

PROFIT



PEOPLE

# SUSTAINABILITY REPORT 2011

“Thinking and acting in a sustainable way is simply a must.

For Franke, the path of sustainability was the right one for the last 100 years.

I am convinced that it will also be the path to success for our customers, our employees and Franke in the coming 100 years.

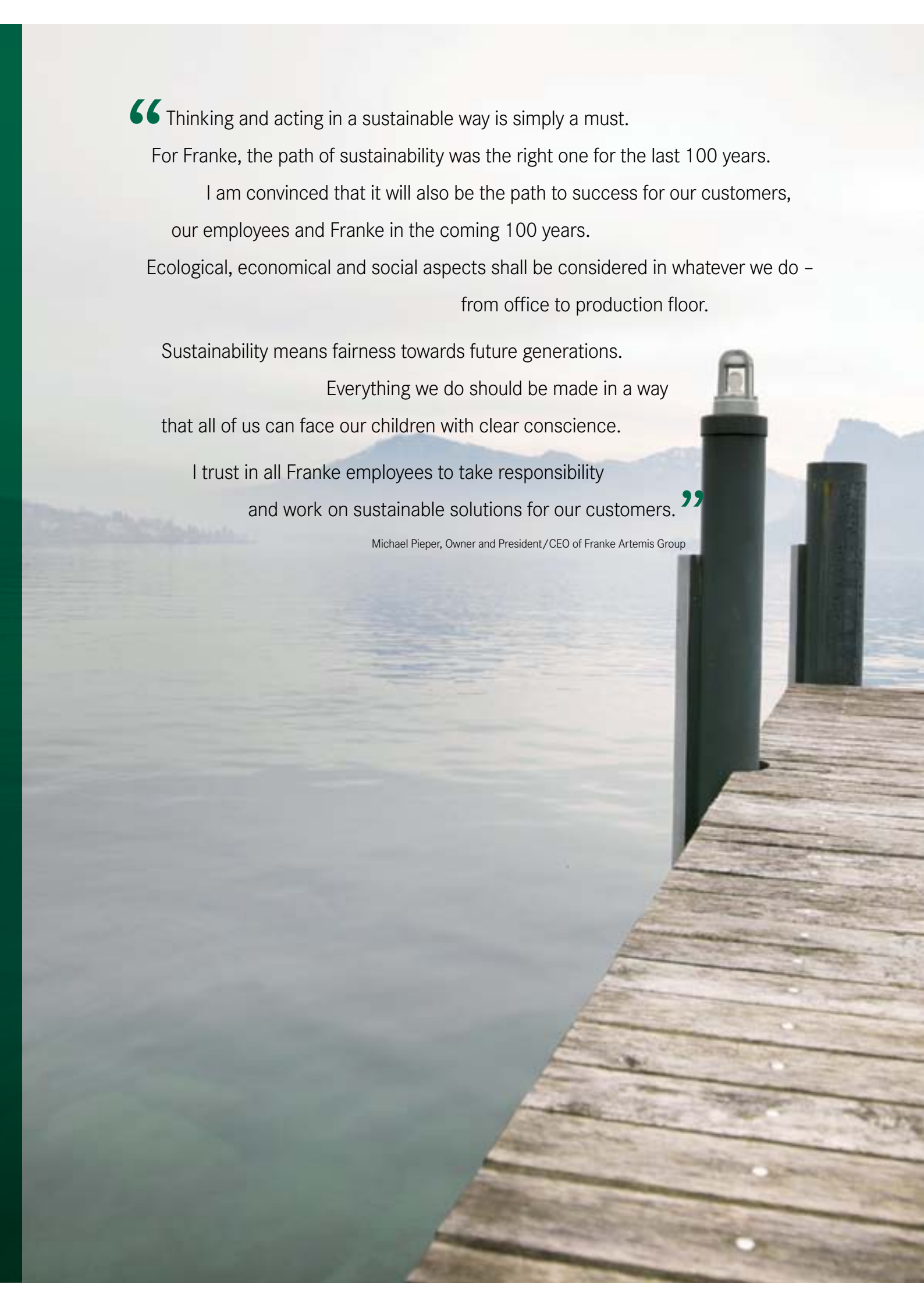
Ecological, economical and social aspects shall be considered in whatever we do – from office to production floor.

Sustainability means fairness towards future generations.

Everything we do should be made in a way that all of us can face our children with clear conscience.

I trust in all Franke employees to take responsibility and work on sustainable solutions for our customers.”

Michael Pieper, Owner and President/CEO of Franke Artemis Group



## FOREWORD

Dear stakeholder

It is with great pleasure that we publish Franke's first sustainability report.

In the past decades, Franke has become a global company in terms of production, sales, supply chain and employees. This development was surely beneficial for our company. Yet, in order to ensure long term success for our customers, business partners, employees, but also for Franke itself, our growth needs to be sustainable.

We believe that it is our moral duty to contribute to a sustainable development which means to meet the needs of the present without compromising the ability of future generations to meet their own needs. Also, our stakeholders hold us responsible for caring about social, ecological and economic sustainability.

In 2010, Group Management of Franke Artemis Group set the goal of becoming a sustainability leader by systematically and pro-actively addressing sustainability topics that are relevant to our business. Accordingly, we have bundled existing sustainability efforts into a Corporate Sustainability Initiative and built up the organizational structure needed to achieve our ambitious goal.

In 2011 – the 100<sup>th</sup> anniversary of Franke – we signed up to the UN Global Compact. We are committed to making the 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.

Sustainability for Franke means treating people and natural resources with care and respect; designing products and services towards excellence during the whole life cycle; building lasting relationships with our customers; achieving long term financial stability rather than short term success.

We are convinced that our first sustainability report provides a complete and fair picture of our sustainability approach and performance. We are aware of the need to improve data accuracy for making effective and informed decisions and are working on improving the reliability of data.

Sustainability is a journey rather than a project. We have started to understand and improve our sustainability performance in key areas that we can influence directly. But we have plans for the coming year(s): extension of activities to all production companies as well as the supply chain, understanding the impact of our products along the life-cycle, including sustainability topics in our communication and interaction with various stakeholders.

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

Yours sincerely



Thomas A. Erb  
Chairman of the Board of Directors  
Franke Artemis Group



Michael Pieper  
Owner and President/CEO  
Franke Artemis Group



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# ABOUT THIS REPORT

This is the first sustainability report of the industrial activities of the Franke Artemis Group. The report aims at giving a fair and balanced account of our sustainability strategy, organization, activities, performance and future plans. The recommendations of the Global Reporting Initiative and the UN Global Compact have guided us in writing this report.

We have selected the content of this report based on an assessment of the materiality of sustainability topics for Franke and our stakeholders. Details are presented on page 12 of this report.

The sustainability report is published at the same time as the Franke Artemis Group's Annual Report. The Annual Report is not publicly available. The sustainability report therefore contains the business and financial information needed to put our sustainability activities and performance in the right context.

## Reporting period

The sustainability report covers the financial year 2011 (January 1 – December 31). We also included information from previous years and from the first months of 2012 when deemed necessary to give the reader a comprehensive picture of our sustainability approach and performance.

We plan to publish our next sustainability report, covering the financial year 2012, in May 2013.

## Scope of reporting

The report covers the industrial activities of the Franke Artemis Group. The report therefore covers Franke Kitchen Systems Group and Franke Commercial Systems Group. Information on Franke Artemis Real Estate Group, Franke Artemis Asset Management Group and Feintool Group is not included in this report except for financial data that covers the entire Franke Artemis Group.

## Accuracy of data and quality of information

Franke has been collecting non-financial data from its subsidiaries for many years. Yet the current data does not allow for consolidation on Group level. Our goal is to have consolidated sustainability data on Group level through a standardized and centralized data collection system by 2014.

The data presented in this report stems from two sources: Financial and employee-related data was collected with a Group-wide reporting tool. Data for energy and water consumption was generated by the facility management organization in Aarburg, Switzerland, and was reviewed by an external expert as part of Franke's agreement with the Swiss Energy Agency (EnAW). CO<sub>2</sub> emissions were calculated with the emission factors provided by the Swiss Government. The factor for electricity used in Switzerland (142 g CO<sub>2</sub>/kWh) was applied. The relative environmental data was calculated by dividing the absolute values by the operational sales.

## Assurance

We have decided not to seek external assurance for our first sustainability report. We plan to externally assure the next sustainability report in order to increase the credibility of the report but also to get suggestions for improving our reporting and sustainability management.

The information and data of this report has been carefully checked by different functions. The Franke Sustainability Steering Committee has reviewed and approved the report on April 13, 2012.



Close to customers worldwide with 81 companies in 37 countries on 4 continents.

- Franke locations
- Feintool locations



Franke Information Center in Aarburg, Switzerland.

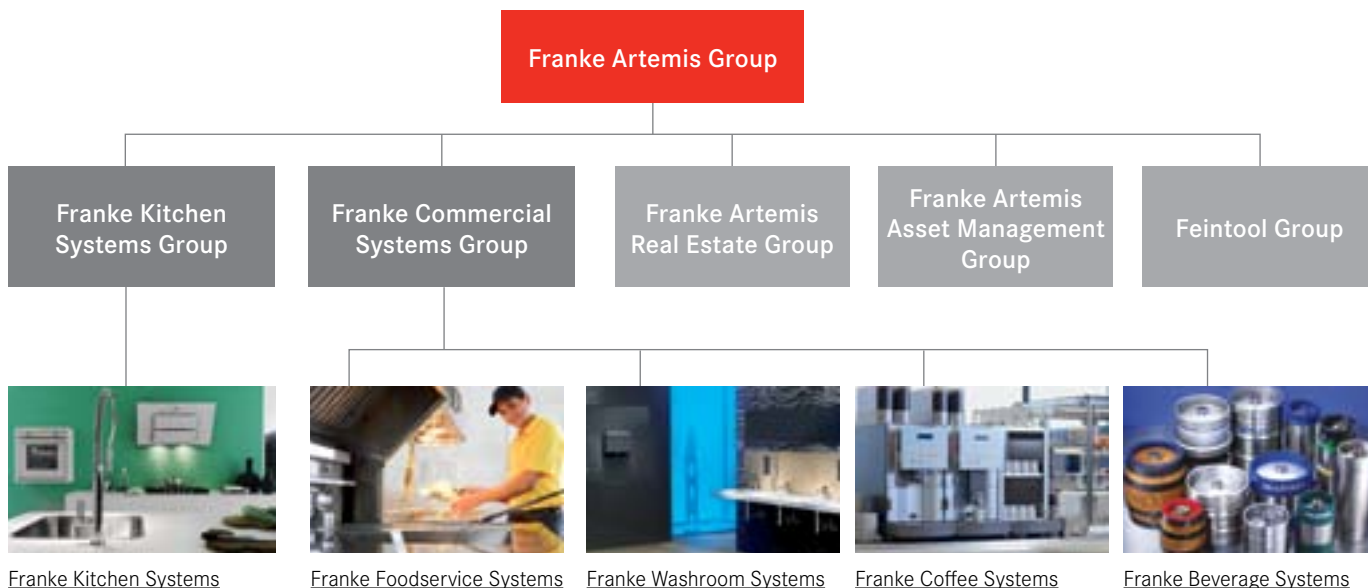


# FRANKE ARTEMIS GROUP

Franke Artemis Group is the world's leading provider of intelligent systems for domestic kitchens, professional food service, coffee preparation, beverage delivery and hygiene solutions.

Furthermore, Franke Artemis Group manages an extensive real estate portfolio (Franke Artemis Real Estate Group) in Switzerland and abroad, holds various strategic participations in Swiss listed companies (Franke Artemis Asset Management Group) and is the majority shareholder of Feintool Group.

## Group profile



### Franke Artemis Group

Franke Artemis Group combines Franke's industrial activities with Franke's real estate and investment portfolio as well as its major participation in the Feintool Group.

The Franke industrial activities include Franke Kitchen Systems Group and Franke Commercial Systems Group. Franke Kitchen Systems Group accounts for over half of net sales as world-leading provider of kitchen systems (sinks, taps, waste management systems, ventilation hoods, cooking appliances). Franke Commercial Systems Group consists of four divisions: Franke Foodservice Systems (kitchen systems and services for quick-service restaurants), Franke Washroom Systems (washroom and sanitary systems in the public and semi-public sectors), Franke Coffee Systems with a wide range of superautomatic, professional and semi-professional coffee machines and Franke Beverage Systems (beverage containers).

Franke Artemis Real Estate Group owns and manages an extensive real estate portfolio in Switzerland and abroad.

Furthermore, Franke Artemis Real Estate Group holds participations in real estate companies in Switzerland, Europe and North America. Franke Artemis Asset Management Group manages liquid funds and holds various strategic participations in international companies listed on the Swiss stock exchange.

Franke Artemis Group includes also Feintool Group. As the world market leader in fineblanking technology, Feintool is the only global supplier to offer the entire process of fineblanking, from engineering through tool design to the mass production of fineblanking components.

Franke Artemis Group employs around 10,000 staff worldwide and is established in close to 40 countries with 81 subsidiaries. Franke Artemis Group generated consolidated net sales of CHF 2.5 bn in 2011.

### Governance

The Board of Directors of Franke Artemis Group is composed of seven members. The Board's main duty is to define the overall strategy of the Group and to oversee its execution. The Board of Directors has four standing committees:

the Finance & Audit, the Acquisition, the Human Resources and the Information Services Committee. The Board and the standing committees held regular meetings in 2011.

Group Management of Franke Artemis Group is responsible for the operational management of the Group and for achieving corporate objectives. It is composed of the Chief Executive Officer, Chief Financial Officer, Chief Information Officer, Head of Corporate Services/ Head of Franke Artemis Real Estate Group and Head of Franke Artemis Asset Management Group. The Head of Corporate Human Resources became a member of Group Management as of April 1, 2012.

Franke Kitchen Systems Group and Franke Commercial Systems Group are run by a CEO/President and the four divisions of Franke Commercial Systems Group each have a division head. The competence regulations of Franke Artemis Group regulate authorizations within the Group, the sub-groups and the divisions.

Further information on governance:  
[www.franke.com](http://www.franke.com) → [About us](#)





Aerial view of Franke's headquarters and industrial plant in Aarburg, Switzerland.

Further information on review: [www.franke.com](http://www.franke.com) → [Media](#)

## 2011 in review

The difficult global macro-economic environment in 2011 with weaker demand, volatile exchange rates and stainless steel prices has created many challenges in particular for our industrial activities with high building-industry exposure and in the Mediterranean region. Despite these difficulties, the Group was able to increase its organic growth rate slightly. The demanding conditions and some extra costs had a negative impact on profitability.

Franke Artemis Group reported sales of CHF 2.51 bn and has overall improved their organic growth rate to 5.9% compared to 4.1% in the previous year. A stronger Swiss franc had a negative impact of -12.7% on total sales. But CHF 292 m of nine-month sales in Feintool Group, consolidated per April 1, pushed nominal sales to CHF 2.51 bn exceeding last year's total Group sales of CHF 2.42 bn by 3.7%.

On March 1, 2011, a small business (ConGusto GmbH, Germany) was acquired to enhance the product range for our QSR (Quick Service Restaurant) customers. Following a successful take-over bid for the majority of the shares of the publically traded Feintool Group, the world market leader in fine-blanking technology, Franke Artemis Group increased its stake in Feintool from 33% to 81%. In October, Franke Artemis Group bought 37.5% of Precious Woods Central America, a company active in the reforestation of abandoned pastureland in conformity with the guidelines of the FSC (Forest Stewardship Council). Finally, a transaction agreed in July to sell Defy Appliances Ltd, the clear market leader of white goods in South Africa, was closed at the end of November.

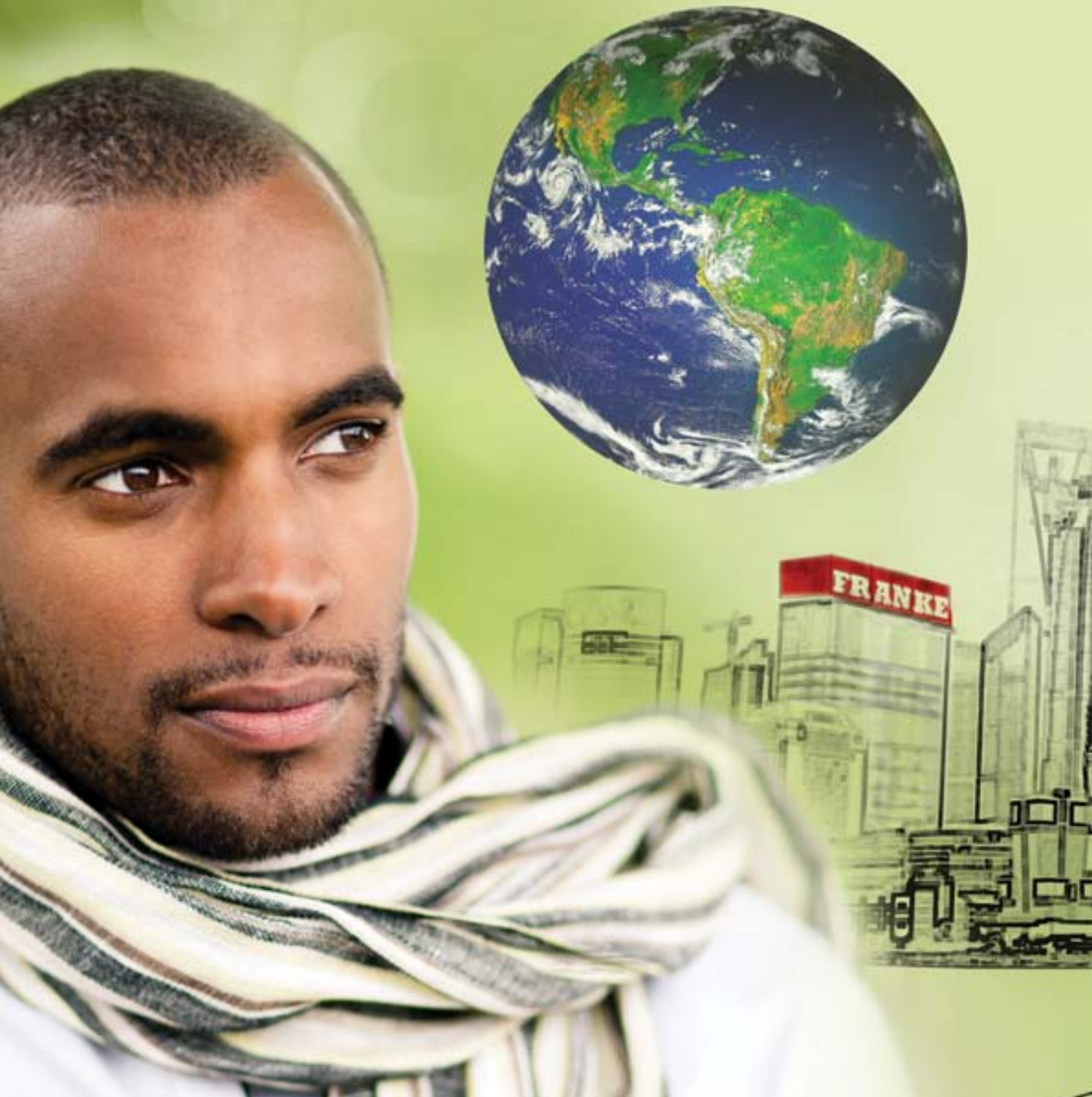
For 2012, we look for greater stability in the financial markets and the Swiss franc exchange rates. This along with strong market positions will benefit further our industrial activities.

	2011	2010
Net sales Franke Artemis Group	2,509.6	2,419.6
Net sales Franke Kitchen Systems Group	1,339.1	1,536.0
Net sales Franke Commercial Systems Group	885.2	889.8
thereof Franke Foodservice Systems	508.7	520.2
thereof Franke Washroom Systems	125.0	143.4
thereof Franke Coffee Systems	143.5	139.7
thereof Franke Beverage Systems	94.5	79.2
Net Sales Feintool Group*	292.3	n/a
EBIT	132.1	184.5
Profit after tax	123.5	187.6
Cash flow	239.2	298.1
Income taxes	29.2	32.5
Cost of materials	1,327.9	1,251.3
Personnel expenses	587.8	540.9
Operational expenses	362.6	346.1
Investments	302.3	199.3
Number of employees	9,720	10,552
Number of companies	81	64

All financial figures in million Swiss francs  
\* As consolidated 9 months

“ Franke Artemis Group is committed to creating lasting value for its customers, employees, shareholders as well as for society through its ambition to become a leader in its market in economic, environmental and social performance. ”

Extract from Franke Artemis Sustainability Principles



# SUSTAINABILITY AT FRANKE

## Our commitment

Since Franke was founded 100 years ago, many individual initiatives related to environmental protection, operational health & safety or product innovation were implemented. With the rapid expansion of Franke in the past years – both in terms of growth and geographical spread – the need to coordinate existing sustainability activities at the corporate level became obvious.

In 2010, individual actions taken in the field of sustainability were centralized and bundled to form one strategic initiative. Group Management formulated the ambition to “achieve a leadership position in sustainability in the next years”. At the same time, the organizational structure was implemented to live up to this ambition and to become an example for corporate sustainability. The management is well aware that this is a very ambitious aim which cannot be achieved without the full support of the entire staff.

The commitment to the UN Global Compact and its principles in early 2011 sent a strong signal to our internal and external stakeholders. By joining the voluntary initiative we demonstrated that we are serious about managing our responsibilities as well as the opportunities contributing to a sustainable development.

## Sustainability organization

Many good practices already exist in various Franke companies. Also, the same sustainability challenges apply to many of our operations. Therefore, it is imperative to learn from experiences and to share information among Group companies. The Corporate Sustainability Department, the Franke Sustainability Team and the Sustainability Steering Committee closely interact to ensure an efficient and effective sustainability management:

- The Corporate Sustainability Department coordinates activities across the Group. The main tasks are to define Group-wide standards for different sustainability topics, to share good practices, to liaise with various functions such as environmental or safety managers of Franke companies and to communicate internally and externally about progress made.
- The Franke Sustainability Team drives sustainability and implements the Sustainability Principles across the Group. The team consists of representatives of all Franke businesses as well as selected corporate functions. Team members act as “sustainability ambassadors” within their businesses, collect and share good sustainability practices, propose ideas to improve performance and cooperate with the Corporate Sustainability Department on various activities and initiatives.
- The Sustainability Steering Committee is composed of members of Group Management and all business heads. Chaired by the CEO it meets two times per year to review the sustainability roadmap, milestones and performance, to approve the sustainability report and to define future objectives and activities.

## Stakeholders and memberships

We are aware that business does not act in isolation but is interacting with various stakeholder groups. So far, dialogue with our stakeholders has been highly decentralized. In 2011, we have defined the following stakeholder groups as most relevant for our business and plan to formalize interactions with representatives of these groups in the future: Authorities, regulators, customers, employees, end consumers, local communities, media, potential future employees and suppliers.

Franke issues no political statements and does not involve itself in political lobbying. Yet, Franke and its companies are active in a wide range of industry associations, initiatives and other organizations such as “Swissmem” and “North American Association of Food Equipment Manufacturers”. Many of these organizations deal with sustainability topics e.g. define best practice standards or develop product labels.



Value chain of Franke's activities and products.

Stakeholder concern	high	<ul style="list-style-type: none"> <li>- Human rights</li> <li>- Labor rights</li> <li>- Compliance, business integrity</li> <li>- Terms of employment</li> <li>- Discrimination &amp; diversity</li> </ul>	<b>Products</b> <ul style="list-style-type: none"> <li>- Customer service &amp; satisfaction</li> <li>- <b>Innovation</b></li> <li>- <b>Quality, safety &amp; impact (energy, water, material)</b></li> </ul>	<b>Production</b> <ul style="list-style-type: none"> <li>- Supply chain</li> <li>- Risk Management</li> <li>- <b>Energy &amp; CO<sub>2</sub></b></li> <li>- <b>Water</b></li> </ul>	<b>Employees</b> <ul style="list-style-type: none"> <li>- Development &amp; training</li> <li>- Workplace safety</li> <li>- Satisfaction</li> </ul>
	low	<ul style="list-style-type: none"> <li>- Biodiversity</li> <li>- Travel to work</li> <li>- Volunteering</li> <li>- Poverty reduction</li> </ul>	<ul style="list-style-type: none"> <li>- Communication</li> <li>- Waste &amp; recycling</li> <li>- Facility management</li> <li>- Logistics</li> </ul>		
		low	high		

Impact on Franke

Sustainability priorities for Franke (bold topics in the upper right section).

**Our priorities**

Franke considers sustainability to be a social duty as well as a factor for long-term business success:

1. Sustainability increases the company's sales and profit potential.
2. Sustainability creates non-monetary values such as trust and employee attractiveness.
3. Sustainability reduces the company's business risks.

The activities of Franke have an impact along the value chain. In order to bundle our resources, we will initially focus on segments of the value chain that we can strongly influence. We will gear product development and innovation towards quality, safety and energy-efficiency. We will invest in environmentally friendly production processes. We will continue to provide attractive, healthy and safe workplaces.

In the long run, however, we will also intensify our work with suppliers to ensure that global workplace and environmental standards are met and we will further reduce the environmental footprint of our products, services, logistics and transportation.

In 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 with Group Management.

The materiality matrix shown above defines our sustainability priorities for the year 2012. The highlighted topics will be managed more actively than in the past and are central in our communication and reporting. The other topics in the upper right section are managed as in the past and will be briefly addressed in the report. The topics that are either of high concern for our stakeholders (upper left section) or of high relevance for the business success of Franke (lower right section) are managed in our daily operations but not covered in this report.

List of stakeholder groups and memberships: [www.franke.com/sustainability](http://www.franke.com/sustainability) → [Our Mission](#)

**Sustainability framework**

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: 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 whistle-blowing hotline introduced in 2012.
- 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.

The Sustainability Principles of Franke were approved by Group Management in 2010. The principles are our framework for activities and clarify how Franke can improve its economic, environmental and social performance.

Sustainability Principles:  
[www.franke.com/sustainability](http://www.franke.com/sustainability) → [Our Mission \(pdf document\)](#)

While the Corporate Sustainability Department coordinates activities across Franke, a number of other functions are involved. Internal Audit checks on internal guidelines and standards and Corporate Human Resources manages employment related topics. 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.

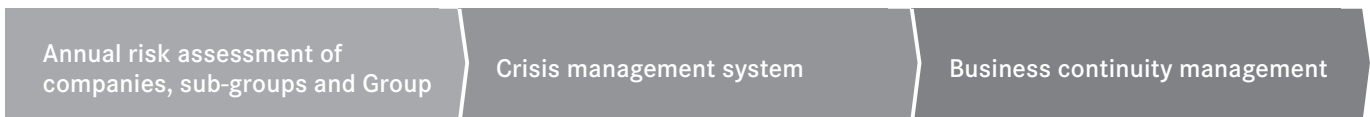
Group Management has set the goal that all key production companies shall have certified management systems according to the ISO 9001 (quality), ISO 14001 (environment) and OHSAS 18001 (operational health & safety) norms by 2013.

The following initiatives are intended to share best practices within Franke, to standardize processes and to get closer to “Execution Excellence”:


- Franke Lean Operating Way (FLOW) develops people, teams, tools and techniques to remove inefficiencies from our business system. It enables people to find effective and efficient solutions to performance problems and capture growth opportunities.
- Franke Project Management is a tool that supports project managers in structuring projects and controlling tasks while addressing key concepts such as risk and stakeholder management, project communication or status reporting.

Number of certified production companies at the end of 2011. Key production companies are of major importance for Franke because of size or uniqueness of production processes.

	ISO 9001 certified	ISO 14001 certified	OHSAS 18001 certified
Number of key production companies (22 in total)	15	7	5
Number of production companies (42 in total)	29	10	8



The three pillars of risk management at Franke.



“As the world’s leading provider of intelligent systems for domestic kitchens, professional food service, coffee preparation, beverage delivery and hygiene solutions, we enable enterprise and a rewarding experience for all concerned.”

Franke Brand Promise

## PRODUCTS & SERVICES

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.

### Innovation and impact of products

Innovation has been a driver for the success of Franke since the company was founded in 1911. We consider sustainability to be an important source of product and service innovation and an attribute that is gaining ever more importance for both end consumers and business customers. It is therefore imperative to set the corresponding product portfolio and research & development priorities and to extend our thinking along the life-cycle of our products and services.

In 2011, we spent around 27 million Swiss francs (up from 25 million Swiss francs in 2010) on research & development and product innovation. A total of 20 patents and utility models were filed in 2011 (30 in 2010).

### Actions taken

Each Franke business has people dedicated to innovation and to make sure that our products evolve over time. Our goal is to anticipate and meet the needs of our customers in design, functionality and quality. Franke Kitchen Systems Group has different Competence Centers that each cover a product range such as stainless steel, granite or tectonite sinks or appliances (ovens and hobs). The innovation process starts from ideas and through various phases reaches the production step through which it is made available for the market.

We cooperate with external organizations to access cutting-edge knowledge. In 2011, we organized an Ideas Lab with researchers from the Swiss Federal Institute of Technology (ETH) in Zurich. A range of topics were discussed that are important for Franke and for which the ETH representatives presented new approaches. The interaction resulted in a number of specific proposals for further collaboration, including foam insulation solutions for cooling equipment and alternative cooking methods.

In 2011, we have started to better assess the impact of our products. Depending on the product group, key issues are energy consumption (hoods, coffee machines), water consumption (taps, toilets, showers), noise (sinks, hoods) or material use (various products).

In order to communicate the impact of our products to the market, we have chosen labels that are credible and useful. In Europe, for example, we have started to label taps with the "Water Efficiency Label" (WELL) in 2011. Other labels that we use for our products are the "Energy Efficiency" label in Switzerland or the "Water Efficient Product Labelling Scheme" (WEPLS) in the United Kingdom. In addition to labelling its products, Franke Aquarotter in Germany supported the awareness raising campaign "Blue Responsibility" of the German sanitary industry. The campaign informs customers on the environmental impact, maintenance and durability of sanitary products.

We also work on matching our product portfolio with the criteria of various building standards such as "Leadership in Energy and Environmental Design" (LEED), "Minergie" or "Deutsches Gütesiegel Nachhaltiges Bauen".

### Future plans

We will conduct a first eco-design workshop in 2012 to gain insight into the concept of product life cycle assessment (LCA). It is our goal to make LCA part of our product development process and to better understand the impact of our products along the life-cycle, i.e. from raw material extraction through manufacture, use, maintenance and disposal. We further plan to benchmark our products against industry standards and, where applicable, against competitors' products.



**Particularly climate friendly:  
Propane freezer**

HFCs (“Hydrofluorocarbons”) are chemicals that are used in refrigeration and air-conditioning equipment. However, HFCs are a threat to the global climate – much more powerful than CO<sub>2</sub>! In reaction to the request for HFC-free freezers, Franke Foodservice Systems developed a freezer that uses propane instead of HFCs. The innovative product is more energy efficient and therefore helps our customers to position themselves as sustainable companies as well as to save costs for electricity.



**Particularly eco-friendly: Hood “Mirror”**

Faber, a Franke company, has developed a new 3-phase and brushless engine and replaced incandescent lamps with LED lighting in the model “Mirror”. The result is an energy reduction of 40%. The hood “Mirror” thus helps customers reduce energy costs while at the same time reducing CO<sub>2</sub> emissions.



**Particularly hygienic and economic:  
AQUA 3000 open**

“AQUA 3000 Open Water Management System” from Franke Washroom Systems is a combination of hard- and software that 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. In short: “AQUA 3000 Open” is an economic yet safe solution for our customers.



**Particularly energy efficient:  
Coffee Machine “Pura”**

Franke Coffee Systems is conscious about the reduction of the environmental impact of its products and has been improving the energy efficiency and environmental balance of their coffee machines for years. The coffee machine “Pura” already meets the requirements for lower environmental pollution according to the European EuP guidelines which will apply as of 2014. Thanks to intelligent energy management the “Pura” helps saving energy and costs.



### Quality and safety of products

Quality and safety of our products are of highest importance. They are basic requirements of our customers which must be met at all times.

#### Actions taken

Most of our production plants are certified according to the ISO 9001 norm (quality management system). All our products comply with technical and other standards that are required for a given product group.

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 to report that no product recall was required in the 100 year history of Franke!

#### Future plans

We will certify all production companies according to the ISO 9001 norm. Furthermore, we observe and implement all changes in safety regulation to make sure our products continue to meet these standards.

### Raw materials

Franke uses a wide range of materials – from metals to packaging to office material – of different quantity and quality. In 2011, we spent a total of 551 million Swiss francs for raw material (excluding buyouts and semi-finished goods). The key material of Franke is chrome-nickel stainless steel which is the main component of many of our products. The stainless steel that we use is made of roughly 70% recycled material. We mainly source our stainless steel from suppliers such as ThyssenKrupp, Outokumpu, Aperinox or Aperam that meet high social and environmental standards.

Our challenge with regard to materials is twofold: We aim at using material more efficiently, i.e. using fewer resources to produce the same amount of finished products and we want to use more sustainable material, i.e. material from recycled or renewable resources.

In the past years, we have reduced the consumption of material with a number of improvements in our production processes:

- Optimization of oil for the deep drawing process not only saves oil but also makes it easier to wash the metals which results in reduced energy consumption.
- Paper protection of the coil sheets is collected and re-used as a packing material in the logistics department.
- Collaboration with a supplier and our own research resulted in an “easy peel” deep drawing foil that increases the performance of the production process.
- Redesign of the grinding process and the use of bristles made of Sisal (natural product) led to a reduction in grinding material.

### Customer service and satisfaction

Franke 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. 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.



#### Facts about chrome-nickel stainless steel

Chrome-nickel stainless steel is a high-alloy steel with chromium and nickel contents. Chrome-nickel steel is a very durable material – it is resistant against corrosion and acids as well as mechanical and thermal shocks. Products made of chrome-nickel steel such as sinks or beverage containers are absolutely hygienic and therefore easy to clean. For particularly corrosion-resistant surfaces Franke uses molybdenum-bearing stainless steel.

Stainless steel is 100% recyclable; most sinks are collected and reused for the manufacturing of new products. Franke uses stainless steel that is made of roughly 70% recycled material.



# PRODUCTION

No production is possible without the consumption of resources or the generation of waste. Yet, we believe that it is our responsibility to reduce the impact of our operations, taking into account the commercial viability and the availability of environmentally friendly technology.

Our activities focus on topics that help us reduce costs while at the same time reducing the environmental impact of production processes. We have identified the efficient use of energy, CO<sub>2</sub> emissions and the consumption of water as most relevant topics.

## Energy

Energy-saving is a must for all users including companies. Energy costs are a major cost factor of our operations and will become even more significant in the future due to expected raising energy prices. Also, the switch from fossil to renewable energy sources or the nuclear power phase-out are only possible if the energy efficiency is increased. We also expect that regulation will become tighter for buildings, machines and transportation in the next years.

In Aarburg, Switzerland, the largest facility of Franke<sup>1</sup>, a total of 53,096 GJ of energy was used in 2011 (excluding fuel, see table below). The main energy sources in 2011 were natural gas (606,657 m<sup>3</sup>, 13% lower than in 2009), heating oil extra light (7,020 liters, 93% lower than in 2009) and electricity (8,589 MWh, 13% lower than in 2009). The reduction of the overall energy consumption by 17% compared to 2009 is the result of the professional facility management and the many improvements that have been made since 2004. The energy consumption in relation to turnover (GJ consumed per million Swiss francs) has decreased by 14% since 2009.

## Actions taken

A major energy saving potential lies in improving the management of our production and office facilities. Some Franke companies have already introduced lighting management that combines technology such as low-consumption lamps and motion sensors with behavioral change through training and awareness raising of employees.

Our production processes mainly use electricity and natural gas. We have

experienced that the combination of process and technological improvements results in major energy savings. In our plant in Raszyn, Poland, 30,000 liters of heating oil can be saved every year by the recovery of heat from the press lines. In Falkirk, United Kingdom, the energy required for the moulding of granite composite could be reduced by 20% per annum with an innovative process called "Rapid Energy Distribution".

We work on lowering the fuel consumption of Franke-owned vehicles (cars and small trucks) by downsizing their engines but also by changing the driving style of our staff. Some Franke companies have already started to purchase low-consumption vehicles. Service technicians and sales staff from Franke Kitchen Systems and Franke Coffee Systems participated in an eco-drive training in Switzerland in 2011.

We also improved the efficiency of our information technology by virtualizing our servers and reducing the number of data centers.

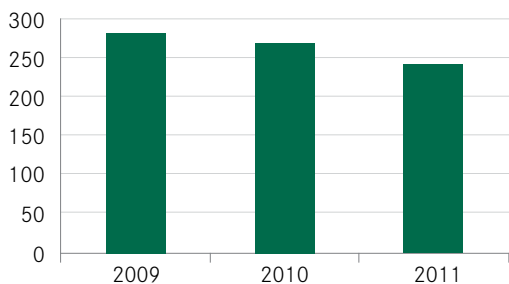
## Future plans

We are continuing to reduce our energy consumption by implementing best practices such as more efficient lighting or eco-drive trainings across Franke companies. Even though we have not yet robust data for the energy consumption of all plants, we are convinced that there is a significant energy saving potential in improving the management of our production and office facilities. A new position of Corporate Real Estate Management will be created in 2012 to tap the saving potential and we aim at reducing our relative energy consumption by 10% by the end of 2013.

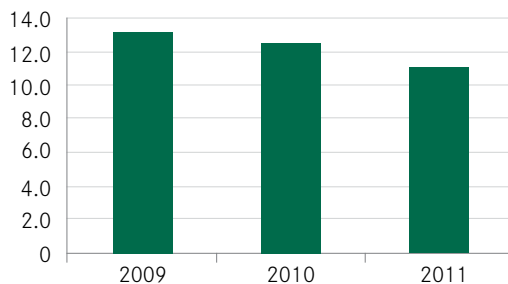
Energy consumption	Unit	2009	2010	2011
Natural gas	m <sup>3</sup>	697,079	668,743	606,657
Heating oil extra light	Liter	96,662	49,441	7,020
Electricity	MWh	9,837	9,057	8,589
<b>Total energy consumption</b>	<b>GJ</b>	<b>64,065</b>	<b>58,543</b>	<b>53,096</b>

Energy consumption at Franke in Aarburg, Switzerland.

<sup>1</sup> Around 800 employees in total, headquarters of Franke Artemis Group, production of sinks, assembling of coffee machines, home of Franke Industrial Engineering as well as Franke Tooling.



Relative energy consumption (G per million Swiss francs turnover) at Franke in Aarburg, Switzerland, for 2009-2011.



Relative CO<sub>2</sub> emissions (tonnes of CO<sub>2</sub> per million Swiss francs turnover) at Franke in Aarburg, Switzerland, for 2009-2011.

**CO<sub>2</sub> emissions**

Climate change and carbon emissions are very high on the international agenda and in most countries where Franke operates. Even though our contribution to greenhouse gas emissions is relatively low, we aim at reducing our emissions by using less energy (see section on energy) and by switching to low-carbon energy sources.

At Franke in Aarburg, Switzerland, a total of 2,451 metric tonnes of CO<sub>2</sub> were emitted in 2011 (excluding fuel, see table below). This is a reduction of 20% compared to the emissions in 2009. The relative CO<sub>2</sub> emissions, i.e. tonnes of CO<sub>2</sub> per million Swiss francs turnover, have decreased by 16% since 2009 as shown in the chart above.

**Actions taken**

Franke Schweiz AG (Switzerland) has collaborated closely with the Swiss Energy Agency (Energie-Agentur der Wirtschaft EnAW) to develop federally-approved targets to save CO<sub>2</sub> 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 CO<sub>2</sub> Act of the Swiss Confederation. Franke Schweiz AG was exempted from the carbon tax.

The Franke production plant in Brunssum, Netherlands, was awarded in November 2011 a nationally recognized certification (Netherlands Groencertificaat) that 100% of its electricity is from renewable

sources and as such can be classed as being totally carbon neutral.

Also, the data center that hosts the Franke internet sites is fully powered by hydropower. The carbon emissions of the service provider are fully compensated.

**Future plans**

In line with our ambition to reduce energy consumption in the next years, we aim at reducing our relative CO<sub>2</sub> emissions by at least 10% by the end of 2013 compared to the year 2011.

Absolute CO <sub>2</sub> emissions	Unit	2009	2010	2011
Scope 1 (gas and oil)	tonnes	1,649	1,468	1,232
Scope 2 (electricity)	tonnes	1,397	1,286	1,220
<b>Total CO<sub>2</sub> emissions</b>	<b>tonnes</b>	<b>3,046</b>	<b>2,754</b>	<b>2,451</b>

Absolute CO<sub>2</sub> emissions (in metric tons) at Franke in Aarburg, Switzerland.



**Significant energy savings in Switzerland**

Franke in Aarburg, Switzerland, has been professionally managing its facilities since 2004. Based on the results of a detailed assessment of energy flows and data, a number of improvements were implemented such as separation of the heating networks for offices and the washing process in the factories, recycling of heat from our server rooms and optimization of ventilation system. The improvements led to a significant reduction of energy consumption (both electricity and fossil fuel). In 2011 the energy consumption could be reduced by 17% compared to 2009. In addition to cost savings, Franke in Switzerland was also exempted from paying a tax on CO<sub>2</sub> emissions.



**Rapid Energy Distribution (R.E.D.) in the United Kingdom**

The traditional process for moulding of granite composite requires significant amounts of energy and water to heat and cool the processes. This combination has been the industry standard until Carron Phoenix Ltd. challenged the tradition and developed an innovative approach that has proven to have significant environmental and cost benefits to Franke. R.E.D. and closed loop systems for hot and cold water led to a reduction of energy consumption of 20% and to a water reduction of 99% per annum.

### Water and wastewater

Water is a local topic which is why Franke manages water consumption and wastewater at the plant level. While we do not consume a lot of water our operations may adversely affect the quality of water.

Our operations in Aarburg, Switzerland, consumed a total of 18,023 cubic meters of freshwater in 2011. While the absolute consumption is 5% lower compared to 2009, the relative consumption of water (m<sup>3</sup> of water per million Swiss francs turnover) has decreased by 1% since 2009.

### Actions taken

All our plants are required to comply with environmental laws and no company was fined for violating water laws. Risk management ensures that hazardous substances are stored safely so they do not pollute the environment in case of fire or other accidents.

Some companies have taken measures to reduce the amount of wastewater or the level of pollution. Faber in Fabriano, Italy, substituted the phosphate products that are used to clean the metal sheets with less-toxic substances. The results of this measure are impressive: use of less chemical products, increased product quality and 50% reduction of wastewater.

Franke Kitchen Systems Egypt started to recycle enamel that is left over in the spraying cabinets. The overspray is collected in special trolleys and filtered out from the drains. It is then re-milled and sprayed on the backside of the products. The recycling of enamel results in lower costs while at the same time reducing the pollution of soil and sewage. A regular analytical checkup of the effluent is done to be sure that the recycling process remains efficient and that the total suspended particulates are within the limits of the law.

### Future plans

It is our goal to reduce the relative consumption of freshwater by 5% by 2013 (compared to the year 2011). Also, we will continue to reduce the amount of wastewater and/or the pollution of wastewater by implementing best practices such as the substitution of phosphate in the washing process across Franke plants.

### Supply chain management

We are in regular discussions with our suppliers to ensure the quality and availability of raw materials, components and buyouts. Some of our companies have begun to include wider sustainability issues such as human and labour rights or environmental topics in their pre-screening and evaluation of suppliers. One of our customers pre-selects and conducts audits at significant suppliers.

We plan to address environmental and social issues more systematically in the future and to give priority to suppliers that have high standard in these topics.



### Heat recycling from press line in Poland

The presses at Franke in Poland produce heat that led to overheated press lines in past summers. At the same time, the press and assembly shops were heated with oil during the cold season. Franke in Poland invested in environmentally friendly technology that recycles heat from the press line in the following way: cold water cools the presses; the warm water is then used to heat the press and assembly shops as well as the warehouse. This solution lowers the consumption of heating oil by 30,000 liters per year.



### Remove chemicals to bulk tanks in South Africa

Franke Water Heating Systems in South Africa uses polyurethane foam for the thermal insulation layer of its products. Polyurethane foam is produced by mixing two chemicals. Often, an auxiliary blowing agent is used as a catalyst for this process. In the past, the chemicals to produce the foam were stored in small tanks that were placed on the factory floor. In a first step, the company has substituted the blowing agent with ozone-depletion and globalwarming potentials with an environment-friendlier product. The chemicals are now also stored in bulk tanks that are located outside the factory which lowers the risks of fire and spillages.



“ 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. ”

Franke Employer Brand Promise

# EMPLOYEES

The business success of Franke is strongly dependent on the daily contribution of its workforce. It is only with the right combination of skills and motivated employees that we can create value for our customers and Franke. Yet, the competition for qualified people becomes stronger which poses new challenges to our human resources management.

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.

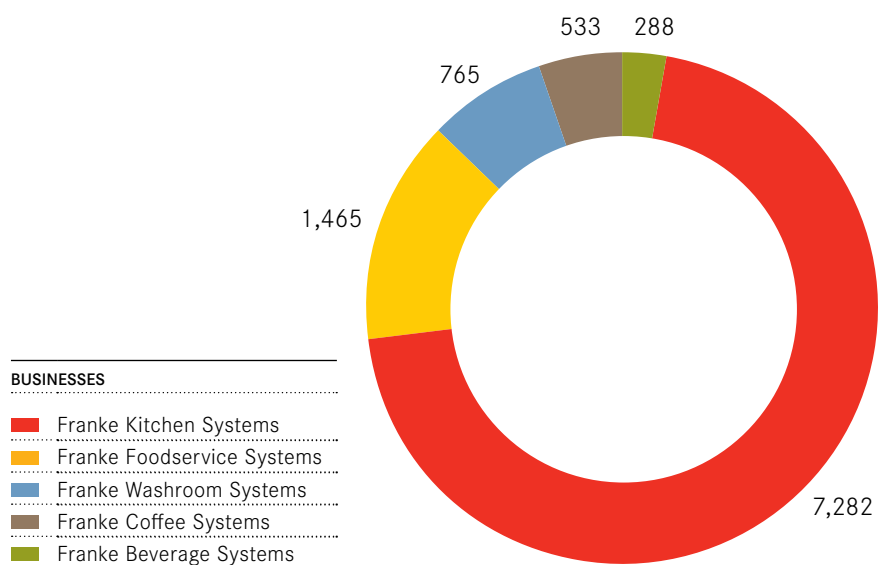
## Our workforce

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 Human Resources Committee of the Board of Directors supervises our HR-related activities.

In the past, HR management was decentralized which makes it difficult to report our performance on Group level. Yet, we have rolled-out a new central tool to manage our human resources in 2010. This tool provides more detailed data for key topics such as training & development and health & safety.

Franke employed 10,333 people on average in 2011. Labor conditions for all Franke employees comply with national labor laws with regard to salary, paid holidays, overtime and social welfare. For example, our operations in South Africa comply with the Broad-Based Black Economic Empowerment codes of good practice.

The Franke Forum (European Works Council) facilitates the cross-border information and consultation of employees within the European Union and Norway. The Franke Forum is a platform for discussions between Group Management and employees' representatives from individual Franke companies. The Forum deals with topics such as business situation of Franke, structural and strategic changes in the group and the current employment situation.



Average number of employees (full-time equivalents) of Franke in 2011.



Staff at Franke headquarters in Aarburg, Switzerland.

**Workplace health and safety**

Protecting the health and safety of our workforce is not only a moral obligation but is also directly linked to productivity. Our CEO’s vision is clear and ambitious: “safety first”.

Safety concerns many aspects of our business – from fire protection to operating machinery to safe driving. In addition, we are confronted with health issues such as workplace ergonomics, stress or diseases.

**Actions taken**

We try to continuously improve our performance and to learn from experience by defining best practices for different functions and locations. Training for exposed employees – e.g. safe drive training for service staff in Gruensfeld, Germany – and communication on health and safety issues are important elements of our approach. The Franke plant in Peschiera, Italy, has intensively communicated and trained safety issues. This focused program brought the plant’s safety performance (e.g. frequency and severity of injuries) down to the level of regional peer companies.

The Franke companies in Smyrna, USA, have been following a comprehensive approach to health management for quite some time. The program includes an on-site medical clinic, a fitness center, personalized health analysis

and workshops on nutrition, tobacco cessation and stress. These activities keep the workforce healthy and allow the early detection of employees with serious conditions which led to significant potential savings in the past years.

**Future plans**

Despite the already strong performance, Group Management has set the goal that all production companies must be certified according to the Operational Health and Safety Assurance Standards (OHSAS) 18001 by 2014.

**Training and development**

In 2011, the Corporate HR department rolled-out a new tool to streamline the employee appraisal process. A majority of all Franke employees has reviewed their performance in 2011 and defined individual goals for 2012 with their supervisor.

Franke supports the professional development of its workforce through vocational trainings and external education.

For the past 10 years, Franke has attempted to fill vacant positions with qualified internal candidates. Education and training for potential leaders is based on the Personal Development Plan, which results from dialogues with the supervisor and HR manager on performance review and action plan. Potential leaders are prepared for their new assignments in the Corporate Education Programs 1 and 2 – fundamental development and leadership trainings focusing on team-building, identification with Franke Artemis Group, managerial skills, strategy, finance, communication, innovation and personal development.

Franke companies worldwide employ 152 apprentices according to national laws. In Aarburg, Switzerland, 56 apprentices are trained for 3-4 years. Many of them can be offered a permanent position within Franke. Up to 10 apprentices per year seize the opportunity to work for a Franke company abroad for 12 months after finishing the apprenticeship.

	Employees	Apprentices	Fatalities
Franke Kitchen Systems Group	7,282	79	0
Franke Commercial Systems Group	3,051	73	0
<b>Total</b>	<b>10,333</b>	<b>152</b>	<b>0</b>

Average number of employees, apprentices and work-related fatalities for Franke’s activities in 2011.



## OUR RESPONSIBILITY



Michael Pieper, Owner and President/CEO of Franke Artemis Group, hands over the donation to Eric Mayer (UNICEF Germany) and Johanna Christine Gehlen (actress).

We live up to our wider responsibility and support a number of societal issues that are not directly related to our core business. The following are some highlights of Franke's sponsoring, donation or volunteering activities:

### Donation to ETH Zurich Foundation

Franke Artemis Group made a major donation to the ETH Zurich Foundation ([www.eth-foundation.ch](http://www.eth-foundation.ch)) in 2011. Two million Swiss francs were given to a strategic fund that also supports research projects related to sustainability. Another two million Swiss francs will be used to grant the "Franke – ETH Zurich Excellence Scholarships".

### Support of foundations and charitable organizations

As part of the 100 year anniversary celebrations of Franke, Franke Coffee

Systems has committed itself to give something back to society and has engaged in a partnership with UNICEF, with the clear understanding that children are our future. In 2011 we made a monetary contribution to UNICEF Germany and supported the organisation with coffee machines donated at various locations across the world.

For the second year, Franke Coffee Systems supported the Efico Foundation ([www.eficofoundation.org](http://www.eficofoundation.org)). With the contribution, a development project in Ethiopia will be supported.

Carron Phoenix, a Franke company in the United Kingdom, was supporting the gifting initiative Oxfam Unwrapped, with a commitment to purchase the charity's "Safe Water for 10 People" gifts, with donations generated from every tap sold.

Franke in Aarburg, Switzerland, uses the services of two institutions that provide

home and work for disabled adult people. The supervised residential group "Borna" ([www.borna.ch](http://www.borna.ch)) and the AZB Foundation ([www.azb.ch](http://www.azb.ch)) both provide work for the assembling and packaging of our products.

### Franke Foundation in Switzerland

For many decades, the Franke Foundation ("Franke-Stiftung") in Aarburg, Switzerland, has been supporting cultural, social and educational non-profit organizations and initiatives. The foundation grants donations to mainly local charitable causes but regional and national donations are also made. The annual contributions exceed the amount of 200,000 Swiss francs.



### Volunteering of apprentices

Apprentices from Franke companies in Aarburg, Switzerland, provide volunteer work for one week every year. In fall 2011, 56 apprentices and 6 supervisors spent a week in the Verzasca valley in the canton of Ticino, Switzerland. They worked hard to clean a pasture in a mountain area. At the same time, the group had time to better get to know each other and to foster team work.

## GRI AND UN GLOBAL COMPACT INDICES

The recommendations of the Global Reporting Initiative's Sustainability Reporting Guidelines (GRI 3.1) and the UN Global Compact have guided us in writing this report. We self-declare this report to GRI application level "C", as stated in the table below.

This Sustainability Report serves as our Communication on Progress for the UN Global Compact. The report is available on the website: [www.unglobalcompact.org](http://www.unglobalcompact.org)



GRI indicator	UN Global Compact principle	Where to find in this report
1 Sustainability strategy and analysis	Statement of continued support	Foreword (p. 3) Our priorities (p. 12-13)
2 Organizational profile	–	Group profile (p. 8-9)
3 Report parameters	–	About this report (p. 5)
4 Governance, commitments, and engagement	–	Group profile (p. 8) Sustainability at Franke (p. 11) Sustainability framework (p. 13)
EC1 Direct economic value generated and distributed	–	2011 in review (p. 9)
EC2 Risks and opportunities for the organization's activities due to climate change	7 Support a precautionary approach	Products & Services (p. 15-16) CO <sub>2</sub> emissions (p. 20)
EN3 Direct energy consumption	8 Promote environmental responsibility 9 Environmentally friendly technologies	Production (p. 19-20)
EN4 Indirect energy consumption	8 Promote environmental responsibility 9 Environmentally friendly technologies	Production (p. 19-20)
EN8 Water withdrawal	8 Promote environmental responsibility	Water and wastewater (p. 21)
EN16 Greenhouse gas emissions	7 Support at precautionary approach 8 Promote environmental responsibility	CO <sub>2</sub> emissions (p. 20)
EN26 Initiatives to mitigate environmental impacts of products and services	8 Promote environmental responsibility 9 Environmentally friendly technologies	Products & Services (p. 15-16)
HR2 Suppliers and other business partners that have undergone human rights screening	2 Complicity in human rights abuses 3 Freedom of association 4 Forced labor 5 Child labor 6 Non-discrimination	Water and wastewater (p. 21)
LA1 Total workforce	1 Respect and support human rights	Employees (p. 23)
LA7 Accidents, injuries, fatalities	1 Respect and support human rights	Workplace health and safety (p. 24)
LA12 Employees receiving regular performance and career development reviews	1 Respect and support human rights	Workplace health and safety (p. 24)
SO5 Public policy positions and lobbying	10 Work against corruption	Sustainability at Franke (p. 11)
PR5 Practices related to customer satisfaction	–	Quality and safety of products (p. 17)
–	3 Freedom of association	Employees (p. 23)
–	6 Non-discrimination	Sustainability framework (p. 13)
–	10 Work against corruption	Sustainability framework (p. 13)

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“ In all that we do or decide not to do, we must always bear in mind that we have to be able to look our grandchildren in the eyes with a clear conscience. ”

Michael Pieper, Owner and President/CEO of Franke Artemis Group