring methods.

#### **GRI Content Index**

The Franke Group Sustainability Report 2014 serves as our GRI content index. We self-declare this report to GRI application level "B".

This year's report follows the same structure as the Franke Group Sustainability Report 2012, whose GRI application level "B" was confirmed by the Global Reporting Initiative in May 2013.

#### **External assurance for the report**

No external assurance was obtained for this report.

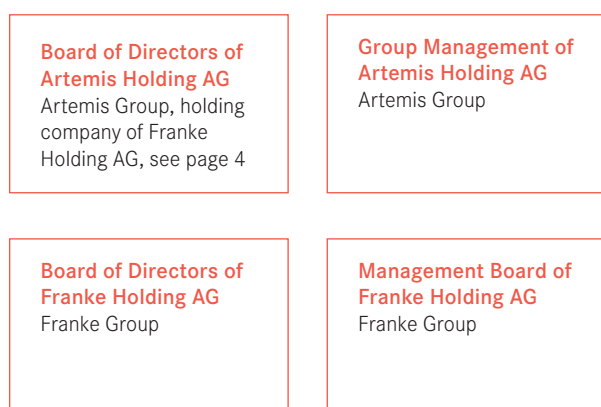
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# GOVERNANCE, COMMITMENTS AND ENGAGEMENT

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## Governance structure, committees under the Board of Directors

Franke Group has a four-tier governance structure:



Each body has clearly defined purposes, duties and responsibilities defined by the organizational regulations and the terms of reference. The two boards of directors are responsible for the strategic direction of Artemis Group and Franke Group and have a number of inalienable and non-transferable 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 Committee. The board and the standing committees held regular meetings in 2014. The Group Management of Artemis Group is composed of three members. For more information about the governance structure of Artemis Group, see:

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

The Board of Directors of Franke Holding AG is composed of four members. The board has no committees. The Franke Group Management Board is composed of 12 members. For more details about the governance structure of Franke Group, see:

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

## Separation of chair of 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 Group Management of Artemis Group nor of Franke 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 four 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 dialogue with the Board of Directors of Artemis Holding AG and is the Vice-Chairman of the Board of Directors of Franke Holding AG.

There is no employee representative on the Board of Directors. The 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 put to the Board of Directors through this channel.

## Linkage 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 Board as well as other employees are incentivized by a combination of personal and financial objectives. Depending on the function, personal objectives may be linked to social and environmental performance.

### **Processes for the Board of Directors to avoid conflicts of interest**

The organizational regulations for the Board of Directors stipulate how conflicts of interests of board members are avoided. Board members are obligated to refrain from involvement in the handling of matters affecting either their personal interests or those of a company or person with which they have an affiliation.

### **Qualifications of the Board of Directors with regard to sustainability**

There are no formal procedures for determining the qualifications of members of the Board of Directors in social and environmental matters. Two members of the Board of Directors of Artemis Holding AG have significant experience in strategic and operational sustainability management.

### **General principles and codes of conduct**

Different sustainability topics are addressed in policy documents and a number of internal guidelines deal with details related to sustainability and business ethics:

- Code of Conduct: legal compliance, health & 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 of Conduct was updated and the new version communicated to all employees in 2013. The code applies worldwide and is available on the intranet in 12 languages. In addition, an integrity line that can be used by all employees as a last resort 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 approved by the Franke Group Management Board in 2013.
- Group Policy: equal opportunity and diversity, employee relations, personal safety and emergency planning, business travel, information security.
- Sustainability Principles: framework for improving the economic, environmental and social performance of Franke Group.

- UN Global Compact principles in the areas of human rights, labor, the environment and anti-corruption (see page 12).

### **Oversight of sustainability performance by the Board of Directors**

The Finance & Audit Committee of the Board of Directors of Artemis Holding AG discusses risks and opportunities that are relevant for Franke Group as part of the approval of 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 & safety) that are implemented at different sites. In operations, the precautionary principle is implemented by means of preventive approaches for environmental protection, occupational health & safety and quality assurance.

Franke Group has a comprehensive system for the control and management of all risks involved in business activities in place. In accordance with the standard ISO 31000, Corporate Risk Management is at the intersection of all management systems. All Franke companies are required to conduct an annual risk analysis which identifies the key risks. In addition, all companies must have a clearly defined crisis organization, as well as a business continuity management plan that guarantees a quick and competent response in the event of an emergency. Furthermore, an external service provided by International SOS acts as a direct help system in any crisis situation during employee travels.

### 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](http://www.unglobalcompact.org)

Through the voluntary application of the Global Reporting Initiative's Reporting Guidelines (GRI G3.1), we aim to make a contribution toward ensuring transparency and comparability in sustainability reporting.

### Memberships in associations and organizations

Franke Group and its subsidiary companies are active in a wide range of industry associations and initiatives in various countries. Many of these organizations deal with sustainability topics, e. g. 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-efficient and energy-saving buildings. USGBC is the owner of the LEED building standard.  
► [www.usgbc.org](http://www.usgbc.org)
- European Committee of Domestic Equipment Manufacturers (CECED), a business association that represents the household appliance industry in Europe.  
► [www.ceced.eu](http://www.ceced.eu)
- Oebu, a Swiss association and think tank for sustainable business.  
► [www.oebu.ch](http://www.oebu.ch)

For a list of significant memberships, see:

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

### Relevant stakeholder groups

Franke Group believes the following stakeholder groups to be relevant:

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

### Basis for selecting stakeholders

Franke Group is aware that its business interacts with various stakeholder groups. The stakeholders listed above have been identified as important for systematic stakeholder dialogue, 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.

### Engagement of stakeholders in 2014 took place as follows:

#### CUSTOMERS AND CONSUMERS

**Customer surveys:** structured interviews with customers in various countries are conducted by professional service providers.

**Customer contacts:** around 350 Franke service technicians working in the field are in daily contact with kitchen studios, architects, restaurant owners, real estate developers, etc. Our key account managers are dedicated to large customers in order to better serve their needs and meet their expectations.

**Training:** during the year under review, many customers were provided with training in Franke systems and products.

**Trade fairs:** Franke businesses are present at leading trade fairs in many countries in order to display new products and foster customer relations.

#### EMPLOYEES

**Franke Forum:** annual meeting of the employee representatives of the European companies with a member of the Franke Group Management Board.

**Consultation of the various works councils at plant level** by the local Human Resources organization and/or local management.

**Communication through internal channels** such as CEO letter, employee magazine or intranet.

**Employees attend an introduction program** when joining the company.

**Engagement opportunities and employee participation** at plant level (for appraisal process, see page 26).



**SUPPLIERS  
AND  
BUSINESS  
PARTNERS**

**Initial contact** as part of the supplier pre-screening and evaluation process, mainly on issues related to quality and lead time.

**Regular discussions** between buyers and suppliers, both on site and in the context of audits.

**LOCAL  
COMMUNITIES,  
AUTHORITIES,  
MEDIA,  
REGULATORS**

**Consultation with and inclusion** of the neighbors of production sites in larger construction projects.

**Outsourcing of work** such as assembling and packaging of products to institutions that provide home and work for disabled adults by different Franke companies.

**Open days** at various production sites.

**Participation** in technical standard setting bodies.

**POTENTIAL  
FUTURE  
EMPLOYEES**

**Career days:** participation in recruitment days at universities.

**The career section** on the corporate website was updated to better position Franke as an attractive employer for professionals, students and graduates, as well as apprentices.

**Presentation of case studies** at universities and support of university projects.

**OWNER**

Since the owner of Franke Group is the **CEO/President of Artemis Group** (holding company of Franke Group), he is well informed and consulted about major strategic decisions.

**Approaches to stakeholder engagement**

So far, dialogue with external stakeholders has been highly decentralized. We plan to formalize interactions with representatives of relevant stakeholder groups in the future. The newly established central purchasing department is responsible for coordinating and standardizing supplier management.

**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:

- Resource and energy efficiency of our products and services: we conduct Eco design workshops to better understand the impact of our products along their lifecycle. We are also working on better highlighting the topics that matter in interactions with customers, as well as in labeling our products.
- Guidance in 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.
- Social and environmental standards in the supply chain: a central purchasing function was established in 2013 with the aim to better coordinate and standardize supplier management. At the same time, the Franke Group Management Board approved a new Supplier Code of Conduct that defines minimum requirements regarding employment practices, environmental protection and business integrity that must be met by all our suppliers.
- More robust performance data on relevant sustainability topics: we are continuously improving both the availability and the quality of key performance data. The data reported for 2014 covers more entities and more employees than in previous years. Also, in comparison with older data, the data quality in 2014 has improved.

# ECONOMY



### Management approach

The economic performance, market presence and indirect economic impact of Franke Group are under the strategic control of the Board of Directors and the operational management of the Franke Group Management Board.

The strategies of Franke Group and its divisions are regularly reviewed and revised if required, taking into account the economic performance, market situation and other factors.

### Economic performance

Relevant indicators on Franke Group's generation and distribution of economic value in 2014 are presented at: [www.franke.com](http://www.franke.com) ▶ [About us](#) ▶ [Key Figures](#)

### Risks and opportunities due to climate change

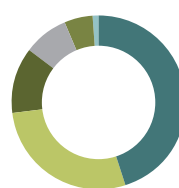
Climate change is a strong driver for energy and water efficiency. The need to use resources more wisely in the future will increase demand for products that use less energy and/or water along their lifecycle. Franke is confident that our innovative products meet the requirements of customers in this 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. Also, there are currently no specific CO<sub>2</sub> regulations such as emission caps. Yet, 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.

### FINANCIAL FIGURES

IN CHF M	2014	2013	DIFR
Net sales	2,134	2,070	3.1%
Operating expenses	299	300	-0.4%
Cost of materials	1,091	1,077	1.4%
Personnel expenses	532	510	4.4%
EBIT	135	112	21.1%
Investments	87	227	-61.4%

### NET SALES BY DIVISION



IN CHF M	
Franke Kitchen Systems	980.4
Franke Foodservice Systems	604.3
Franke Water Systems	263.7
Franke Coffee Systems	183.4
Franke Beverage Systems	115.5
Other Activities	19.0

### NET SALES BY REGION



IN %	
Europe	56.2
Americas	26.9
Asia/Oceania	9.0
Africa/Middle East	7.9

ENVIRONMENTAL



### Management approach

No production is possible without the consumption of resources or the generation of waste. Since Franke was established over 100 years ago, many individual initiatives related to environmental protection were launched, triggered by legislation, stakeholder concern or cost reduction. The activities of Franke Group have an impact along the value chain. In order to bundle our resources, it was decided to focus on segments of the value chain that we can strongly influence. We will gear product development and innovation toward resource efficiency (focus on material, energy, water and waste). And we will invest in environmentally friendly production processes. In the long run, however, we intend to also 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 commercial viability and the availability of environmentally friendly technology. A number of measures ensure that our environmental footprint is reduced:

- Compliance with environmental laws and regulations is the minimum requirement for all Franke operations.
- All production companies are required to implement and certify environmental management systems in accordance with the standard ISO 14001. By the end of 2014, 25 out of all 40 production companies were certified according to ISO 14001.
- Good practices are exchanged across Franke businesses to learn from examples that have shown good results (e.g. recycling of heat from presses or server rooms, substitution of materials, closed water loops in production processes).
- Both the availability and quality of environmental data have improved since it was first consolidated at Group level in 2012. The monitoring of the environmental data allows checking progress over time and defining additional improvement measures.

### Materials used by weight or volume

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), plastics and cardboard as well as semi-finished and finished products. We have just started to collect

data for materials and are currently not in a position to report details.\*

### Percentage of materials used that are recycled input materials

Chrome-nickel stainless steel, the main component of many of our products, is made of roughly 80% recycled material. Cardboard that we use for packaging mainly stems from recycled content (estimated 90% of total cardboard use). We estimate that the share of recycled material of the total input materials is about 25%.\*

### Direct energy consumption

Franke Group generally uses externally purchased energy. The direct energy carriers (Scope 1) include extra light heating oil, natural gas, as well as fuels (i.e. diesel and gasoline). Consumption of natural gas decreased by 24.8% (5.69 million m<sup>3</sup> in 2014 compared to 7.58 million m<sup>3</sup> in 2013). Consumption of extra light heating oil decreased by 41.3% (702,263 liters in 2014 compared to 1,196,692 liters in 2013), mainly due to the switch from heating oil to natural gas in Bad Säckingen, Germany, and Unterkulm, Switzerland. Franke-owned vehicles consumed 1.92 million liters of gasoline and 1.76 million liters of diesel in 2013 (up from 0.46 million liters of gasoline and 1.29 million liters of diesel in 2012). Comparison to previous years is limited because two service companies that operate a large fleet reported fuel consumption for the first time for the year 2014. Total direct energy consumption was 355 TJ in 2014 (up from 377 TJ in 2013). Direct energy consumption in relation to net sales (TJ per million Swiss francs, excluding fuel) was 8.8% lower in 2014 than in 2013, but 0.3% higher than in 2012.

Comparison with previous years is limited due to a change in the data measurement technique (see explanation on pages 8 and 9). Data for 2013 was extrapolated based on reported data from 82% of employees (84% of employees in 2012). Detailed data on energy consumption is presented on pages 6 and 7.

### Indirect energy consumption

Electricity is the most significant form of indirect energy (Scope 2) consumed by Franke Group. Three sites in Europe also use district heat. Consumption of electricity

decreased by 11.4% (109.7 GWh or 395 TJ in 2014 compared to 123.7 GWh or 445 TJ in 2013). Even though comparison with previous years is limited due to a change in the data measurement technique, (see explanation on pages 8 and 9), many companies reported lower electricity consumptions for 2014. The electricity consumption in relation to net sales (MWh per million Swiss francs) was 14.0% lower in 2014 than in 2013, and 9.8% lower than in 2012.

Data for 2013 was extrapolated based on reported data from 82% of employees (84% of employees in 2012). Detailed data on electricity consumption is presented on pages 6 and 7.

### Energy saved due to conservation and efficiency improvements

It is not possible to quantify the overall energy savings of conservation measures such as:

- Sustainable buildings;
- Modernization, reduction or downsizing of machinery such as presses, pumps and compressors;
- Improved lighting in buildings with energy-saving bulbs (e. g. LED), partitioning, motion sensors and daylight dimmers;
- Process improvements such as a lower temperature in the washing process;
- Binding CO<sub>2</sub> limits have been in force since 2012 for the purchase of company-owned cars and service vans. The limits also reduce fuel consumption and thus reduce operating costs of our fleet.

Franke tries, however, to measure the return of individual improvement projects. Examples are:

- Recycling of heat from press lines at Franke Poland saves 30,000 liters of heating oil per year;
- New fiber optic laser at Franke in the USA reduces electricity consumption by 40%;
- Regrouping and partition of lighting system at Franke Aquarotter in Germany resulted in electricity savings of 45%;
- A new building control system at the Franke headquarters in Aarburg led to annual energy savings in the range of 3 to 6%.

Systematic energy management has been expanded further at different Franke sites. Software for online and real time monitoring of energy consumption and the installation of additional metering points increase transparency of energy flows and ultimately allow for defining additional improvement measures. Franke in the Netherlands received a certificate of appreciation for decreasing the consumption of energy by 25% in the past two years (Helmond Energy Covenant). Franke Beverage Systems in Kreuztal, Germany, successfully passed the ISO 50001 (energy management system), in September 2014.\*

### Energy-efficient products and services

The biggest environmental contribution of our products lies in the efficient use of energy and (warm) water, which indirectly saves energy. Since 2012, we have been conducting Eco design workshops to further reduce the environmental footprint of our products and services along their lifecycles.

Current examples of products that save energy include:

- F3D3 freezer is 30 – 40% more energy efficient than comparable freezers. In addition, the propane powered F3D3 emits less HFCs (hydrofluorocarbons), thus reducing the negative impact on the climate.
- The hood Mirror uses a highly efficient brushless motor as well as LED lights, which, combined, reduce its energy consumption by 40% compared to a standard hood.
- The electronic lavatory tap Protronic-S reduces the consumption of water and energy by up to 50%. Thanks to the fully automatic mode of operation, water flows only when it is actually needed.
- EcoView™ by Franke Foodservices Systems is a wireless energy management system that is designed specifically for quick-service, casual dining and fast casual restaurants, and is the ideal way to help manage rising energy costs and improve profits. EcoView™ is part of the GoSmart Energy™ system of innovative, energy-efficient products and services. Franke Foodservices Systems connects these products and services to create a unified network where all of the components work together.\*

### Water consumption

Franke Group uses mainly fresh water from the public water system and some water from wells. The consumption of fresh water decreased by 20.0% in 2014 (532,442 m<sup>3</sup> in 2014 compared to 665,891 m<sup>3</sup> in 2013). The main reasons are that some large plants reported lower water consumptions for 2014 and that the leakage at our plant in Turkey (which led to a significant increase in 2013) was repaired. Water consumption in relation to net sales (m<sup>3</sup> per million Swiss francs) was 22.4% lower in 2014 than in 2013 and 4.2% lower than in 2012.

Comparison with previous years is limited due to a change in the data measurement technique (see explanation on pages 8 and 9). Data for 2013 was extrapolated based on reported data from 82% of employees (84% of employees in 2012). Detailed data on water consumption is presented on page 6.

### 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.

### Greenhouse gas emissions

The calculation of greenhouse gas (GHG) emissions includes both direct emissions (Scope 1) from the burning

# AWARDED SPEEDBOX AT FRANKE FOODSERVICE SYSTEMS EUROPE IN GERMANY



Franke Foodservice Systems Europe inaugurated its new logistics center in Bad Säckingen, Germany, on April, 8 2014. The Speedbox covers 10,000 m<sup>2</sup> and is used to supply approximately 13,000 quick service restaurants in Europe. The building fulfills high standards of sustainable construction and is the first logistics center in Germany that was awarded the LEED Gold certification. LEED (Leadership in Energy and Environmental Design) is awarded by the US Green Building Council and is a quality hallmark for buildings that are particularly sustainable during planning, construction and use. The Speedbox was praised especially for its energy concept, which includes the recovery of up to 90 percent of heat, efficient ventilation systems and optimized air tightness and thermal insulation properties of the building envelope.

Sustainable construction plays an important role for Franke. Franke is a member of the US Green Building Council and its US headquarters in Smyrna, TN, are already LEED certified.

of combustibles (see page 17) and indirect emissions (Scope 2), resulting mainly from electricity consumption (see page 17). Franke does not report on Scope 3 emissions (i. e. GHG emissions) that are a consequence of Franke's activities but not owned or controlled by the company. Examples of Scope 3 activities are the purchasing of raw materials, transportation and logistics or use of products by consumers.

In absolute terms, CO<sub>2</sub> emissions (Scopes 1 and 2), decreased by 12.0% (69,675 metric tons in 2014 compared to 79,136 metric tons in 2013). In relation to net sales (tons of CO<sub>2</sub> per million Swiss francs), CO<sub>2</sub> emissions in 2014 decreased by 14.6% compared to 2013, and by 13.9% lower compared to 2012. With 47,330 metric tons (68% of total CO<sub>2</sub> emissions), electricity consumption is by far the largest source of CO<sub>2</sub>. Comparison with previous years is limited due to a change in the data measurement technique (see explanation on pages 8 and 9). Data for 2013 was extrapolated based on reported data from 82% of employees (84% of employees in 2012). Detailed data on CO<sub>2</sub> emissions is presented on pages 6 and 7).

#### **Reductions of greenhouse gas emissions**

Our approach to curb CO<sub>2</sub> emissions is twofold:

1. Save energy and increase energy efficiency: some measures are listed on page 18.
2. Switch to renewable or low-carbon energy sources: the building standard of Franke Group promotes the use of renewable energy sources, heat pumps, recycled heat from production processes and district heating upon availability.

#### **Total water discharge**

Franke Group treats domestic waste water and process waste water. In 2014, 246,918 m<sup>3</sup> of waste water was discharged into a communal waste water treatment plant (50% of total waste water), and 244,208 m<sup>3</sup> (50%) was pretreated and discharged into surface or subsurface waters. A small quantity of waste water was disposed by professional third-party companies. Franke Group does not engage in the unplanned discharge of waste water.

Comparison with previous years is limited due to a change in the data measurement technique (see explanation on pages 8 and 9). Data for 2013 was extrapolated based on reported data from 82% of employees (84% of employees in 2012).

#### **Total weight of waste**

In 2013, there were 25,601 tons of non-hazardous waste including metal scrap (19,792 tons in 2013) and 1,701 tons of hazardous waste (2,646 tons in 2013). Comparison with previous years is limited due to a lack of robust data. Of the total waste, around 23,229 tons (85%) was reused or recycled.

Total waste in relation to net sales (tons of waste per million Swiss francs) was 18.0% higher in 2014 than in 2013 and 24.3% higher than in 2012. Comparison with previous years is limited due to a change in the data measurement technique (see explanation on pages 8 and 9). Data for 2013 was extrapolated based on reported data from 82% of employees (82% of employees in 2012). Detailed data on waste and the disposal destination is presented on page 7.\*

#### **Significant spills of chemicals**

There were no significant spills of chemicals in 2014.

#### **Initiatives to mitigate environmental impacts of products and services**

Franke Group aims at proactively adapt 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 and the generation of waste – will be reduced. In 2014, we continued to apply the Eco design approach to existing product groups or at a product's early development stage. Eco design workshops help us better understand our key priorities and ultimately improve our products and services.

Examples from our product range that help to reduce the environmental impact include:

- High filtering hood (HFH) technology applied at Franke and Faber hoods is an active carbon filtering system that offers high filtering efficiency of 95%; long-term performance, less noisy than traditional active carbon filters, easy maintenance and possibility to wash the filter up to five times.
- Wood used to reinforce worktops and drip trays for the beverage industry is no longer glued underneath, but rather by fixed staples and a smarter construction. Thus, products are perfectly recyclable at the end of their life cycle.
- AQUA 3000 Open Water Management System reconciles the two conflicting objectives of water management: it ensures the highest hygiene standards through prevention of water stagnation, and it also conserves water through its innovative technology.
- The Argos Eco and other taps dispense warm water only when raised to an angle above 45°, which reduces both water and energy use by 30%.
- For energy efficient products, see page 18.

#### **Fines and sanctions for non-compliance with environmental laws and regulations**

No significant fines or non-monetary penalties were imposed in 2014.

\* This information covers the requirements of the GRI indicator partially.



# ENERGY MANAGEMENT AT FRANKE HEADQUARTERS IN SWITZERLAND



Franke in Aarburg, Switzerland (around 850 employees, headquarters of Franke Group, three production companies) is collaborating closely with the Swiss Business Energy Agency (EnAW) to develop approved targets to save energy and cut CO<sub>2</sub> emissions. Franke has commissioned a detailed analysis of the energy flows in order to identify savings potential and define a range of improvements such as waste heat utilization or replacement of the building control system. The consumption of electricity and fossil fuels was reduced by 28% in 2014 compared to 2009. In addition to cost savings, Franke was also exempt from paying carbon taxes.

In April 2015, Franke inaugurated a wood chip heating system that replaced the old natural gas heating in Aarburg. Also as of 2015, Franke has purchased all electricity from Swiss hydropower. This means that all heat and electricity for the production and facilities in Aarburg stems from renewable, CO<sub>2</sub> neutral sources.

# EMPLOYER RESPONSIBILITY



## Management approach

Responsibility for labor practices at Franke Group lies with the Chief Human Resources Officer who reports directly to the CEO of Franke Group. The only exception is occupational health and safety for which the Head of Risk Management is responsible. Employees are a very important stakeholder group for Franke and we take their concerns seriously. The different human resources (HR) functions at Franke support the entire employee lifecycle, from recruiting, performing and developing to succession planning. The HR Committee of the Board of Directors supervises HR-related activities.

At Franke, every person and every idea counts. Our employees' personal and professional goals are supported through regular feedback, learning programs and development opportunities. Personal commitment is honored by rewarding performance and offering challenging careers with an international scope.

The Franke values are put into action by creating a collaborative environment built on trust. The goal of the Franke Group Management Board is that all production companies implement and certify an occupational health & safety management system (OHSAS 18001). By the end of 2014, 20 out of 40 production companies were certified according to the standard OHSAS 18001.

## HEADCOUNT BY REGION



Europe	57.1%
Americas	17.7%
Asia/Oceania	17.3%
Africa/Middle East	7.9%

Franke conducts business in line with high ethical and moral standards. The Code of Conduct and internal policies define our business principles and serve as an authoritative source of guidance in various topics including occupational health & safety, (sexual) harassment, non-discrimination, equal opportunity and diversity, employee relations and compliance with fundamental labor standards. The SpeakUp@Franke integrity line, launched in 2013, can be used by all employees as a last resort to report integrity concerns in a confidential and anonymous manner. Offered in 26 languages, it serves as an important tool and contributes to the upholding of high compliance standards.

## WORKFORCE

IN FULL TIME EQUIVALENTS	2014	2013	% OF TOTAL 2014	DIFFERENCE
Europe	5,102	4,820	57.1%	6%
Thereof Switzerland	1,079	1,400	12%	-5%
Americas	1,602	1,642	17.7%	-2%
Asia/Oceania	1,553	1,588	17.3%	-2%
Africa/Middle East	707	1,187	7.9%	-40%
<b>Total</b>	<b>8,964</b>	<b>9,237</b>	<b>100%</b>	<b>-3%</b>

Permanent employees	8,363	8,489	93%	-1%
Temporary employees	407	582	5%	-30%
Apprentices	194	166	2%	17%
<b>Total</b>	<b>8,964</b>	<b>9,237</b>	<b>100%</b>	<b>-3%</b>

Full-time office staff	3,517	3,581	96%	-2%
Part-time office staff	157	171	4%	-8%
<b>Total office staff</b>	<b>3,674</b>	<b>3,752</b>	<b>100%</b>	<b>-2%</b>

### TURNOVER RATE 2014



Europe	9%
Americas	15%
Asia/Oceania	24%
Africa/Middle East	10%
<b>Total</b>	<b>13%</b>

### TURNOVER RATE 2013



Europe	7%
Americas	16%
Asia/Oceania	33%
Africa/Middle East	8%
<b>Total</b>	<b>13%</b>

### PERMANENT LEAVING EMPLOYEES IN 2014



#### IN FULL TIME EQUIVALENTS

Europe	432
Americas	224
Asia/Oceania	344
Africa/Middle East	67
<b>Total</b>	<b>1,067</b>

### Total workforce

At the end of 2014, Franke Group employed 8,964 people worldwide, which is 273 FTEs (full time equivalents) less than in 2013. The strong reduction in Africa/Middle East is due to the fact that employees in Turkey were considered part of Europe in 2014, whereas they were counted as part of the Middle East in 2013.

### Employee fluctuation and new hires

The average fluctuation rate (of permanent employees) was 12.9% (13.4% in 2013). The figures below show the number of permanent leaving employees in 2014 and the turnover rate by regions.

While the fluctuation rate in China (around 20%) is comparable to other companies, the relatively high rate in Asia/Oceania is due to a special situation in Thailand where in-store product consultants of external retail shops are employed by Franke.\*

### Benefits

Franke Group essentially grants the same benefits to full-time and part-time employees. However, employees with temporary contracts are not always entitled to the same benefits as permanent employees. For example, employees in Switzerland with temporary employment contracts of less than three months are not insured in the pension fund. Franke Group bases its employee benefits on country-specific standards.

### Employees covered by collective bargaining agreements

We estimate that around 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% of employees are governed by a collective labor or wage agreement. There are no collective agreements with employees in the US and China (19% of total workforce).

### Notice periods regarding operational changes

Apart from country-specific obligations (e.g. statutory requirements or collective agreements), there are no formal rules as to when and how often employees are to be informed. In cases of major structural changes, Franke Group makes every effort to involve the employees at an early stage. Communication to employees takes place by means of corporate messages, intranet and the annual meeting of the Franke Forum (European Works Council).

# CHANGE AMBASSADOR PROGRAM (CAMP)



The Change Ambassador Program (CAMP) is Franke's change initiative to convey the corporate strategy, the new Make it Wonderful brand and the new values throughout the entire organization in order to achieve Franke Vision 2020. The overall objective of CAMP is to teach all employees the purpose behind the new direction so that, by the end of 2015, they will be willing to embrace the change in their daily work environment. 50 Franke employees have been selected on a cross-regional, -divisional and -functional basis. By developing or improving their competencies (e. g. training skills, communications skills), CAMP will transform them into Change Ambassadors and trainers themselves.

Then, based on the train-the-trainer concept, the Change Ambassadors will be able to share their new knowledge with their local leadership and will train them accordingly. Together, they will create local rollout teams in order to drive the global rollout forward by conveying the messages comprehensively across all Franke companies.

## WORKFORCE DIVERSITY

IN FULL TIME EQUIVALENTS	FEMALE	% OF TOTAL	MALE
Franke Group Management Board	0	0	12
Senior management	3	4	70
Employees (mainly office staff)	1,202	33	2,399

### Accidents, injuries, fatalities

The lost day rate (LDR, lost days per 100 employees), was 172 in 2014 (up from 153 in 2013). The LDR is calculated as days lost due to occupational accidents or diseases (12,859 lost working days in 2014), divided by the working hours (14.9 million hours in 2014), multiplied by 200,000 (50 working weeks at 40 hours per 100 employees). The group-wide absenteeism rate was 3.0% in 2013 (2.8% in 2013).

Comparison with previous years is limited due to a change in the data measurement technique (see explanation on pages 8 and 9). Data for 2013 was extrapolated based on reported data from 82% of employees (84% of employees in 2012). More detailed data on health & safety is presented on page 6. No fatal accident was recorded in 2014 (same for 2013 and 2012).

### Programs for skills management and lifelong learning

Franke Group offers internal training modules for selected candidates on their way to management positions. In addition, Franke offers external trainings to selected candidates on a case-by-case basis.

In 2014, the Franke Academy was launched that offers a broad range of training and learning opportunities orchestrated around our key challenges and focus areas, delivered in a unique way that is engaging, inspiring and action-oriented.

### Employees receiving performance and career development reviews

Franke Group supports the personal and professional development of individual employees. In 2014, 1,120 employees attended appraisal interviews, out of which 957 had structured objective-agreement meetings according to the Management Incentive Plan (MIP). This also includes the identification of development opportunities whereby objectives and implementation measures are defined jointly by the employee and the supervisor.

### Workforce diversity and equal opportunity

The proportion of female employees (only data available is for 3,674, mainly office workers, at Group level) was 33% in 2014 (same percentage in 2013). In senior management (Global Leadership Team), three out of 73 people are women. The 12 members of the Franke Group Management Board are all men.

No data on age group and minority group membership is currently being collected as Franke Group does not consider this to be relevant.

\* This information covers the requirements of the GRI indicator partially.



# HUMAN RIGHTS





### **Management approach**

By signing the UN Global Compact in 2011, Franke Group committed to “support and respect the protection of internationally proclaimed human rights” (principle 1) and to “make sure that we are not complicit in human rights abuses” (principle 2).

The responsibility for raising awareness and controlling internal human rights issues (e. g. non-discrimination, equal opportunity and diversity, freedom of association and the right to collective bargaining) rests with Corporate Human Resources. The purchasing functions are in charge of ensuring that human rights and fundamental labor standards are respected in the supply chain.

In its Code of Conduct Franke Group commits to respect and fully comply with all applicable laws and regulations and to support international human as well as fundamental labor laws as defined in the International Labor Organization’s Declaration on Fundamental Principles and Rights at Work.

The Supplier Code of Conduct of Franke Group requires that all suppliers and their respective supply chain comply with minimum requirements regarding employment practices, environmental protection and business integrity. The supplier code was approved in 2013 and is now being integrated into purchasing processes.

### **Human rights aspects in investment agreements**

There are no significant investment agreements or contracts which include human rights clauses or which underwent human rights screening.

### **Human rights training for employees**

In 2014, no employees received formal training in human rights issues. Franke employees worldwide have access to the Code of Conduct that is available in 12 languages. The revised Code of Conduct was communicated to all employees and a brochure distributed in 2013.

### **Incidents of discrimination**

The Code of Conduct of Franke Group forbids discrimination because of gender, age, color, national origin, race, religion or any other legally protected personal charac-

teristic. Yet, security rules may restrict certain work to specific individuals.

Compliance with the Code of Conduct is verified annually as part of a binding Group-wide survey. No cases of discrimination were discovered in 2014.

### **Guarantee of freedom of association and collective bargaining**

In its Code of Conduct, Franke Group commits to respect the rights of its employees to freedom of association and collective bargaining within the boundaries of the local law.

The Supplier Code of Conduct of Franke Group 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.

### **Risk of and precautionary measures against child labor**

Franke’s exposure with respect to child labor is considered low because of its industry and the countries in which business activities are carried out. In its Code of Conduct, Franke Group commits to respect fundamental labor laws. Child labor is not tolerated.

The Supplier Code of Conduct of Franke Group requires that all suppliers and their respective supply chain reject child labor.

### **Risk of and precautionary measures against forced labor**

Franke’s exposure with respect to forced labor is considered low because of its industry and the countries in which business activities are carried out. In its Code of Conduct, Franke Group commits to respect fundamental labor laws. Forced labor is not tolerated.

The Supplier Code of Conduct of Franke Group requires that all suppliers and their respective supply chain reject forced, bonded, prison, military or compulsory labor or any form of human trafficking.

# SOCIETY



**Management approach**

The Chief Financial Officer is responsible for issues such as corruption, anti-competitive behavior and conflicts of interest. The managing directors deal with questions of social responsibility related to local communities.

In 2013, an updated version of the Code of Conduct of Franke Group was communicated and rolled out. The code commits to respect and fully comply with all applicable laws and regulations and support international human rights. Compliance with laws and regulations is coordinated by the Compliance Officer of Franke Group and monitored as part of an annual binding survey at all companies. The Internal Audit department carries out on-site audits. In addition, the SpeakUp@Franke integrity line can be used by all employees as a last resort to report integrity concerns in a confidential and anonymous manner. In the event of misconduct, corrective measures are taken.

**Analysis of business units for risks of corruption**

The Internal Audit department carried out 12 on-site audits in 2014 (down from 14 audits in 2013). Yet, these audits do not particularly focus on risks related to corruption.

According to the annual binding survey carried out at all companies of Franke Group, there were no cases of corruption in 2014.

**Training on anti-corruption policies**

In 2014, no employees received formal training in anti-corruption policies and procedures. Franke employees worldwide have access to the Code of Conduct that is available in 12 languages. The revised Code of Conduct as well as the new SpeakUp@Franke integrity line was communicated to all employees and a brochure distributed in 2013.

**Actions taken in response to incidents of corruption**

No measures were necessary, as no case of corruption was revealed in 2014.

**Political positions and exercise of influence**

Franke Group issues no political statements and does not involve itself in political lobbying.

# PRODUCT RESPONSIBILITY



### **Management approach**

Products and services are what our customers pay for. Therefore, we are permanently challenging ourselves to ensure that our products and services provide value to our customers. It is only through ongoing innovation and by meeting the highest quality and safety standards that we can maintain our leading position in the market.

At Franke, product responsibility lies with several departments: Product Development, Quality, Marketing, Risk Management and Legal.

By the end of 2014, 35 out of 40 production companies had a certified quality management system in accordance with the standard ISO 9001. Quality management systems ensure that our products comply with mandatory technical and other standards. In addition, quality management leads to continuous improvements.

### **Health and safety impacts of products**

Products of Franke Group have to comply with a number of technical and food safety regulations. We follow a preventive approach as part of our quality management to ensure that health and safety requirements of all products are met. Among other things, an FMEA (Failure Mode and Effects Analysis) is performed to prevent errors and increase the technical reliability of products.

We ensure traceability of our critical products to the first external customer. This would allow us to recall products in case of serious malfunction. We are pleased that no product recall was required in the more than 100 years of Franke's history.

### **Product information**

While only very few of our products require specific information on their sustainability impacts (e.g. taps, hobs and ovens in the European Union), Franke Group voluntarily uses a number of labels that allow our customers and end users to make informed purchasing choices.

The list of labels includes:

- EU energy label (energy efficiency of hobs and ovens)
- PEFC Chain of Custody (origin of wood)
- Sanitized (hygiene)
- WELL, WRAS and EnergieSchweiz (water efficiency of taps and shower heads)

### **Practices related to customer satisfaction**

Franke divisions and companies assess customer satisfaction in different ways. This topic is generally part of the quality management system and follows clear procedures.

While some companies conduct customer surveys on their own, others run third-party administered surveys with standardized questions. Performance improvement plans are routinely developed for those questions with the weakest results. In 2013, different "voice of the customer" surveys were performed that analyzed customer satisfaction.

### **Customer privacy**

There are no known cases of complaints based on violations of data protection.

# REVOLUTIONARY KITCHEN SYSTEM FRAMES BY FRANKE



The revolutionary kitchen system Frames by Franke brings the kitchen back to where it belongs: in the center of everyday life. It integrates all Franke product groups around the four key elements of every modern kitchen – hob, oven, hood, sink and matching faucet – into a single brilliant system. Each element is designed and engineered to work together seamlessly and to enable a perfect workflow. All appliances meet the highest standards of their product group: stoves are VDE certified and are, together with hoods, in the A++ energy efficiency class. The faucets are economical in their use of hot water (hence low energy consumption) and qualify them for the class A rating. Furthermore, the stainless steel is fully recyclable.

All in all, the functional and connected kitchen system is not only an all-rounder for different customer needs, but also contributes to sustainable development through optimal use of resources for long-term durability and efficient product disposal.

[framesbyfranke.com](http://framesbyfranke.com)

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## CONTACT

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Franke Holding AG  
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**Image credits**

Getty Images (Cover)  
Gataric Photography (page 2)  
Balz Murer (page 24)  
Franke

**Conception/Realization**

Swisscontent AG, Zurich

**Print/Lithography**

DE Druck AG, Effretikon/Zurich  
Digicom Digitale Medien AG, Effretikon/Zurich







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