

Franke Group Sustainability Report 2012

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| <p>1. Strategy and analysis</p> <p>1.1 CEO Statement</p> <p>Dear Stakeholders,</p> <p>As the new President/CEO of Franke Group, I am pleased to introduce to you the sustainability report 2012. After having made sustainability a strategic topic for Franke in 2010 by establishing a central coordination function at group level, this report is a commitment to pursuing building value for the company, the employees and all stakeholders.</p> <p>In my view, two overarching concepts are essential for the long-term business success of Franke Group: Efficiency and well-being.</p> <p>Only if we operate, decide and deliver efficiently will we maintain a competitive advantage. This means that we have to continuously improve our operational excellence on all organizational levels and to use resources (e.g. capital, time, energy, water, materials) as efficiently as possible. And only if we manage to improve the financial, emotional and physical well-being of our customers, employees, business partners and other stakeholders will we safeguard the economic well-being of Franke Group.</p> <p>In the year under review, we have continued to pro-actively address and improve our performance in sustainability topics that are relevant to our business. I am pleased to report that Franke Group is on track to meet the targets related energy and water consumption, CO₂ emissions and occupational health & safety. Yet, we have to strengthen our efforts in reducing the amount of hazardous waste.</p> <p>2013 will be a year of dynamic change and sustainability is one of the guiding principles of it. We intend to strengthen compliance with applicable laws, the Code of Conduct and other internal regulations of Franke Group. Respect for internationally agreed standards and our internal policies is a minimum expectation for all our employees. In that regard, we remain committed to making the UN Global Compact and its principles in the areas of human rights, labour standards, the environment and anti-corruption part of our day-to-day operations.</p> <p>We hope you find this report useful and welcome any feedback you may have.</p> <p>Yours sincerely</p> <p>Alexander Zschokke President/CEO Franke Group</p> | <p>www.franke.com --> Sustainability --> Our Commitment</p> |

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| <p>1.2 Key impacts, risks, and opportunities</p> <p>Franke Group feels obliged to continuously improve the resource-efficiency (energy, water, and material), safety and durability of its products. We aspire to enable enterprise and offer a rewarding experience for our customers through our innovative products and services.</p> <p>Franke Group provides fair and safe working conditions for over 8,500 employees across the world. This implies a social responsibility for different kinds of workers – from office to shop floor – and their families.</p> <p>No production is possible without the consumption of resources or the generation of waste. We strive to constantly reduce the impact of our operations, taking into account the commercial viability and the availability of environmentally friendly technology.</p> <p>Franke Group purchases raw material, components and buyouts for over 1 billion Swiss francs every year. Rooted in a Swiss tradition of high ethical, social and environmental standards, Franke Group aims to be a role model and set standards for suppliers and other partners.</p> <p>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:</p> <ul style="list-style-type: none"> • Globalization and the strong 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 stay an attractive employer in order to attract and retain talented people. • Customers generally ask for more information about sustainability aspects such as energy efficiency, water consumption, labor standards or hygiene of our products, services, operations or supply chain. Also, there is a trend towards “green building” including 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 and tighter for legal (US Foreign Corrupt Practices Act, UK Bribery Act etc.) and technical (EU Energy Using Products Directive, water saving standards etc.) issues. • Last but not least, we are affected by the economic crisis in Southern Europe and other countries and by the high value of the Swiss franc. | |

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| <p>2. Organizational profile</p> | |
| <p>2.1 Name of the organization</p> | |
| <p>Franke Group</p> | |
| <p>2.2 Brands, products, and/or services</p> | |
| <p>Franke Group is the world's leading provider of intelligent systems for domestic kitchens, professional food service, coffee preparation, beverage delivery and hygiene solutions.</p> | <p>www.franke.com --> Businesses</p> |
| <p>The majority of products that are manufactured by Franke Group are sold under the Franke or other brands (Faber, eurodomo, Eisinger etc.). Some products are manufactured by third-parties. 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).</p> | |
| <p>The product range includes sinks, hoods, taps, hobs, ovens, comprehensive systems for the global foodservice industry, fully automatic coffee machines, water dispensers, showers, dispensers and beverage containers. Our services include project management, resupply, technical support, pre-emptive maintenance and customer service.</p> | |
| <p>2.3 Organizational structure</p> | |
| <p>Franke Group is divided into six businesses:</p> | <p>www.franke.com --> About us --> Franke Group</p> |
| <ul style="list-style-type: none"> • Franke Kitchen Systems • Franke Foodservice Systems • Franke Washroom Systems • Franke Coffee Systems • Franke Beverage Systems • Franke Industrial Engineering (Franke Industrie AG) | |
| <p>2.4 Headquarters location</p> | |
| <p>Franke Group (Franke Holding AG and all businesses) has its headquarters in Aarburg, Switzerland.</p> | |

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| <p>2.5 Countries with business operations</p> <p>Franke Group has production companies and/or own representatives in 38 countries:</p> <ul style="list-style-type: none"> • Europe (22 countries): Switzerland, Germany, Austria, Italy, France, Belgium, Netherlands, Poland, Czech Republic, Slovak Republic, Romania, Turkey, Russia, Ukraine, Finland, Sweden, Denmark, Norway, Greece, Spain, Portugal, United Kingdom • Americas (4 countries): USA, Canada, Brazil, Argentina • Asia/Pacific (7 countries): China, Hong Kong, Thailand, Philippines, Japan, India, Kazakhstan • Africa/Middle East (5 countries): South Africa, United Arab Emirates, Morocco, Tunisia, Egypt <p>2.6 Ownership and legal form</p> <p>Franke Holding AG (Franke Group) is a private company under Swiss law. It is fully owned by Artemis Holding AG (Artemis Group) which is also a private company.</p> <p>2.7 Markets served</p> <p>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.</p> <p>The products of Franke Group are sold in around 100 countries.</p> <p>2.8 Scale of the reporting organization</p> <p>Franke Group generated sales in 2012 of 2,012 million Swiss francs (1,894 million Swiss francs in 2011 without Defy Appliances (Pty) Ltd., see 2.9 below). At the end of 2012, the Group had 8,523 employees (8,128 employees at the end of 2011 without Defy Appliances) and total assets of 1,823 million Swiss francs.</p> <p>Net sales by regions (in million Swiss francs):</p> <ul style="list-style-type: none"> • Europe 1,041 • North America 515 • Asia 185 • Africa/Middle East 162 • Other regions 109 <p>Employees by regions are shown at LA1. The number of operations is listed at 2.5.</p> | |

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| <p>2.9 Significant changes regarding size, structure or ownership</p> <p>On 1 January 2013, Franke Artemis Group was renamed to Artemis Group. Artemis Group includes Franke Group, Artemis Real Estate Group, Artemis Asset Management Group, and Feintool Group. The renaming did not result in significant changes in terms of size (number of employees, turnover), locations or ownership.</p> <p>Defy Appliances (Pty) Ltd., the clear market leader of white goods in South Africa, was sold in November 2011 which led to a reduction in the total workforce by 2,400 employees and a reduction of net sales of over 300 million Swiss francs.</p> <p>2.10 Awards received</p> <p>Different Franke products have been awarded the red dot award for product design. The Franke Ice Sanitation Device is the recipient of the 2012 Kitchen Innovation Award.</p> <p>Franke Polska has been awarded the emblem “Leader in Corporate Social Responsibility – Good Employer 2012”.</p> <p>3. Report parameters</p> <p>3.1 Reporting period</p> <p>The report covers the financial year 2012 (1 January to 31 December 2012). Information from previous years and/or from the first months of 2013 is included when deemed necessary to give the reader a comprehensive picture of Franke’s sustainability approach and performance. Information that is not from the year 2012 is clearly marked as such.</p> <p>3.2 Date of most recent previous report</p> <p>The Sustainability Report 2011 was the first such report of Franke Group. It was published in May 2012.</p> <p>3.3. Reporting cycle</p> <p>Franke Group publishes a sustainability report every year. We plan to publish our next report in May 2014.</p> | <p>www.franke.com --> Sustainability --> Our Performance</p> |

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| <p>3.4 Contact point for questions regarding this report</p> <p>Should you have any questions concerning sustainability at Franke in general or this report in particular please contact: Oliver Johner Corporate Sustainability Manager Franke Group Email: oliver.johner@franke.com</p> | <p>www.franke.com --> Sustainability --> Contact</p> |
| <p>3.5 Process for defining report content</p> <p>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 at 4.15 and 4.17 (pages 11 and 13).</p> <p>In fall 2011, we consulted 18 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 Group Management.</p> <p>The sustainability topics listed below were identified as most relevant by Group Management and are central in our Sustainability Report 2012:</p> <ul style="list-style-type: none"> • Products and services: Innovation; quality, safety and impact • Production: Energy, CO₂, water, waste • Employees: Occupational health & safety <p>Other topics that are seen as important for both Franke and our stakeholders – customer service & satisfaction, supply chain management, risk management, employee development & training and employee satisfaction – are briefly addressed in this report.</p> | <p>Sustainability Report 2011, page 12</p> |
| <p>3.6 Boundary of the report</p> <p>The report covers the entire Franke Group (see 2.5 and 2.8 for details). If only part of the company is meant as an example or due to the availability of data, this is clearly indicated. The report does not cover joint ventures or outsourced operations.</p> | |
| <p>3.7 Special limitations</p> <p>There are no special limitations.</p> | |

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| <p>3.8 Joint ventures, subsidiaries, outsourced operations, etc.</p> <p>There were no significant changes related to joint ventures, subsidiaries, outsourced operations during the period under review which significantly influence reporting.</p> <p>3.9 Data measurement techniques and bases for calculations</p> <p>Franke has been measuring non-financial data for many years. Yet, consolidation of non-financial data according to the GRI indicators took place on Group level for the first time in 2012.</p> <p>The data presented in this report stems from two sources: Financial, headcount, environmental and occupational health & safety data was collected with a Group wide reporting tool. Specific employee data was extracted from a Group wide HR tool that covers slightly less than half of the total workforce (mainly office workers).</p> <p>Environmental and occupational health & safety data was reported by all 42 production companies of Franke Group. Yet, not all companies were in a position to report data for all indicators. We linearly extrapolated data based on reported data and clearly state what percentage of employees is covered by the reported data.</p> <p>The CO₂ emissions for fossil energy (heating oil and natural gas; scope 1) are based on emission factors from the Swiss Federal Office for the Environment. The CO₂ emissions for electricity (scope 2) were calculated with the emission factors provided by the production companies.</p> <p>The relative environmental and occupational health & safety data on Group level was calculated by dividing the absolute values by the net sales.</p> <p>3.10 Effects of any restatements of information provided in earlier reports</p> <p>Given that the Sustainability Report 2011 included few data for the entire Franke Group, no restatements had to be made.</p> <p>3.11 Changes from previous reporting periods in scope, boundary, or measure</p> <p>Since the Sustainability Report 2011 was about the industrial activities of Franke Artemis Group, no changes in scope, boundary, or measure of this report (covering the Franke Group) were made.</p> | |

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| <p>3.12 GRI Content Index</p> <p>This Franke Group Sustainability Report 2012 serves as our GRI content index. We self-declare this report to GRI application level “B” which was confirmed by the Global Reporting Initiative (see statement on page 28).</p> | |
| <p>3.13 External assurance for the report</p> <p>No external assurance was obtained for this report.</p> | |
| <p>4. Governance, commitments and engagement</p> | |
| <p>4.1 Governance structure, committees under the Board of Directors</p> | |
| <p>Franke Group has a four-tier governance structure:</p> <ol style="list-style-type: none"> 1. Board of Directors of Artemis Holding AG (Artemis Group, holding company of Franke Holding AG, see 2.6 and 2.9) 2. Group Management of Artemis Holding AG (Artemis Group) 3. Board of Directors of Franke Holding AG (Franke Group) 4. Group Management of Franke Holding AG (Franke Group) | <p>www.artemis-holding.com --> About us</p> <p>www.franke.com --> About us --> Franke Group</p> |
| <p>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.</p> | |
| <p>The Board of Directors of Artemis Holding AG is composed of six members. The Board has three standing committees: the Finance & Audit, the Information Security, and the Human Resources Committee. The Board and the standing committees held regular meetings in 2012.</p> | |
| <p>The Group Management of Artemis Group is composed of three members.</p> | |
| <p>The Board of Directors of Franke Holding AG is composed of four members. The Board has no committees.</p> | |
| <p>The Group Management of Franke Group is composed of nine members.</p> | |
| <p>4.2 Separation of chair of Board of Directors and executive management</p> | |
| <p>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.</p> | |

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| <p>4.3 Independent members of the Board of Directors</p> <p>No member of the Board of Directors of Artemis Holding AG and its committees is involved in operative management.</p> <p>Three of the four members of the Board of Directors of Franke Holding AG have executive positions within Artemis Group. One member of the Board of Directors of Franke Holding AG is a member of the Group Management of Franke Group.</p> | |
| <p>4.4 Mechanisms for shareholders and employees to address recommendations to the Board of Directors</p> <p>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.</p> <p>There is no employee representative on the Board of Directors. The employee representatives of the European sites meet regularly in the context of the Franke Forum in Europe (European Works Council) with a Member of the Group Management. Selected concerns can be addressed to the Board of Directors through this channel.</p> | |
| <p>4.5 Linkage between compensation and the organization's performance</p> <p>The remuneration of the members of the Board of Directors is not linked to the performance of the company.</p> <p>Members of Group Management 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.</p> | |
| <p>4.6 Processes for the Board of Directors to avoid conflicts of interest</p> <p>The organizational regulations for the Board of Directors stipulate how conflicts of interests of Board members are avoided. Board members are obliged 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.</p> | |
| <p>4.7 Qualifications of the Board of Directors with regard to sustainability</p> <p>There are no formal procedures for determining the qualifications of members of the Board of Directors in social and environmental matters.</p> | |

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| <p>Two members of the Board of Directors of Artemis Holding AG have significant experience in strategic and operational sustainability management.</p> | <p>www.franke.com --> Sustainability --> Our Mission</p> |
| <p>4.8 General principles and codes of conduct</p> | |
| <p>Different sustainability topics are addressed in policy documents and a number of internal guidelines deal with details related to sustainability and business ethics:</p> | |
| <ul style="list-style-type: none"> • Code of Conduct: Non-discrimination and equal opportunity, sexual harassment, physical violence, bribery, gifts and entertainment, misuse of company resources, confidentiality of information, compliance with competition and tax laws, reporting of non-compliance. The Code of Conduct will be revised and an external integrity line introduced in 2013. • Corporate Policy: Compliance with health & safety regulations, compliance with environmental regulations. • Corporate Human Resources Policy: Employee development, training and education, attraction and retention of talents, remuneration, business travel. • Sustainability Principles: Framework for our activities as they outline how Franke can improve its economic, environmental and social performance. • UN Global Compact principles (see 4.12 below). | |
| <p>With the exception of the Sustainability Principles, the above mentioned internal documents are not publicly available.</p> | |
| <p>4.9 Oversight of sustainability performance by Board of Directors</p> | |
| <p>The Finance & Audit Committee of the Board of Directors of Artemis Holding AG discusses relevant risks and opportunities as part of the approval of the annual risk report.</p> | |
| <p>Randolf Hanslin, member of the Board of Directors of Artemis Holding AG, was delegated to the Sustainability Steering Committee of Franke Group by the Board of Directors of Artemis Holding AG. The Sustainability Steering Committee steers the environmental and social activities and performance of Franke Group.</p> | |
| <p>4.10 Evaluation of sustainability performance of Board of Directors</p> | |
| <p>There is no formal process for assessing the performance of the Board of Directors from a holistic sustainability perspective.</p> | |

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| <p>4.11 Precautionary approach</p> <p>The precautionary principle plays an important role for Franke Group both as 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 plants. In operations, the precautionary principle is implemented by means of preventive approaches for environmental protection, occupational health & safety and quality assurance.</p> <p>Franke Group has a comprehensive system for the control and management of all risks involved in business activities in place throughout the Group. In accordance with the norm 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 reaction in the event of an emergency.</p> | |
| <p>4.12 External agreements and initiatives</p> <p>Franke Group has become a member of the UN Global Compact in January 2011. We also participate in the activities of the local Global Compact network in Switzerland.</p> <p>Through the voluntary application of the Global Reporting Initiative's Reporting Guidelines (GRI G3.1) we aim at making a contribution towards ensuring transparency and comparability in sustainability reporting.</p> | <p>unglobalcompact.com</p> <p>globalreporting.org</p> |
| <p>4.13 Membership in associations and organizations</p> <p>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:</p> <ul style="list-style-type: none"> • 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. • 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. <p>A list of significant memberships can be found on the internet site.</p> | <p>www.franke.com --> Sustainability --> Our Mission</p> <p>www.usgbc.org</p> <p>www.ceced.eu</p> <p>www.oebu.ch</p> |

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| <p>4.14 Relevant stakeholder groups</p> <p>Franke Group has defined the following stakeholder groups as most relevant: Customers, employees, suppliers/business partners, local communities/media/authorities/regulators, potential future employees, and the owner.</p> | <p>www.franke.com --> Sustainability --> Our Mission</p> |
| <p>4.15 Basis for selection of stakeholders</p> <p>Franke Group is aware that business does not act in isolation but is interacting with various stakeholder groups. The stakeholders listed under 4.14 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.</p> | |
| <p>4.16 Approaches for stakeholder engagement</p> <p>So far, dialogue with stakeholders has been highly decentralized. We plan to formalize interactions with representatives of relevant stakeholder groups in the future.</p> <p>In principle, engagement of stakeholders according to stakeholder group and type has taken place as follows:</p> <p>Customers:</p> <ul style="list-style-type: none"> • Customer contacts: Around 350 Franke service technicians working in the field are in contact on a daily basis with kitchen studios, architects, restaurant owners, real estate developers etc. Our key account managers are dedicated to major customers 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. • Customer service and surveys: See PR5. <p>Employees:</p> <ul style="list-style-type: none"> • Franke Forum: Regular meetings of the employee representatives of the European sites with a Member of Group Management and the Head of Corporate Human Resources. • Consultation of the various works councils at plant level by the local Human Resources organization and/or the local Management. • Communication through internal channels (print and online) with opportunities for employees to submit articles. | <p>www.franke.com --> Sustainability --> Our Mission</p> |

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| <ul style="list-style-type: none"> • Employees attend an introduction program when joining the company. Also, Franke offers internal training programs which allow interaction with Group Management and Group functions (for details see LA11). • Engagement opportunities and employee participation at plant level (for appraisal process see LA12). <p>Suppliers and business partners:</p> <ul style="list-style-type: none"> • 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. <p>Local communities, authorities, media, regulators:</p> <ul style="list-style-type: none"> • Consultation with and inclusion of the neighbors of production plants in larger construction projects. • Open days at various production sites. • Participation in technical standard setting bodies. • Annual press briefings in Germany and Switzerland. <p>Potential future employees:</p> <ul style="list-style-type: none"> • Career days: Participation at recruitment days at Swiss universities including interviews with talented people. <p>Owner:</p> <ul style="list-style-type: none"> • Since the owner is CEO/President of Artemis Group (holding company of Franke Group), he is well informed and consulted for major strategic decisions. | |
| <p>4.17 Response to key topics and concerns of stakeholders</p> | |
| <p>Sustainability topics are increasingly at the heart of many of the discussions with both internal and external stakeholders. The key topics and concerns that were raised include:</p> <ul style="list-style-type: none"> • Resource and energy efficiency, safety and quality of our products and services: We are conducting Ecodesign workshop to better understand the impact of our products along their life-cycle. We are also working on better highlighting these topics both 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: We are working on including social and environmental standards in greater detail in our supply chain management. • Performance data for different sustainability topics: This report aims at using more GRI indicators (application level “B”) and at providing more comprehensive data than our previous report. | |

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| <p>5. Economy (EC)</p> <p>Management Approach – Economy</p> <p>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 Group Management.</p> <p>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.</p> <p>At Group level, economic performance is primarily measured by the absolute cash flow and the return on net assets (RoNA).</p> <p>EC1 Economic performance</p> <p>Relevant indicators on Franke Group's generation and distribution of economic value in the year 2012 are presented in the Annual Report 2012 (not publicly available).</p> <p>All key figures below are in million Swiss francs:</p> <table border="1"> <thead> <tr> <th>Key figures</th> <th>2012</th> <th>2011</th> <th>Difference 2011-2012</th> </tr> </thead> <tbody> <tr> <td>• Net sales</td> <td>2,012</td> <td>1,894</td> <td>6.2%</td> </tr> <tr> <td>• EBIT</td> <td>114</td> <td>84</td> <td>35.7%</td> </tr> <tr> <td>• Profit after tax</td> <td>71</td> <td>56</td> <td>27.8%</td> </tr> <tr> <td>• Income taxes</td> <td>25</td> <td>24</td> <td>4.2%</td> </tr> <tr> <td>• Operational expenses</td> <td>297</td> <td>297</td> <td>0.0%</td> </tr> <tr> <td>• Cost of materials</td> <td>1,066</td> <td>992</td> <td>7.5%</td> </tr> <tr> <td>• Personnel expenses</td> <td>460</td> <td>447</td> <td>2.9%</td> </tr> <tr> <td>• Investments</td> <td>92</td> <td>65</td> <td>34.9%</td> </tr> </tbody> </table> <p>EC2 Risks and opportunities due to climate change</p> <p>Climate change is a strong driver for energy and water-efficiency. The need to use resources more wisely in the future will increase the demand for products that use less energy and/or water along their life-cycle. Franke is confident that our innovative products are meeting the requirements of customers in this regard.</p> <p>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 CO₂ regulations such as emission caps. Yet, Franke is aware that rising energy prices are directly linked to our production costs. This is why Franke has set the goal to further reduce energy consumption in the future.</p> | Key figures | 2012 | 2011 | Difference 2011-2012 | • Net sales | 2,012 | 1,894 | 6.2% | • EBIT | 114 | 84 | 35.7% | • Profit after tax | 71 | 56 | 27.8% | • Income taxes | 25 | 24 | 4.2% | • Operational expenses | 297 | 297 | 0.0% | • Cost of materials | 1,066 | 992 | 7.5% | • Personnel expenses | 460 | 447 | 2.9% | • Investments | 92 | 65 | 34.9% | |
| Key figures | 2012 | 2011 | Difference 2011-2012 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| • Net sales | 2,012 | 1,894 | 6.2% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| • EBIT | 114 | 84 | 35.7% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| • Profit after tax | 71 | 56 | 27.8% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| • Cost of materials | 1,066 | 992 | 7.5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| <p>6. Environmental (EN)</p> <p>Management Approach – Environmental</p> <p>No production is possible without the consumption of resources or the generation of waste. Since Franke was founded over 100 years ago, many individual initiatives related to environmental protection were launched, triggered by legislation, stakeholder concern or cost-reduction.</p> <p>The activities of Franke Group have an impact along the value chain. In order to bundle our resources, it was decided to initially focus on segments of the value chain that we can strongly influence. We will gear product development and innovation towards resource-efficiency (focus on material, energy, water and waste). And we will invest in environmentally friendly production processes. In the long run, however, we will also intensify our work with suppliers to ensure that global environmental standards are met and we will further reduce the environmental footprint of our logistics and transportation.</p> <p>Franke Group strives to constantly reduce the 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:</p> <ul style="list-style-type: none"> • 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 2014. By the end of 2012, 11 out of 25 key production companies and 20 out of all 42 production companies were certified according to ISO 14001. • Environmental targets in the areas of energy consumption, CO₂ emissions, water consumption and waste were approved by the Sustainability Steering Committee. • Good practices are exchanged across divisions 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). • The new position of Corporate Real Estate Management was created in 2012 to support the construction and renovation of buildings. This includes considering sustainability aspects such as the optimal use of property, reduction of energy and water consumption or the use of recycled materials in construction projects. <p>EN1 Materials used by weight or volume</p> <p>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, cardboard as well as semi-finished and finished</p> | |

| GRI Indicator | Reference |
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| <p>products. We have just started to collect data for materials and are currently not in a position to report details.</p> | |
| <p><i>This information covers the requirements of the GRI indicator partially.</i></p> | |
| <p>EN2 Percentage of materials used that are recycled input materials</p> | |
| <p>Chrome-nickel stainless steel which is the main component of many of our products is made of roughly 70% recycled material. Cardboard that we use for packaging mainly stems from recycled content (estimated 90% of total cardboard use).</p> | |
| <p><i>This information covers the requirements of the GRI indicator partially.</i></p> | |
| <p>EN3 Direct energy consumption</p> | |
| <p>Franke Group generally uses energy purchased externally. The direct energy carriers (Scope 1) include heating oil extra light, natural gas as well as diesel and gasoline.</p> | <p>www.franke.com --> Sustainability --> Our Performance</p> |
| <p>Consumption of natural gas was reduced by 5.0% (6.09 mio m³ in 2012 compared to 6.42 mio m³ in 2011) and consumption of heating oil also fell by 5.0% (671,670 liters in 2012 compared to 706,681 liters in 2011). We have just started to collect data for diesel and gasoline consumption and are currently not in a position to report details. Total direct energy consumption was 244 TJ in 2012 (257 TJ in 2011).</p> | |
| <p>The direct energy consumption in relation to net sales (TJ per million Swiss francs) was reduced by 10.6%.</p> | |
| <p>The figures are extrapolated based on reported data from 93% of employees (84% of employees in 2011).</p> | |
| <p>EN4 Indirect energy consumption</p> | |
| <p>Electricity is the only form of indirect energy (Scope 2) consumed by Franke Group.</p> | <p>www.franke.com --> Sustainability --> Our Performance</p> |
| <p>Consumption of electricity was reduced by 7.5% (99.8 GWh or 359 TJ in 2012 compared to 107.9 GWh or 388 TJ in 2011).</p> | |
| <p>The electricity consumption in relation to net sales (MWh per million Swiss francs) was reduced by 12.9%.</p> | |
| <p>The figures are extrapolated based on reported data from 100% of employees (90% of employees in 2011).</p> | |

| GRI Indicator | Reference |
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| <p>EN5 Energy saved due to conservation and efficiency improvements</p> <p>It is not possible to quantify the overall energy savings of conservations measures such as:</p> <ul style="list-style-type: none"> • Thermal insulation of building walls, roofs and windows; • Improved lighting in buildings with energy-saving bulbs, partitioning, motion sensors and daylight dimmers; • Modernization, reduction or downsizing of machinery such as presses, transformers, pumps and compressors; • Process improvements such as lower temperature in washing process or rapid energy distribution for moulding. <p>Franke Group tries, however, to measure the return of individual improvement projects. Examples are:</p> <ul style="list-style-type: none"> • 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%. <p><i>This information covers the requirements of the GRI indicator partially.</i></p> | <p>www.franke.com --> Sustainability --> Our Activities --> Production</p> |
| <p>EN6 Energy-efficient products and services</p> <p>The biggest environmental contribution of our products lies in the conservation of energy and water, which indirectly also saves on energy. In 2012, we have started to conduct ecodesign workshops to further reduce the environmental footprint of our products and services along their life-cycles.</p> <p>Current examples of products that save energy include:</p> <ul style="list-style-type: none"> • 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 the 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. <p><i>This information covers the requirements of the GRI indicator partially.</i></p> | <p>www.franke.com --> Sustainability --> Our Activities --> Products</p> |

| GRI Indicator | Reference |
|---|--|
| <p>EN8 Total water withdrawal</p> <p>Franke Group uses mainly fresh water from the public water system and some water from wells. Thanks to savings measures, the consumption of fresh water was reduced by 16.1% (705,670 m³ in 2012 compared to 840,718 m³ in 2011). This is the result of water recycling systems and other improvements of the production processes.</p> <p>Water consumption in relation to net sales (m³ per million Swiss francs) was reduced by 21.0%.</p> <p>The figures are extrapolated based on reported data from 100% of employees (86% of employees in 2011).</p> | <p>www.franke.com --> Sustainability --> Our Performance</p> |
| <p>EN9 Water sources significantly affected by withdrawal of water</p> <p>The water consumption of our production plants does not place a significant burden on water sources as defined in the GRI guidelines.</p> | |
| <p>EN16 Greenhouse gas emissions</p> <p>The calculation of greenhouse gas (GHG) emissions includes both direct emissions (Scope 1) from the burning of combustibles (see EN3, diesel and gasoline are not included) and indirect emissions (Scope 2) resulting from electricity consumption (see EN4). The emissions from the preparation of combustibles and fuels in the upstream chain (Scope 3) are not included in the calculation.</p> <p>In absolute terms, CO₂ emissions (Scopes 1 and 2) decreased by 10.5% (66,071 metric tons in 2012 compared to 73,816 metric tons in 2011). In relation to net sales, there is an improvement of 15.8%.</p> <p>The figures above are extrapolated based on reported data from 95% of employees (85% of employees in 2011).</p> <p>With 52,108 metric tons (79% of total CO₂ emissions), electricity consumption is by far the largest source of CO₂, followed by combustibles. The purchase of green electricity in our Dutch operations reduced the CO₂ emissions by more than 2,800 metric tons.</p> | <p>www.franke.com --> Sustainability --> Our Performance</p> |
| <p>EN18 Reductions of greenhouse gas emissions</p> <p>Franke Group has set the goal to voluntarily reduce CO₂ emissions in relation to net sales by 10% between 2011 and 2013. With a reduction of 11.7% in 2012 compared to 2011 (see EN16), we are on track to meet the goal by 2013. We intend to define a longer-term goal for the reduction of our CO₂ emissions.</p> | <p>www.franke.com --> Sustainability --> Our Activities --> Production</p> |

| GRI Indicator | Reference |
|--|--|
| <p>Our approach to curb CO₂ emissions is twofold:</p> <ol style="list-style-type: none"> 1. Save energy and increase energy efficiency: some measures are listed under EN5. 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. <p>Franke Schweiz AG (manages Franke facilities in Aarburg with around 825 employees including staff of Artemis Group) has a master plan to manage energy and is collaborating closely with the Swiss Energy Agency (EnAW) to develop federally approved targets to save CO₂ emissions and energy, which it already exceeded in 2010. Target agreements are part of the voluntary measures under the Energy Act as well as the CO₂ Act of the Swiss Confederation.</p> | |
| <p>EN21 Total water discharge</p> <p>Franke Group treats all domestic waste water and all process waste water. In 2012, 186,465 m³ of waste water was discharged into a communal waste water treatment plant (40% of total waste water), and 281,691 m³ (60%) was discharged into surface or subsurface waters. A small quantity of waste water was disposed by professional third-party companies.</p> <p>Franke Group does not engage in the unplanned discharge of waste water.</p> <p>The figures are extrapolated based on reported data from 84% of employees (77% of employees in 2011).</p> | <p>www.franke.com --> Sustainability --> Our Performance</p> |
| <p>EN22 Total weight of waste</p> <p>In 2012, there was a total of 21,543 tons of non-hazardous waste (including scrap) and 4,257 tons of hazardous waste.</p> <p>The figures are extrapolated based on reported data from 70% of employees.</p> <p><i>This information covers the requirements of the GRI indicator partially.</i></p> | <p>www.franke.com --> Sustainability --> Our Performance</p> |
| <p>EN23 Significant spills of chemicals</p> <p>There were no significant spills of chemicals in 2012.</p> | |

| GRI Indicator | Reference |
|--|--|
| <p>EN26 Initiatives to mitigate environmental impacts of products and services</p> <p>Franke Group strives for improving its products and production processes in a way that environmental risks and impacts are reduced. The biggest environmental impacts of our products are: use of material, energy and water, and the generation of waste. In 2012, we have conducted Ecodesign workshops to further reduce the environmental footprint of our products and services along their life-cycles.</p> <p>Examples from our product range that help to reduce the environmental impact include:</p> <ul style="list-style-type: none"> • High filtering hood (HFH) technology is an invention by Faber, the hoods brand of Franke Group. HFH 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. • Application of different labels that determine the water efficiency of products, such as WELL, WRAS and EnergieSchweiz, provide more transparency in the area of water conservation to our customers. • AQUA 3000 Open Water Management System reconciles the two conflicting objectives of water management: It ensures highest hygiene standards through prevention of water stagnation; and it conserves water through innovative technology at the same time. • For energy efficient products see EN6. | <p>www.franke.com --> Sustainability --> Our Activities --> Products</p> |
| <p>EN28 Monetary value of significant fines for noncompliance with environmental laws and regulations</p> <p>No significant fines or non-monetary penalties were imposed in 2012.</p> | |
| <p>7. Employer responsibility (LA)</p> | |
| <p>Management Approach – Labor Practices and Decent Work</p> | |
| <p>Responsibility for labor practices at Franke Group lies with the Head of Corporate Human Resources who reports directly to the President/CEO of Franke Group. The only exception is occupational health and safety for which the Head of Corporate Risk Management is responsible.</p> | |
| <p>The Franke Employer Brand Promise states: “We engage and nurture talent, enable the enterprise and ambition of our own people, and create together a culture based on values and ideas, for a rewarding future of shared success.”</p> | |

| GRI Indicator | Reference | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--------------|--------------|-------------------------|-------------------------|----------|-------|----|--|-----------------|-------|----|--|-----------------|-----|----|--|--------|-------|----|--|----------------------|-----|----|--|----------------|--------------|--------------|-----------|-----------------------|-------|-------|----|-----------------------|-----|-----|-----|---------------|-----|-----|-----|----------------|--------------|--------------|-----------|--------------------------|-------|----|--|--------------------------|-----|----|--|-----------------------------|--------------|-----------|--|---|
| <p>The different human resources (HR) functions of Franke – Corporate HR, Group HR and company HR – recruit and retain qualified employees, provide training and education to promote individual success and encourage a high level of employee morale through recognition, communication and feedback. The HR Committee of the Board of Directors supervises HR-related activities.</p> <p>Group Management has set the goal that all production companies shall implement and certify an occupational health and safety management system (OHSAS 18001) by 2014. By the end of 2012, 14 out of 42 production companies had a certified occupational health and safety management system in accordance with the standard OHSAS 18001.</p> <p>Employees are a very important stakeholder group for Franke and we take their concerns seriously. We have identified training & development and health & safety as priority topics in order to remain an attractive employer and to have a workforce that lives up to our core values – bright, energetic and dedicated.</p> <p>LA1 Total workforce</p> <p>At the end of 2012, Franke Group had 8,523 employees (8,128 employees at the end of 2011).</p> <p>All key figures below are in FTE (full time equivalents):</p> <table border="0"> <thead> <tr> <th></th> <th style="text-align: right;">2012</th> <th style="text-align: right;">2011</th> <th style="text-align: right;">Difference 2011-2012</th> </tr> </thead> <tbody> <tr> <td>• Europe</td> <td style="text-align: right;">5,026</td> <td style="text-align: right;">na</td> <td></td> </tr> <tr> <td>• North America</td> <td style="text-align: right;">1,159</td> <td style="text-align: right;">na</td> <td></td> </tr> <tr> <td>• South America</td> <td style="text-align: right;">361</td> <td style="text-align: right;">na</td> <td></td> </tr> <tr> <td>• Asia</td> <td style="text-align: right;">1,267</td> <td style="text-align: right;">na</td> <td></td> </tr> <tr> <td>• Africa/Middle East</td> <td style="text-align: right;">710</td> <td style="text-align: right;">na</td> <td></td> </tr> <tr> <td>• Total</td> <td style="text-align: right;">8,523</td> <td style="text-align: right;">8,128</td> <td style="text-align: right;">5%</td> </tr> <tr> <td>• Permanent employees</td> <td style="text-align: right;">7,831</td> <td style="text-align: right;">7,505</td> <td style="text-align: right;">4%</td> </tr> <tr> <td>• Temporary employees</td> <td style="text-align: right;">547</td> <td style="text-align: right;">471</td> <td style="text-align: right;">16%</td> </tr> <tr> <td>• Apprentices</td> <td style="text-align: right;">145</td> <td style="text-align: right;">152</td> <td style="text-align: right;">-5%</td> </tr> <tr> <td>• Total</td> <td style="text-align: right;">8,523</td> <td style="text-align: right;">8,128</td> <td style="text-align: right;">5%</td> </tr> <tr> <td>• Full-time office staff</td> <td style="text-align: right;">3,549</td> <td style="text-align: right;">na</td> <td></td> </tr> <tr> <td>• Part-time office staff</td> <td style="text-align: right;">159</td> <td style="text-align: right;">na</td> <td></td> </tr> <tr> <td>• Total office staff</td> <td style="text-align: right;">3,708</td> <td style="text-align: right;">na</td> <td></td> </tr> </tbody> </table> <p>LA2 Employee fluctuation and new hires</p> <p>The average fluctuation rate (in terms of employees with unlimited contracts, without natural departures such as retirement and long-term leaves of absence) was 14% (comparison with previous year is not possible due to lack of data).</p> | | 2012 | 2011 | Difference 2011-2012 | • Europe | 5,026 | na | | • North America | 1,159 | na | | • South America | 361 | na | | • Asia | 1,267 | na | | • Africa/Middle East | 710 | na | | • Total | 8,523 | 8,128 | 5% | • Permanent employees | 7,831 | 7,505 | 4% | • Temporary employees | 547 | 471 | 16% | • Apprentices | 145 | 152 | -5% | • Total | 8,523 | 8,128 | 5% | • Full-time office staff | 3,549 | na | | • Part-time office staff | 159 | na | | • Total office staff | 3,708 | na | | <p>www.franke.com --> Sustainability --> Our Performance</p> <p>www.franke.com --> Sustainability --> Our Performance</p> |
| | 2012 | 2011 | Difference 2011-2012 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| • Europe | 5,026 | na | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| • North America | 1,159 | na | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| • South America | 361 | na | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| • Asia | 1,267 | na | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| • Africa/Middle East | 710 | na | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| • Total | 8,523 | 8,128 | 5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| • Permanent employees | 7,831 | 7,505 | 4% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| • Temporary employees | 547 | 471 | 16% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| • Apprentices | 145 | 152 | -5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| • Total | 8,523 | 8,128 | 5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| • Full-time office staff | 3,549 | na | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| • Part-time office staff | 159 | na | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| • Total office staff | 3,708 | na | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

GRI Indicator

Reference

The figures below show the number of permanent leaving employees in 2012 and the turnover rate by regions:

| | 2012 | Turnover rate |
|----------------------|--------------|----------------------|
| • Europe | 478 | 10% |
| • North America | 113 | 10% |
| • South America | 108 | 30% |
| • Asia | 450 | 36% |
| • Africa/Middle East | 30 | 4% |
| • Total | 1,179 | 14% |

This information covers the requirements of the GRI indicator partially.

LA3 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.

LA4 Employees covered by collective bargaining agreements

We estimate that around 4,000 employees, which is a little less than half of the total workforce, are 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 USA and China (18% of total workforce).

LA5 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).

LA7 Accidents, injuries, fatalities

The Group-wide absenteeism rate was 2.9% in 2012 (no data available for 2011).

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 --> Sustainability
 --> Our Performance

| GRI Indicator | Reference | | | | | | | | | | | | | | | | |
|---|-----------|------------|------------|------|------------------|---|-----|---|-------------------|---|----|----|-----------------------------------|-------|-----|-------|--|
| <p>The lost day rate (LDR, lost days per 100 employees.) was 156 in 2012 (down from 310 in 2011). LDR is calculated as days lost due to occupational accidents or diseases (8,966 lost days in 2012) divided by the working hours (11.8 mio hours in 2012) multiplied by 200,000 (50 working weeks at 40 hours per 100 employees).</p> <p>The figures above are extrapolated based on reported data from 94% of employees (77% of employees in 2011).</p> <p>No fatal accident was recorded in 2012 (same for 2011).</p> <p>LA11 Programs for skills management and lifelong learning</p> <p>Franke Group has three internal training modules for selected candidates on their way to first, middle or senior management positions:</p> <ul style="list-style-type: none"> • Corporate Introduction Program • Corporate Education Program 1 • Corporate Education Program 2 <p>A total of 41 individuals participated in the internal training modules in 2012. In addition, Franke Group also offers external trainings such as Executive MBA programs to selected candidates on a case-by-case basis.</p> <p>LA12 Employees receiving performance and career development reviews</p> <p>Franke Group supports the personal and professional development of individual employees. In 2012, around 80% of all employees attended appraisal interviews, out of which 2,128 had structured meetings according to the Management Incentive Process (MIP). This also includes the identification of development opportunities whereby objectives and implementation measures are defined jointly by the employee and the supervisor.</p> <p>LA13 Workforce diversity and equal opportunity</p> <p>The proportion of female employees (only data for 3,708 mainly office workers is available at Group level) was 32% in 2012. In the Senior Management, 6 out of 72 people are women. The nine-member Group Management of Franke Group consists of one woman and eight men.</p> <table border="1" data-bbox="177 1747 1161 1881"> <thead> <tr> <th></th> <th>Female</th> <th>% of total</th> <th>Male</th> </tr> </thead> <tbody> <tr> <td>Group Management</td> <td>1</td> <td>11%</td> <td>8</td> </tr> <tr> <td>Senior Management</td> <td>6</td> <td>8%</td> <td>66</td> </tr> <tr> <td>Employees (mainly office workers)</td> <td>1,204</td> <td>32%</td> <td>2,504</td> </tr> </tbody> </table> <p>No data on age group and minority group membership is currently being collected as Franke Group does not consider this to be relevant.</p> | | Female | % of total | Male | Group Management | 1 | 11% | 8 | Senior Management | 6 | 8% | 66 | Employees (mainly office workers) | 1,204 | 32% | 2,504 | <p>www.franke.com --> Sustainability --> Our Performance</p> |
| | Female | % of total | Male | | | | | | | | | | | | | | |
| Group Management | 1 | 11% | 8 | | | | | | | | | | | | | | |
| Senior Management | 6 | 8% | 66 | | | | | | | | | | | | | | |
| Employees (mainly office workers) | 1,204 | 32% | 2,504 | | | | | | | | | | | | | | |

| GRI Indicator | Reference |
|---|-----------|
| <p>8. Human rights (HR)</p> | |
| <p>Management Approach – Human Rights</p> | |
| <p>By signing up to 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).</p> | |
| <p>The responsibility for raising awareness and controlling of internal human rights issues (equal treatment, freedom of association and the right to collective bargaining) is with Corporate Human Resources. The procurement functions are in charge of ensuring that human rights are respected in the supply chain.</p> | |
| <p>We plan to roll-out an updated version of our Code of Conduct in 2013 and to emphasize more on basic human rights when dealing with business partners.</p> | |
| <p>HR1 Human rights aspects in investment agreements</p> | |
| <p>There are no significant investment agreements or contracts which include human rights clauses or which underwent human rights screening.</p> | |
| <p>HR3 Human rights training for employees</p> | |
| <p>In 2012, no employees have received formal training in human rights issues.</p> | |
| <p>HR4 Incidents of discrimination</p> | |
| <p>No cases of discrimination were discovered in 2012.</p> | |
| <p>9. Society (SO)</p> | |
| <p>Management Approach – Society</p> | |
| <p>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.</p> | |
| <p>The Code of Conduct of Franke Group states that international and local laws minimum standard of conduct. 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 the event of misconduct, corrective measures are taken.</p> | |

| GRI Indicator | Reference |
|---|-----------|
| <p>In 2013, we plan to increase our compliance efforts by rolling-out an updated version of our Code of Conduct.</p> | |
| <p>Different Franke companies outsource work such as assembling and packaging of our products to institutions that provide home and work for disabled adult people.</p> | |
| <p>SO2 Analysis of business units for risks of corruption</p> | |
| <p>The Internal Audit department carried out 13 on-site audits in 2012. Yet, these audits do not particularly focus on risks related to corruption.</p> | |
| <p>SO3 Training on anti-corruption policies</p> | |
| <p>In 2012, no employees have received formal training in anti-corruption policies and procedures.</p> | |
| <p>SO4 Actions taken in response to incidents of corruption</p> | |
| <p>In extensive interpretation of the then applicable internal rules, a German public official was invited to a cultural event of Franke Group in 2010. In 2013, he was fined for acceptance of benefits in office (<i>Vorteilsannahme im Amt</i>).</p> | |
| <p>Independent of the above legal case, Franke Group plans to revise the Code of Conduct and to implement an internal reporting procedure in 2013. In addition, employees with exposure to corruption or other sensitive topics will receive training based on the revised version of the Code of Conduct.</p> | |
| <p>SO5 Political positions and exercise of influence</p> | |
| <p>Franke Group issues no political statements and does not involve itself in political lobbying.</p> | |
| <p>10. Product responsibility (PR)</p> | |
| <p>Management Approach – Product Responsibility</p> | |
| <p>Products and services are what our customers pay for. Therefore, we are constantly 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.</p> | |

| GRI Indicator | Reference |
|--|-----------|
| <p>By the end of 2012, 32 out of 42 production companies had a certified quality management system in accordance with the standard ISO 9001 (up from 29 companies at the end of 2011). Quality management systems ensure that our products comply with mandatory technical and other standards. In addition, quality management leads to continuous improvements.</p> <p>Aspects such as labeling, communication to customers and customer privacy are taken care of by the marketing departments of our divisions.</p> <p>PR1 Health and safety impacts of products</p> <p>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, Quality or Safety Management includes an FMEA (Failure Mode and Effects Analysis) to prevent errors and increase the technical reliability of products.</p> <p>We ensure traceability of our critical products to the first external customer. This allows us to recall products in case of serious malfunction. We are pleased that no product recall was required in the 100 year history of Franke!</p> <p>PR3 Product information</p> <p>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.</p> <p>The list of labels includes:</p> <ul style="list-style-type: none"> • 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) <p>PR5 Practices related to customer satisfaction</p> <p>Franke divisions and companies assess customer satisfaction in different ways. This topic is generally part of the quality management system and follows clear procedures. Different indicators such as “service call rate” or “claims from the market“ are used to quantify customer satisfaction.</p> | |

| GRI Indicator | Reference |
|---|-----------|
| <p>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 weakest results. Franke Coffee Systems has the “Voice of the customer” program in place that addresses customer satisfaction as well as future portfolio expectations with distributors in Europe.</p> | |
| <p>PR8 Customer privacy</p> | |
| <p>There are no known cases of complaints based on violations of data protection.</p> | |
| <p>PR9 Non-compliance with product liability regulations</p> | |
| <p>No significant fines have been imposed in connection with products and services of Franke Group.</p> | |

GRI statement on application level “B”



Statement GRI Application Level Check

GRI hereby states that **Franke Group** has presented its report “Sustainability Report 2012” to GRI’s Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 13 May 2013

A handwritten signature in blue ink, appearing to read "Nelmara Arbex".

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world’s most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 3 May 2013. GRI explicitly excludes the statement being applied to any later changes to such material.