The background of the entire page is a light gray surface covered with numerous water droplets of various sizes. The droplets are most densely packed in the lower half of the image, creating a textured, organic pattern. In the upper left, a solid red rectangular box contains the title text.

FRANKE GROUP SUSTAINABILITY REPORT 2015

MAKE IT WONDERFUL

FRANKE

CONTENT

Franke Group Sustainability Report 2015

2	CEO Statement
3	Key impacts, risks and opportunities
4	Organizational profile
6	Report parameters
8	Governance, commitments and engagement
12	Economy
16	Environmental
24	Employer responsibility
30	Human rights
34	Social engagement
38	Product responsibility
42	Contact

CEO STATEMENT



Dear Stakeholders,

Franke had a pivotal year in 2015 with managing its core sustainability areas in a challenging global market. This meant close cooperation with all business units and proactively pushing for high performance with the aim of boosting our market presence. Much has been achieved by further implementing our One Franke strategy. The Make It Wonderful brand promise initiatives allowed us to effectively engage with our customers, captivating them with innovative products, services and solutions. Rolling out our new Franke values and relentlessly improving the efficiency of our Operational Excellence program, we now stand out more strongly from our competitors. I am very proud of our progress and the contributions each Franke employee makes every day. I wish to highlight a few key areas where we are making great strides.

Accountability for over 8,500 employees living the Franke values

The values embrace the notion of corporate sustainability, as they help each employee translate our strategy and brand into concrete behaviors and actions; they are a key alignment driver and a cornerstone of how we attract, recruit and retain talent. Our behavior makes the difference and is firmly integrated in our performance management systems. Meeting and exceeding customer expectations requires teams and individuals to go the extra mile. We work hard to ensure that our leaders live our values so that they can set clear expectations for all employees and motivate their teams.

Focus on LEAN deployment as part of strategy

Our Operations Strategy and LEAN Deployment Roadmap have generated significant know-how at our manufacturing sites to implement LEAN tools, training sessions and effective monitoring processes. Both training by doing and a train-the-trainer approach achieve this. We aim to reduce complexity, increase flexibility (low lead times, low time to market, lower inventory) and secure “best in class” quality. This means identifying manufacturing technology standardization by central engineering, optimizing manufacturing, logistics and back office footprint and continuously driving our Purchasing Excellence agenda. These performances must work well and remain balanced, as we need to ultimately respond better to our customer and market needs.

Progress in core sustainability topics

Franke’s core sustainability topics are energy consumption, CO₂ emissions, waste, product quality and occupational health & safety. Franke Group improved in the primary environmental areas of gasoline, waste water and total waste. This report presents some of our key achievements in 2015, ranging from the product awards we received in several categories, from our green product the APS 300 (page 22), the Global Leadership Team training held with IMD Business School (page 27) and the ongoing Change Ambassador Program (page 29) to our top-of-the-range kitchen systems products (page 40). As we continue to grow in our core business areas, Franke is committed to our One Franke strategy and improving our competitiveness. We believe in clear governance, a common HR strategy and aligned policies and processes. To shape the UN Global Compact, we actively apply its principles in human rights, labor standards, the environment and anti-corruption in our operations and seek opportunities to make improvements.

We hope you enjoy reading this report and find it useful and insightful. I am convinced that our actions in the area of sustainability will serve us well and compliment the way in which we do business. Thank you for your ongoing support on our journey to Make It Wonderful.

Yours sincerely,
Alexander Zschokke, CEO Franke Group

KEY IMPACTS, RISKS AND OPPORTUNITIES

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

Franke also strives to consistently reduce the environmental impact resulting from day-to-day operations, taking into account the commercial viability and availability of environmentally friendly technology.

Franke Group is impacted by a number of sustainability trends that either pose risks or serve as opportunities for our long-term business success. The most important trends are:

- As a Swiss manufacturing company, Franke strongly depends on the macroeconomic environment that influences the general business cycle and customer reactions. While Franke continuously works toward improving its competitive positioning in the global market, the Swiss National Bank's decision to discontinue the minimum exchange rate in 2015 meant a strong and sudden gain in value. Having a significant cost base and manufacturing activities in Switzerland, this decision meant an immediate price-related erosion of the Group's competitive position. Franke Group was able to navigate through the economic volatility by focusing on structural improvements, contingency measures and making further progress on its strategy implementation.
- Resulting from major quick-service customers' scaled back plans to build new stores and remodel coupled with lower demand at Franke Foodservice Systems division and challenging business conditions in many emerging markets, restructuring activities were placed high on the agenda.
- Globalization and the growth of emerging economies offer new market opportunities for Franke's products and services. However, the high cost for production and innovation in Switzerland together with increased competition in these economies requires Franke Group to foster innovation leadership, ensure the highest quality manufacturing, remain cost-efficient and to offer solutions/systems rather than single products.
- Access to human capital (talent shortages) is a challenge in many countries where Franke faces a scarcity of skilled employees. Franke Group has to remain a highly attractive employer in order to attract and retain talented people. Driven by the Human Resources strategy, the HR Roadmap outlines the top priorities linked to people management at Franke, including recruiting and onboarding, talent management and succession planning, internal promotion and sales excellence incentives.
- Customers are increasingly asking for information about sustainability aspects such as energy efficiency, water consumption, labor standards or the hygiene of our products, services, operations or our supply chain. Furthermore, there is a trend toward "green building" with the spread of labels such as LEED, which is beneficial to our innovative, resource-efficient products and services.

ORGANIZATIONAL PROFILE

Name of the organization

Franke Group

Brands, products and/or services

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

► www.franke.com ► [About us](#)

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

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

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

Organizational structure

Franke Group consists of four businesses:

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

For more details about the organizational structure, see:

► www.franke.com ► [About us](#)

Head office

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

Ownership and legal form

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

Markets served

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

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

NET SALES BY REGION



IN CHF M

Europe	1,119
Americas	560
Asia/Oceania	157
Africa/Middle East	159

IN % OF TOTAL NET SALES

Europe	56
Americas	28
Asia/Oceania	8
Africa/Middle East	8

Scale of the reporting organization

Franke Group generated sales of 1,996 million Swiss francs in 2015 (2,134 million Swiss francs in 2014).

At the end of 2015, the Group had 8,658 employees (8,964 employees at the end of 2014) and the total assets as at the end of 2015 stood at 1,917 million Swiss francs.

Employees by region are shown under the section Employer responsibility (page 25). The number of operations is listed on page 8. For more information on Franke Group, see:

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



Significant changes regarding size, structure or ownership

The following transactions executed in 2015 changed Franke Group's scope of consolidation:

- At the beginning of January 2015, Franke Group sold Franke Real Estate Austria GmbH in Hard (Austria) to Artemis Real Estate AG. The company was part of Franke Water Systems.
- At the end of February 2015, Franke Group acquired Easi-Serv Products Inc, located in Burnaby (Canada). The company is part of Franke Foodservice Systems and was legally integrated in Franke Kindred Canada Limited.
- At the end of March 2015, Franke Group sold the Mobile Sanitary Systems activities of Franke Aquarotter GmbH, which is based in Ludwigsfelde (Germany) and part of Franke Water Systems.
- At the end of October 2015, Franke Group sold the service business of Franke Foodservice Systems in the US. The two companies Service Solutions Group LLC and Franke SSG Inc. in Smyrna were wound up.
- In early 2016, Franke Beverage systems was moved out of the Franke Group to Artemis Group; this new reporting line allows Franke Group to focus its resources on growing the core business while Artemis Group will be able to further benefit from the long-term value potential of its kegs business.

Awards received

The accolade of the Red Dot Design Award, the Red Dot is an internationally recognized quality label for excellent design. In 2015, the stainless steel sinks of the Franke Box and Crystal series, and the Maris Plus extractor hood won the Red Dot Award: Product Design 2015 in the Kitchen, Kitchen Furniture and Kitchen Appliances category.

Franke Kitchen Systems was honored with several iF Design Awards, an internationally recognized quality seal for top-of-the-range product design. The jury bestowed the iF Design Award 2016 in the Product/Kitchen category on the Touch FS913M and FS982M multifunctional ovens, the Mythos Plus extractor hood and the Mythos induction hob.

Countries with business operations

Franke Group has production companies and/or own representatives in 38 countries:

Europe (22 countries)

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

Americas (5 countries)

Argentina, Brazil, Canada, Mexico, USA

Asia/Oceania (7 countries)

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

Africa/Middle East (4 countries)

Egypt, Morocco, South Africa, United Arab Emirates



reddot award



REPORT PARAMETERS

Reporting period

This report covers the 2015 fiscal year (January 1, 2015 to December 31, 2015). Information from previous years is included where deemed necessary to give the reader a comprehensive picture of Franke's sustainability approach and performance. Information that is not from 2015 is clearly marked as such.

Date of the most recent previous report

Franke Group's 2014 Sustainability Report was published in August, 2015. For reports from previous years, see:

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

Reporting cycle

Franke Group publishes a sustainability report every year. Publication of the next report is planned for August, 2017.

Process for defining report content

The GRI guidance on defining report content was followed to define the priorities for Franke. The basis for our sustainability reporting is a materiality analysis for the identification of those aspects that are of significance for Franke and our stakeholders. The basis for stakeholder selection and their key concerns are described on page 11.

During the last evaluation of sustainability issues, Franke consulted over 30 external stakeholders and over 30 internal staff from different regions and functions. Sustainability topics were rated according to their importance for the business success of Franke and the interest of stakeholders. The topics were prioritized according to the principle of materiality and the results discussed and verified with the Franke Group Management Board.

The sustainability topics listed below were identified as most relevant by the Management Board and are central in our Sustainability Report 2015:

- Products and services: innovation, quality, safety and impact
- Production: energy, CO₂ emissions, water, waste
- Employees: occupational health & safety, business integrity

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

Limits of the report

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

Special limitations

There are no special limitations.

Joint ventures, subsidiaries, outsourced operations, etc.

Although legally still a part of Franke Group, Franke Beverage Systems was calculated out of Franke Group and has a new reporting line to Artemis Group, effective as of January, 2016 (page 5). There were no other significant changes related to joint ventures, subsidiaries or outsourced operations during the period under review which significantly influence reporting.

Data measurement techniques and bases for calculations

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

For this report, financial, headcount and environmental data (energy, CO₂ emissions, water, material and waste sources) was extracted from COGNOS. Occupational health & safety data was collected with a Group-wide reporting tool. Specific employee data, covering approximately 40% of the total workforce (mainly office workers), was also extracted from the HR tool.

Environmental and occupational health & safety data for the 2015 fiscal year was reported by all production, services and sales companies.

The CO₂ emissions for fossil energy (heating oil, natural gas, diesel and gasoline; Scope 1 as defined by the Greenhouse Gas Protocol) are based on emission factors from the Swiss Federal Office for the Environment. The CO₂ emissions for electricity and district heat (Scope 2) were calculated with the emission factors provided by the companies.

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

Effects of any restatements of information provided in earlier reports

The key figures presented on pages 19 to 21 generally cover the years 2014 and 2015.

Changes from previous reporting periods in scope, boundary or measure

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

GRI Content Index

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

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

External assurance for the report

No external assurance was obtained for this report.

GOVERNANCE, COMMITMENTS AND ENGAGEMENT

Governance structure, committees under the Board of Directors

Franke Group has a three-tier governance structure:

Group Management of Artemis Holding AG (Artemis Group)
4 members

Board of Directors of Franke Holding AG (Franke Group)
5 members

Management Board of Franke Holding AG (Franke Group)
4 of 5 members of the FHO Management Board were members of the Artemis Group Management

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

The Board of Directors of Artemis Holding AG is composed of nine members. The board has three standing committees: the Audit, the Information Security and the Human Resources committees. The board and the standing committees held regular meetings in 2015. The Artemis Group Management is composed of four members. For more information about the governance structure of Artemis Group, see

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

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

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

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

Thomas A. Erb, Chairman of the Board of Directors of Artemis Holding AG and Franke Holding AG, is neither a member of the Artemis Group Management nor of Franke Group. Four of five members of the FHO Board of Directors were members of KL Artemis.

Independent members of the Board of Directors

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

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

Michael Pieper, owner and President/CEO of Artemis Group, is in regular dialogue with the Board of Directors of Artemis Holding AG and is the Vice-Chairman of the Board of Directors of Franke Holding AG.

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

Linkage between compensation and the organization's performance

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

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

Processes for the Board of Directors to avoid conflicts of interest

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

Qualifications of the Board of Directors with regard to sustainability

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

General principles and codes of conduct

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

- Code of Conduct: legal compliance, health & safety, fundamental labor standards such as child/forced labor and non-discrimination, (sexual) harassment, anti-corruption, gifts and entertainment, theft, fraud and dishonesty, disclosure of information. The Code of Conduct was updated and the new version communicated to all employees in 2013. The Code applies worldwide and is available on the intranet in 12 languages. In addition, an integrity line that can be used by all employees as a last resort to report integrity concerns in a confidential and anonymous manner was rolled out in 2013.
- Supplier Code of Conduct: minimum requirements regarding employment practices, environmental protection and business integrity that must be met by all our suppliers. The Supplier Code was approved by the Franke Group Management Board in 2013.
- Group Policy: equal opportunity and diversity, employee relations, personal safety and emergency planning, business travel, information security.
- Sustainability Principles: framework for improving the economic, environmental and social performance of Franke Group.
- UN Global Compact principles in the areas of human rights, labor, the environment and anti-corruption.

Oversight of sustainability performance by the Board of Directors

The Finance & Audit Committee of the Board of Directors of Artemis Holding AG discusses risks and opportunities that are relevant for Franke Group as part of the approval of the annual risk report.

Evaluation of sustainability performance of the Board of Directors

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

Precautionary approach

The precautionary principle plays an important role for Franke Group as both a production and a sales organization. The precautionary principle is reflected in the management systems (quality, environment, occupational health & safety) that are implemented at different sites. In operations, the precautionary principle is implemented by means of preventive approaches for environmental protection, occupational health & safety and quality assurance.

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

External agreements and initiatives

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

► www.unglobalcompact.org

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

Memberships in associations and organizations

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

- U.S. Green Building Council (USGBC), an organization committed to a sustainable future through cost-efficient and energy-saving buildings. USGBC is the owner of the LEED building standard.

► www.usgbc.org

- European Committee of Domestic Equipment Manufacturers (CECED), a business association that represents the household appliance industry in Europe.

► www.ceced.eu

- Oebu, a Swiss association and think tank for sustainable business.

► www.oebu.ch

For a list of significant memberships, see:

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

Relevant stakeholder groups

Franke Group believes the following stakeholder groups to be relevant:

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

Basis for selecting stakeholders

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

Approaches to stakeholder engagement

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

Response to key topics and concerns of stakeholders

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

- Resource and energy efficiency of our products and services: we conduct eco design workshops to better understand the impact of our products along their lifecycle. We are also working on better highlighting the topics that matter in interactions with customers, as well as in labeling our products.

- Guidance on how products from Franke Group help meet building standards: we have applied the criteria of the LEED and Minergie building standards to some of our products in order to identify which products are best for complying with these standards.

- Achieving top performance, social and environmental standards through systematic management of operational safety, reliability, efficiency and overall cost reductions through the Group-wide Operational Excellence program. A Central Purchasing function was established in 2013 with the aim to better coordinate and standardize supplier management. As in 2014, the Operational Excellence program contributed to improving the Group's cost competitiveness. Major initiatives in the Footprint Optimization workstream included the relocation of certain sink production activities to low-cost locations within the Group. At year-end, Franke Water Systems closed its production activities in the UK and is scheduled to shift them to Franke Foodservice Systems Poland. Additionally, the Franke Group Management Board-approved Supplier Code of Conduct defines minimum requirements regarding employment practices, environmental protection and business integrity that must be met by all our suppliers.

Engagement of stakeholders in 2015 took place as follows

CUSTOMERS AND CONSUMERS

Customer insights: structured interviews with customers and end-consumers as well as online panels and focus groups in various countries are conducted by professional service providers and our new customer insights department in order to evaluate the attractiveness of our products and services and to better understand their needs.

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

Training: with the launch of Franke Stars, Franke's new online training platform, customer training has become more attractive and more structured. The platform will be further rolled out to all key markets in 2016. In 2015, Franke established the Marketing Academy in close collaboration with University of St. Gallen, during which the Category and Product managers from all divisions are trained in value proposition, customer insights and innovation processes. In January 2015, the entire Global Leadership team (85 most senior leaders) participated in a one-week training at IMD, a top business school in Switzerland (read more on page 27).

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

EMPLOYEES

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

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

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

Employees attend an introductory program when joining the company.

Engagement opportunities and employee participation at plant level (for appraisal process, see page 27).

SUPPLIERS AND BUSINESS PARTNERS

Suppliers and business partners initial contact as part of the supplier pre-screening and evaluation process, mainly on issues related to quality and lead time.

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

LOCAL COMMUNITIES, AUTHORITIES, MEDIA, REGULATORS

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

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

Open days at various production sites.

Participation in technical standard setting bodies.

POTENTIAL FUTURE EMPLOYEES

Career days: participation in recruitment days at universities.

The Careers section on the corporate website was updated in 2015 to better position Franke as an attractive employer for professionals, students and graduates, as well as apprentices. Further updates are planned in the course of 2016. A central Marketing and social media approach ensures alignment across all online platforms and continues to be regulated and reviewed in terms of content and further expansion.

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

OWNER

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



ECONOMY

Management approach

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

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

Economic performance

Relevant indicators on Franke Group's generation and distribution of economic value in 2015 are presented at: [▶ www.franke.com](http://www.franke.com) ▶ [About us](#) ▶ [Key Figures](#)

Risks and opportunities due to climate change

Climate change is a strong driver for energy and water efficiency. The need to use resources more wisely in the future will increase demand for products that use less energy and/or water along their lifecycle. Franke is confident that our innovative products meet the requirements of customers in this regard.

Based on the annual risk analysis, we believe that the exposure of Franke Group to the risks of climate change (e.g. natural perils for production plants or transportation) is moderate. What is more, there are currently no specific CO₂ regulations such as emission caps. However, Franke is aware that rising energy prices are directly linked to production costs. This is why Franke intends to further reduce energy consumption in the future.

KEY FIGURES

IN CHF M	2015	2014	DIFR
Net sales	1,995.7	2,133.8	-6.5%
Organic growth*	1.6%	3.8%	-2.2%
EBIT	170.7	135.4	26.1%
Investments	70.2	87.4	-19.7%
Average headcount	8,986	9,148	-1.8%

* Percentage points

NET SALES BY DIVISION



IN CHF M	
Franke Kitchen Systems	939.1
Franke Foodservice Systems	525.4
Franke Water Systems	241.6
Franke Coffee Systems	180.9
Franke Beverage Systems	118.5
Other Activities	22.6

NET SALES BY REGION



IN %	
Europe	56
Americas	28
Asia/Oceania	8
Africa/Middle East	8

OVERCOMING A CHALLENGING BUSINESS ENVIRONMENT

Franke Group achieved organic growth of 1.6 percent last year – and is well positioned for a successful 2016.

The unexpected shift of focus on restructuring in response to the challenges that dominated 2015 from the beginning of the year strengthened the foundations of the Group further. Together with the growing benefits from the Operational Excellence program and the implementation of the One Franke strategy, the Group's cost position was improved. An enhanced brand image through the Make It Wonderful campaign, a rejuvenated

portfolio of coffee machines, also including capsules, and the launch of the kitchen system Frames by Franke together with several new product lines in the various divisions will boost sales growth. In addition, a new global initiative will focus on Sales Excellence in 2016.

Here are some highlights of Franke's business activities that helped bring Make It Wonderful to life in 2015:

1 Franke Kitchen Systems won the contract to equip the shopping center and the kitchens of the 308 apartments in the newly built One Tower in Ankara. For the prestigious skyscraper, which stands in the center of the distinguished government district of Turkey's capital, the division supplied products of the Crystal line, kitchen worktops and decoration elements made from acrylic.

2 Franke Foodservice Systems supplied Burger King in the US with 1,500 Forced-Air Fry Stations that extend the holding time of French fries without impacting food quality. An order of 900 more units has already been placed by Burger King.

3 In cooperation with McDonald's, Franke Foodservice Systems developed an egg-cooking work station, implemented by McDonald's for its nationwide All Day Breakfast project in the US. Franke has produced egg-cooking stations for 3,200 restaurants and supplied the equipment package, including specialized accessories, to more than 7,500 restaurants.

4 In 2015, KWC developed the KWC ZOE touch light PRO, a futuristic looking tap that is controlled using smart technology. It can be operated intuitively with a light touch and programmed to individual needs. The tap was recently presented at the Swissbau trade fair in Switzerland, where it attracted great attention.

5 Franke has supplied 50 petrol stations with more than 200 toilets, 300 washbasins, urinals and taps so far. More than 200 new Adnoc petrol stations will be built by 2017 in the United Arab Emirates.

6 In the United Arab Emirates, Franke Water Systems equipped the hotel and villas of the newly built residential district Jumeirah Park in Dubai with more than 5,000 bathroom accessories and taps and supplied another 420 sinks and kitchen taps.

7 Franke Coffee Systems is equipping the petrol stations of the Polish ORLEN Group. Out of the 415 coffee machines that are currently in use, 253 units have been delivered in 2015. The success story is continuing in 2016 with an expected delivery of 600 further machines to Poland, the Czech Republic and Germany.

8 After a successful pilot in Switzerland, Starbucks On the Go was launched in 2015 in various European countries. The unique self-service beverages concept, which Starbucks offers together with Selecta, uses the intuitive FM 850 of Franke Coffee Systems, so that everybody can mix their original Starbucks favorite drink. In 2016, Starbucks On the Go corners are to be installed at 100 Valora kiosks in Switzerland and at numerous sites in the Middle East.

9 Developed in 2015, Franke Coffee Systems' A800 is equipped with FoamMaster™ technology in series production and will be available in 2016. The 10-inch color touch screen is easy to operate and the new coffee machine convinces customers with its flexibility to combine various accessories in a simple way.





ENVIRONMENTAL

Management approach

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

Franke Group strives to consistently reduce the environmental impact of its operations, taking into account the commercial viability and the availability of environmentally friendly technology. A number of measures ensure that our environmental footprint is reduced:

- Compliance with environmental laws and regulations is the minimum requirement for all Franke operations.
- All production companies are required to implement and certify environmental management systems in accordance with the standard ISO 14001. By the end of 2015, 29 out of all 39 production companies were certified according to ISO 14001.
- Good practices are exchanged across Franke businesses to learn from examples that have shown good results (e.g. recycling of heat from presses or server rooms, substitution of materials, closed water loops in production processes).
- Both the availability and quality of environmental data have improved since it was first consolidated at Group level in 2012. The monitoring of the environmental data allows checking progress over time and defining additional improvement measures.

Materials used by weight or volume

Franke Group uses a wide range of materials of different quantity and quality. The most important materials that we use in our production are metals (mainly stainless steel), plastics and cardboard as well as semi-finished and finished products. We have just started to collect data for materials and are currently not in a position to report details.*

Percentage of materials used that are recycled input materials

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

Direct energy consumption

Franke Group generally uses externally purchased energy. The direct energy carriers (Scope 1) include extra light heating oil, natural gas, as well as fuels (i. e. diesel and gasoline). Consumption of natural gas increased by 1.5% (5.78 million m³ in 2015 compared to 5.69 million m³ in 2014). Consumption of extra light heating oil increased by 63.2% (7,438,092 liters in 2015 compared to 4,557,556 liters in 2014), mainly due to the now integrated figures from the plant in Zilina, Slovakia. Franke-owned vehicles consumed 325,131 million liters of gasoline and 1.74 million liters of diesel in 2015 (down from 1.92 million liters of gasoline and 1.76 million liters of diesel in 2013).

Comparison to previous years is limited because the Service Solution Group with many service cars is no longer part of the Franke Group. Total direct energy consumption was 496 TJ in 2015 (down from 519 TJ in 2014). Direct energy consumption in relation to net sales (TJ per million Swiss francs, excluding fuel) was 37.4% lower in 2015 than in 2014.

Indirect energy consumption

Electricity is the most significant form of indirect energy (Scope 2) consumed by Franke Group. Three sites in Europe also use district heat. Consumption of electricity increased by 7.2% (117.6 GWh or 424 TJ in 2015 compared to 109.7 GWh or 395 TJ in 2014). Even though comparison with previous years is limited due to a change in the data measurement technique, many companies reported lower electricity consumptions for 2015. The electricity consumption in relation to net sales (MWh per million Swiss francs) was 37.4% lower in 2015 than in 2014, and 47.4% higher than in 2013.

Energy saved due to conservation and efficiency improvements

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

- Sustainable buildings;
- Modernization, reduction or downsizing of machinery such as presses, pumps and compressors;
- Improved lighting in buildings with energy-saving bulbs (e.g. LED), partitioning, motion sensors and daylight dimmers;
- Process improvements such as a lower temperature in the washing process;
- Binding CO₂ limits have been in force since 2012 for the purchase of company-owned cars and service vans. The limits also reduce fuel consumption and thus reduce the operating costs of our fleet.

Systematic energy management has been expanded further across various Franke sites. Software for online and real time monitoring of energy consumption and the installation of additional metering points increase transparency of energy flows and ultimately allow defining additional improvement measures.

Energy-efficient products and services

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

Water consumption

Franke Group uses mainly fresh water from the public water system and some water from wells. The consumption of fresh water decreased by 3.2% in 2015 (515,509 m³ in 2015 compared to 532,442 m³ in 2014). The main reasons are that larger plants in China and USA reported lower water consumptions for 2015.

Water consumption in relation to net sales (m³ per million Swiss francs) was 3.5% higher in 2015 than in 2014 and 19.7% lower than in 2013.

Sources significantly affected by withdrawal of water

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

Greenhouse gas emissions

In absolute terms, CO₂ emissions (Scopes 1 and 2), increased by 15.1% (80,179 metric tons in 2015 compared to 69,675 metric tons in 2014). In relation to net sales (tons of CO₂ per million Swiss francs), CO₂ emissions in 2015 increased by 23% in 2014 and by 21.6% compared to 2013. At 61,800 metric tons (77.1% of total CO₂ emissions), electricity consumption is by far the largest source of CO₂.

Reductions in greenhouse gas emissions

Our approach to curbing CO₂ emissions is twofold:

1. Save energy and increase energy efficiency: some measures are listed on page 19.
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 on availability.

Total water discharge

Franke Group treats domestic wastewater and process wastewater. In 2015, 218,727 m³ of wastewater was discharged into a communal waste water treatment plant (42% of total wastewater), and 215,425 m³ (50%) was pretreated and discharged into surface or subsurface waters. A small quantity of wastewater was disposed by professional third-party companies. Franke Group does not engage in the unplanned discharge of wastewater.

Total weight of waste

In 2015, 19,357 tons of non-hazardous waste including metal scrap and 2,900 tons of hazardous waste were generated. Of the total waste, around 20,098 tons (81.2%) were reused or recycled.

Total waste in relation to net sales (tons of waste per million Swiss francs) was 8.0% higher in 2015 than in 2014 and 0.7% lower than in 2013.

Significant spills of chemicals

There were no significant spills of chemicals in 2015.

Initiatives to mitigate environmental impacts of products and services

Franke Group aims to proactively adapt to rising customer expectations, regulatory changes, emerging product labels or buildings standards. At the same time, environmental risks and impacts of our products and services – material, energy and water and the generation of waste – will be reduced. In 2015, we continued to apply the eco design approach to existing product groups or at a product's early development stage. Eco design workshops help us better understand our key priorities and ultimately improve our products and services.

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

- New energy management system for Franke Kaffeemaschinen AG to optimize energy consumption and avoid energy peaks.
- Different optimizing operations in larger plants.
- Implementation of a new energy management program for Franke Aquarotter in Germany.

- A Group-wide program was launched which conducted energy analyses in larger plants, further moving to the plants in Bad Säckingen, Germany, Peschiera, Italy and Berbentina, Italy. The analyses focused on the flows of different energy types in order to implement corrective actions to avoid consumption or reduce quantity.

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

No significant fines or non-monetary penalties were imposed in 2015.

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

ENERGY CONSUMPTION (ABSOLUTE)

	UNIT	2015	DIFR 2014/2015	2014	2013
Electricity	MWh	117,600	7.2%	109,680	106,560
Heating oil extra light	Liters	7,438	63.2	4,558	4,738
Natural gas	m ³	5,783	1.5%	5,697	6,398
Subtotal excluding fuel	GJ	423,834	7.2%	395,216	384,016
Gasoline	Liters	325,131	-83.1%	1,922,323	370,354
Diesel	Liters	1,740,100	-0.9%	1,755,251	1,091,858
Total	GJ	496,413	-4.4%	581,844	434,608

ENERGY CONSUMPTION (RELATIVE TO NET SALES)

	UNIT	2015	DIFR 2014/2015	2014	2013
Electricity	MWh/m CHF	58.9	14.6%	51.5	51.5
Heating oil extra light	Liters/m CHF	3.7	74.5%	2.1	2.3
Natural gas	m ³ /m CHF	2.9	8.5%	2.7	3.1
Fuel	Liters/m CHF	1,034.7	-4.0%	1,723.5	706.5
Total	GJ/m CHF	249	2.2%	243	210

CO₂ EMISSIONS

	UNIT	2015	DIFR 2014/2015	2014	2013
Scope 1 (from fuels and combustibles)	Metric tons	18,379	-17.7%	22,345	22,773
Scope 2 (from electricity and district heat)	Metric tons	61,800	-30.6%	47,330	45,586
Absolute CO₂ emissions	Metric tons	80,179	15.1%	69,675	68,359
Relative CO₂ emissions	Mt/m CHF	40	23.0%	33	33

WATER AND WASTE WATER

	UNIT	2015	DIFR 2014/2015	2014	2013
Fresh water consumption	m ³	515,509	-3.2%	532,442	665,891
Relative water consumes	m³/m CHF	258	3.5%	250	322
Waste water	m ³	434,151	-11.6%	491,126	612,562
Relative waste water	m³/m CHF	218	-5.5%	230	296

WASTE

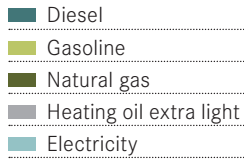
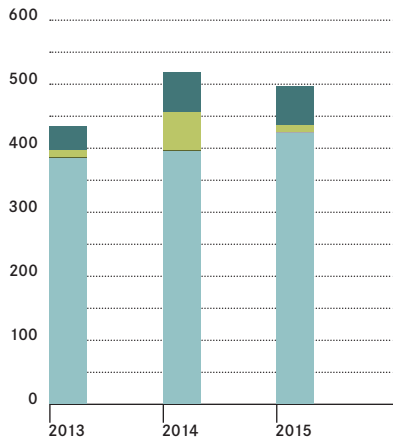
	UNIT	2015	DIFR 2014/2015	2014	2013
Non-hazardous waste	Metric tons	19,357	-24.4%	25,613	20,961
Hazardous waste	Metric tons	2,900	70.5%	1,701	2,646
Total waste	Metric tons	22,257	-18.5%	27,314	23,239
Relative waste	Mt/m CHF	11.2	-12.9%	12.8	11.2

ENVIRONMENTAL MANAGEMENT SYSTEMS

	UNIT	2015	DIFR 2014/2015	2014	2013
Production companies certified in accordance with ISO 14001	Companies	29	16%	25	21

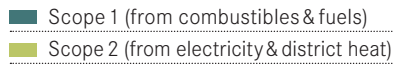
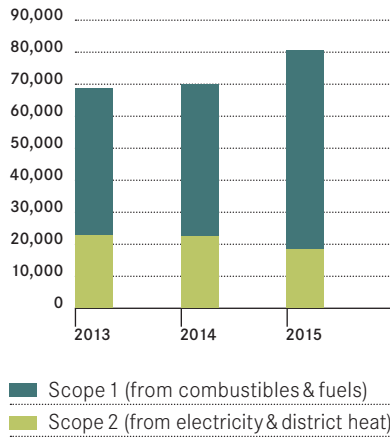
ENERGY CONSUMPTION (ABSOLUTE)

IN GIGAJOULES (GJ)



CO₂ EMISSIONS

IN METRIC TONS (MT)



FRANKE DELIVERS SOLUTIONS FOR THE GLOBAL FOOD WASTE PROBLEM

With the latest storage technology from Franke, foods can be kept fresh for twice as long.

According to the Food and Agriculture Organization of the United Nations, about one third of food produced in the world goes to waste every year. Food loss and waste needlessly drains resources, water, land, energy, and labor, among other factors. In the foodservice industry, the most frequent culprits are consumers who prepare too much or do not consume products quickly enough, leading to food spoiling during storage. Targeting this problem, Franke's Air Purification System APS 300, developed in 2015, is revolutionizing food refrigeration. This innovative technology purifies the air in walk-in refrigeration units and doubles the shelf life of fresh food, creating a truly sustainable solution.

The APS 300 purifies with ozone and UV light, cleaning the air that is circulated within the temperature-controlled rooms. Besides reducing bacteria and fungi, the

system also prevents the spread of ethylene, a plant hormone that accelerates ripening. As a result, fruits and vegetables retain their color, texture and taste and have twice the shelf life compared to those in refrigeration units without the APS 300.

Test customers have confirmed the impressive results of the product, including Robert Picardi, head chef at Prezza, a fine-dining Italian restaurant in Boston. "We make fresh pasta every day. In the past, we had to throw out any surplus pasta after two to three days due to odors and bacteria. Now it remains fresh for a whole week longer." Thankfully, the APS 300 makes great progress towards the trend "green and clean", promoting the use of fresh and healthy foods while sanitizing and keeping work areas clean without the use of extra chemicals.



ECO₃ ICE: A UNIQUE, SYNTHETIC DIAMOND-BASED TECHNOLOGY TO TREAT ICE MACHINES

The revolutionary antimicrobial ice protection system makes it easy to keep ice machines cleaner and more hygienic.

Franke Foodservice Systems also relaunched the award-winning EcO₃ Ice. The invention is poised to clean up one of the restaurant industry's most vexing problems. It has long been one of the "dirty little secrets" of the restaurant business that ice-making machines are very difficult and time consuming to keep clean. Their dark, damp interiors are, in fact, "perfect" breeding grounds for microbes of many kinds. That's especially true if dough for freshly baked bread or pizza is prepared nearby, launching yeast into the air and into ice machines, where it can multiply at an alarming rate. Staying ahead of the germs requires frequent machine teardown and cleaning, which is expensive and disruptive. No wonder that many operators fall behind, putting cleanliness and food safety at risk. Occasional food illness outbreaks have been directly attributed to contaminated ice.

Various sanitizing systems have been tried, but few have been completely effective – until EcO₃ Ice came along. This novel, compact device creates a water-borne ozone (O₃) solution from the plain water supplied to the ice machine. It continuously sanitizes all working areas of not only the ice machine, but also its related ice storage bins and dispensers. The result: substantial savings on the cost to clean and maintain ice machines, and cleaner, safer ice in customers' beverages. For most restaurants, the reasonably priced solution pays for itself with cost savings in less than a year.

EcO₃ Ice is promoted to leading foodservice chains, as well as companies that sell, lease and maintain ice machines. For them, the "secret" is out: there's a new way to solve the ice machine problem once and for all.



EMPLOYER RESPONSIBILITY



Management approach

Responsibility for labor practices at Franke Group lies with the Chief Human Resources Officer who reports directly to the CEO of Franke Group. Furthermore, the HR Committee of the Board of Directors supervises HR-related activities. Franke's Vision is geared toward profitable growth and leveraging market opportunities. At Franke, Human Resources acts as a strategic partner to the business, providing sustainable competitive advantages to the organization. The Human Resources strategy and Roadmap both contribute to this vision. By way of guidance, the global human resources teams follow a clear direction going forward, with Corporate HR ensuring alignment; knowledge and best practices are regularly exchanged in order to gain a better understanding of how colleagues can interact most effectively with each other, improving collaboration across our global divisions and regions. The Make It Wonderful brand promise also serves as an internal promise for employees to continuously deliver better solutions, be actively involved and take the right decisions to effectively remain customer-driven.

The different human resources (HR) functions at Franke support the entire employee lifecycle, from recruiting, performing and developing to succession planning. Employees are trained, developed, and promoted from within; Franke aims for a 70% internal promotion rate. Steered by Corporate Human Resources, the main driver for employee development within the company is the Franke Academy, an advanced training platform focusing on the three key areas of leadership, knowledge, and behavior. It supports all employees and executives in obtaining the necessary tools and targeted knowledge, thereby building high-performing teams that are champions in their core disciplines. See page 26 and 27 for more information about the Franke Academy.

Franke employees' personal and professional goals are supported through regular feedback, learning programs

HEADCOUNT BY REGION



Europe	60%
Americas	15%
Asia/Oceania	17%
Africa/Middle East	8%

and development opportunities. In 2015, a new competency appraisal process was rolled out that is closely linked to the Franke values and fosters open communication and bilateral feedback. Personal commitment is honored by rewarding performance and offering challenging careers with international scope.

The Franke values of Enable People, Foster Teamwork, Act Entrepreneurial, Deliver Solutions and Be Accountable are lived through the actions of every employee; leadership is expected to walk the talk and create an environment where employees feel inspired to give their best, and contribute to developing new ideas. The goal of the Franke Group Management Board is that all production companies implement and certify an occupational health & safety management system (OHSAS 18001). By the end of 2015, 27 out of 39 production companies were certified according to the standard OHSAS 18001.

Franke places strong emphasis on health & safety in all companies. Read an example of this key priority from Franke Kindred Canada, a company that is leading the way in safety and was recently honored for their achievements (see section Human Rights on page 30). Franke conducts business in line with high ethical and moral standards. The Code of Conduct and internal policies define our business

WORKFORCE

IN FULL TIME EQUIVALENTS	2015	2014	% OF TOTAL 2015	DIFFERENCE
Europe	5,189	5,102	59.9%	1.7%
Thereof Switzerland	1,078	1,079	12.5%	-0.1%
Americas	1,312	1,602	15.2%	-18.1%
Asia/Oceania	1,507	1,553	17.4%	-3.0%
Africa/Middle East	650	707	7.5%	-8.1%
Total	8,658	8,964	100%	-3.4%
Permanent employees	7,741	8,363	89.4%	-7.4%
Temporary employees	708	407	8.2%	74.0%
Apprentices	209	194	2.4%	7.7%
Total	8,658	8,964	100%	-3.4%

TURNOVER RATE 2015



Europe	8%
Americas	6%
Asia/Oceania	20%
Africa/Middle East	19%
Total	11%

TURNOVER RATE 2014



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

PERMANENT LEAVING EMPLOYEES IN 2015



IN FULL TIME EQUIVALENTS

Europe	360
Americas	69
Asia/Oceania	281
Africa/Middle East	118
Total	850

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

Total workforce

At the end of 2015, Franke Group employed 8,658 people worldwide, which is 306 FTEs (full time equivalents) less than in 2014. Mainly due to business restructuring in the US (including the divestiture of Service Solutions Group [SSG]), but also in other regions, the number of FTEs were reduced in these areas. In addition, a hiring freeze in some countries also contributed to the reduction.

Employee turnover rate

The average employee turnover rate (of permanent employees) was 11% (13% in 2014). The figures below show the number of permanent leaving employees in 2015 and the turnover rate by regions.

Compensation & 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. Franke Group bases its employee benefits on country-specific standards.

Employees covered by collective bargaining agreements

We estimate that around half of the total workforce is currently covered by collective agreements (e. g. collective labor agreements, wage agreements). In Austria, France, Germany, Italy and Switzerland, over 90% of employees are governed by a collective labor or wage agreement. There are no collective agreements with employees in the US and China (19% of total workforce).

Notice periods regarding operational changes

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

Accidents, injuries, fatalities

The lost day rate (LDR, lost days per 100 employees) was 159 in 2015 (down from 172 in 2014). The LDR is calculated as days lost due to occupational accidents or diseases (11,409 lost working days in 2015), divided by the working hours (14.4 million hours in 2014), multiplied by 200,000 (50 working weeks at 40 hours per 100 employees). The Group-wide absenteeism rate was 2.8% in 2015 (3.0% in 2014). More detailed data on health & safety is presented on page 27. No fatal accident was recorded in 2015 (same for 2014 and 2013).

Programs for skills management and lifelong learning

Franke is a company built on ideas. It is a place where ideas are nurtured and grow into innovative products

DIVERSITY: FEMALE EMPLOYEES

IN FULL TIME EQUIVALENTS	2015	% OF TOTAL 2015	2014	% OF TOTAL 2014
Franke Group Management Board	0	0%	0	0%
Senior Management	2	1%	3	4%
Employees (mainly office staff)	940	31%	1,202	33%
Total office staff	942	31%	1,205	33%

OCCUPATIONAL HEALTH & SAFETY

	2015	DIFFERENCE 2014/2015	2014	2013
Lost days due to occupational accidents or diseases	11,409	-11%	12,859	12,120
Lost day rate (LDR)*	159	-8%	172	153
LDR per net sales (per million Swiss francs)	0.08	-1.2%	0.08	0.07
Number of injuries	202	NA	NA	NA
Fatal accidents	0	0%	0	0
Production companies certified in accordance with OHSAS 18001	27	35%	20	15

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

and services that make the everyday wonderful. Enabling people is a key driver for Franke's success. Employees are developed at every level and career stage which allows Franke to advance as a company. Learning experiences are global, local, personal and, above all, transformational. A broad range of training and learning opportunities are offered as orchestrated around the business's key challenges and focus areas, delivered in a unique way that is engaging, inspiring, and action-oriented.

Besides the CAMP initiative, a unique one-week learning experience at IMD Business School in Lausanne was held in 2015 for the entire Global Leadership Team (GLT) and selected rising leaders which was called the Global Leadership Team Development Program (GLTP). A customized program pinpointing Franke's business needs and priorities, the program had three main objectives: establish a clear understanding about strategy and branding, how to drive change, including the pitfalls and learning what a good change process looks like, how business projects should effectively be managed to ensure buy-in from all stakeholders, and finally how to lead and communicate in a way that makes a strong impact.

In 2015, the Franke Marketing Academy was initiated. This advanced training platform focuses on the three main areas of leadership, knowledge and behavior. The key objectives of the Franke Marketing Academy are to further develop strategic marketing and planning capabilities, foster knowledge exchange between departments, and build a shared understanding of market

practices, thereby enabling employees in a way that is tailored to subject-specific needs.

Employees receiving performance and career development reviews

Franke Group supports the personal and professional development of individual employees. Open dialogues between employee and manager are strongly encouraged and provide opportunities to give and receive regular feedback. 2015 was a year of transition as Franke switched to a new HRIS system and implemented a specific tool that manages the Management Incentive Plan and Competency Appraisal processes. With the new tool, the entire employee lifecycle within Franke is managed and information can be accurately maintained. During the ongoing rollout process and by the end of 2016, the goal is to have 1,000 employees using the new tool.

Workforce diversity and equal opportunity

The proportion of female employees (available data is for 940 mainly office staff at Group level) was 31% in 2015 (down from 33% in 2014). In Senior Management (Global Leadership team), 2 out of 82 people are women. The 12 members of the Franke Group Management Board are all men.

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

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

BUILDING SUSTAINABLE COMPETITIVE ADVANTAGE THROUGH PEOPLE MANAGEMENT

Franke's employees are its most valuable asset and the key factor of business success. Brand behavior is crucial to stand out from the competition and exceed customer expectations.

In today's world, it is no longer enough to create competitive advantage based on products alone. The challenge is that many of Franke's products either are or become commoditized, meaning that the business's margins are under constant pressure. As such, creating competitive advantage through people becomes a top priority. In order to drive growth and increase profitability, Franke aims to be extraordinary and uniquely valuable to distinguish itself from its competition: to do things others cannot copy and to outperform competitors. As a result, Group-wide transformational change targeted behavior as the winning ticket for Franke, lived both internally and externally through the Franke values. How employees work and collaborate becomes vital, including interactions with customers, how solution-oriented employees are, and how employees cooperate and work as a team.



Franke aims to create a wonderful place to work, thereby attracting and retaining the right people to fit the culture. Working hand in hand with the Franke values, the employee value propositions consist of five main elements: "Learn and grow," "Be part of our global team," "Make an impact," "Create customer value" and "Take responsibility". Steered by Corporate Human Resources and united with the Make It Wonderful brand claim, the HR mission "Create a wonderful place to work where people make the difference" drives the HR strategy and innovative HR business model across divisions and regions. Developing and managing transformational change is a constant leadership effort that requires high commitment from all Franke members.

Identifying and promoting talent

In the past, each division and Group function was responsible for identifying and promoting talent as well as succession planning for key roles. In the future and fully in line with One Franke, there will be a standard process coordinated across the Group for the Talent & Succession Review process. With the Talent & Succession Review, joint tools are also implemented across all divisions and Group functions.

The concept for talent management and succession planning has been jointly developed by the Global HR team of Franke together with the regional HR colleagues from all company areas. Thanks to the new joint process, internal talent is promoted in a more targeted manner, which offers individual career prospects and therefore promotes the loyalty of talent to the company. An additional positive side effect: reducing hiring costs and increasing transparency of the positions at Franke.

CHANGE AMBASSADOR PROGRAM (CAMP) CONTINUES

Developing and managing transformational change is a constant leadership effort that requires high commitment from all Franke members.

Serving under the Franke Academy, the ongoing Change Ambassador Program (CAMP) supports employees on their journey to live the new corporate culture and values. It is one of the biggest internal initiatives at Franke: all 9,000 employees attending one of the nearly 1,000 workshops around the globe to identify and fully understand what the change means for them in their day-to-day work and how every individual can support this change. In line with the One Franke, One Strategy, One Brand strategy as well as the brand promise Make It Wonderful and five Franke values, the task and objective is to

detect potential for optimization in every company and to activate it. Together with all employees, Franke aims to deliver changes and to make improvements. In 2015, the focus was on teamwork and committing to the values in a concrete way. In their teams and written directly on a poster-sized team charter, employees defined what the Franke values meant to them and how they could support the change. The charter is used as a living document to be sustained and reviewed on a regular basis. This way teams can stay on track, ensuring every member is involved and moving in the right direction.





HUMAN RIGHTS

Management approach

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

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

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

Franke Group’s Supplier Code of Conduct requires that all suppliers and their respective supply chain comply with minimum requirements regarding employment practices, environmental protection and business integrity.

Human rights aspects in investment agreements

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

Human rights training for employees

In 2015, no employees received formal training in human rights issues. Franke employees worldwide have access to the Code of Conduct that is available in 12 languages. The revised Code of Conduct was communicated to all employees and is available as a brochure.

Incidents of discrimination

The Code of Conduct of Franke Group forbids discrimination because of gender, age, color, national origin, race, religion or any other legally protected personal characteristic. However, security rules may restrict certain work to specific individuals.

Compliance with the Code of Conduct is verified annually as part of a binding Group-wide survey. No cases of discrimination were discovered in 2015.

Guarantee of freedom of association and collective bargaining

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

The Supplier Code of Conduct of Franke Group requires that all suppliers and their respective supply chain respect the rights of employees to freely associate and bargain collectively, free of any restrictions or consequences.

Risk of and precautionary measures against child labor

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

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

Risk of and precautionary measures against forced labor

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

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

MAKING OCCUPATIONAL HEALTH & SAFETY A PRIORITY

Franke takes occupational health & safety very seriously for all employees. Franke Kindred Canada Limited, a part of Franke Kitchen Systems, provides an impressive example of these efforts.

One of the world's biggest healthcare problems are accidents and sickness caused in the workplace. According to the International Labor Organization (ILO), more than 315.3 million employees suffer an occupational accident every year. This figure includes 2.3 million deaths, that is 6,400 employees dying at work every day. At Franke, the safety of each employee is the top priority (safety first). With Lean Manufacturing and the Six Sigma system deeply integrated in day-to-day operations, safety processes at the production companies are continuously being optimized. Franke ensures operational excellence by working in close alignment with local operations locations and by adapting the manufacturing and warehouse footprint to product and market needs. Regular investments in the operating plants guarantee a high safety level; regular training sessions and audits consistently raise awareness and empower employees to become more active in this area.

Franke Kindred Canada Limited (FKC) has been the leading production company of stainless steel sinks in Canada for 60 years. The company's permanent safety efforts were honored with the Canadian Top Safety Culture Award last year. Together with two other companies, FKC scored the most points in the Medium &

Large Enterprises category. Safety was assessed at all employee levels, e.g.: what stance and awareness do the management and the employees have about safety and how the regulations are defined and established in day-to-day operations.

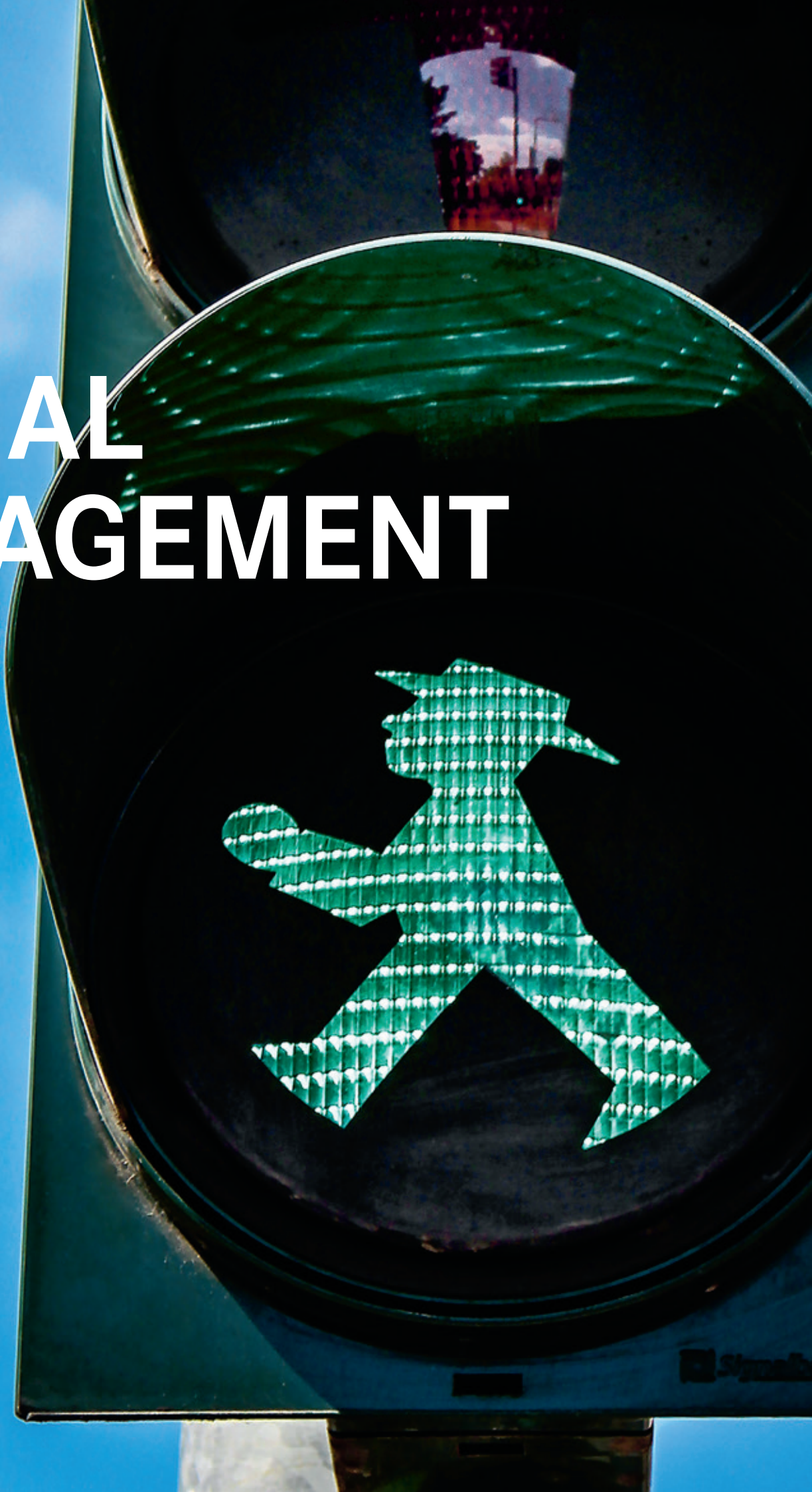
In addition, the Excellence In Manufacturing Consortium (EMC), a non-profit organization and the biggest association of production workers in Canada, honored FKC for their great achievement in not having suffered any downtime due to an occupational accident in more than ten years. Franke is proud that the efforts around health & safety in the workplace have been recognized and continues to progress further.

Lean Manufacturing

As part of Franke's LEAN manufacturing and Operations strategy, processes are analyzed and optimized as best possible. Following the Operations Roadmap, 14 local workshops, 8 regional workshops and 2 global events were held at Franke. The results concluded better quality, greater safety, optimized costs and higher customer satisfaction.



SOCIAL ENGAGEMENT



Signal

Management approach

The Management Board of Franke Group supervises compliance activities.

The Franke Code of Conduct was last updated in 2013. All Franke employees commit to observing the highest ethical standards of professional and personal conduct in their interactions with customers, colleagues, business partners, competitors, regulators and the communities in which Franke operates. Compliance with laws and regulations is coordinated by the Compliance Officer of Franke Group, who is a member of the Group Legal & Compliance department and located in Switzerland. The Internal Audit department carries out on-site audits. In addition, the SpeakUp@Franke integrity line can be used by all employees as a last resort to report integrity concerns in a confidential and anonymous manner. In the event of misconduct, corrective measures are taken.

Analysis of business units for risks of corruption

The Internal Audit department carried out eight on-site audits in 2015 (down from 12 audits in 2014). Yet, these audits do not particularly focus on risks related to corruption.

According to the annual binding survey carried out at all companies of Franke Group, there were no cases of corruption in 2015.

Anti-corruption policies training

In 2015, no employees received formal training in anti-corruption policies and procedures. Franke employees worldwide have access to the Code of Conduct that is available in 12 languages.

The revised Code of Conduct as well as the new SpeakUp@Franke integrity line was communicated to all employees and a brochure distributed in 2013.

Actions taken in response to incidents of corruption

No measures were necessary, as no case of corruption was revealed in 2015.

Political positions and exercise of influence

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

COLLABORATION ON ENGAGING SOCIAL COMMITMENTS

At Franke, the values are reflected in the charitable actions of employees around the globe. The value Be Accountable plays a key role in such social projects that aim to increase motivation and ignite team spirit.

Providing assistance and a wonderful spirit to families in need

Within the framework of the Family Meal Program at Ronald McDonald House in Vancouver, Franke employees prepared a meal for more than 100 seriously ill children and their families. The employees had the opportunity to learn how important these meals are for the families affected, who were able to take some time out to relax by sitting at a laid table in the evening after so many exhausting hours in the hospital.

Supporting local aid organizations in the Netherlands

One Team, One Spirit – that was the motto for the 20 Franke employees in the dragon boat race in Helmond, Netherlands. The team event was for a good cause: the proceeds went to local aid projects for children, including the children's medical unit in a hospital in Helmond. The Franke team in the Netherlands also pursues charitable activities on land: more than 25 Franke employees participated in a 24-hour charitable run in July, 2015 to raise funds for cancer research.

Franke Foodservice Systems GmbH, Bad Säckingen, Germany

Once a year, employees at Foodservice Systems GmbH in Bad Säckingen, Germany, switch workplaces. They then exchange their pen for a hammer or tie for work gloves within the framework of the Social Contribution Days, which were introduced in 2014, and commit to a social project for two days. One day of committing to voluntary work is covered by Franke, the second day is donated by the employees themselves, either as a day of leave or weekend work. The suggestions for the individual initiatives come from the employees themselves. For example, a fence was built for a mother-child clinic; a private art viewing was held together with people with disabilities that showcased the paintings and handicrafts created together; donuts were sold for a charitable cause and the pro bono helpers of the Wattenscheid Tafel were supported in distributing food and donations to people in need.



From top:

Once a year, our employees at Foodservice Systems GmbH in Bad Säckingen, Germany, switch workplaces within the framework of the Social Contribution days.

One Team, One Spirit for local aid projects for children: Local Franke employees at the first dragon boat race in the Dutch town of Helmond.





PRODUCT RESPONSIBILITY

Management approach

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

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

By the end of 2015, 36 of 39 production companies had a certified quality management system in accordance with the ISO 9001 standard. Quality management systems ensure that our products comply with mandatory technical and other standards. In addition, quality management leads to continuous improvements.

Health & safety impacts of products

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

Franke ensures traceability of its critical products to the first external customer. This allows recalling products in the event of serious malfunction. No product recall was required in the more than 100 years of Franke's history.

Product information

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

The list of labels includes:

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

Practices related to customer satisfaction

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

While some companies conduct customer surveys independently, others run third-party administered surveys with standardized questions. Performance improvement plans are routinely developed for those questions with the weakest results.

Customer privacy

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

SUCCESS WITH A SYSTEM THAT INSPIRES

Saving the climate while cooking: Franke's new kitchen appliances strategy offers energy-saving products.

Franke Kitchen Systems, Franke's biggest division, aims to achieve three objectives with its high-quality kitchen systems. First, it plans to offer customers unique value and create excitement in line with Make It Wonderful. Second, the Franke brand and its products are to become significantly more relevant in the sales process. Thirdly, the value per order, or sales, is to be increased; if possible, the aim is to sell the entire system. The new strategy and the corresponding range have convinced our business partners.

Franke's new appliances combine innovative technology with competitive quality and offer customers time savings and convenience fully in line with today's life-style. For instance, Franke's innovative Dynamic Cooking Technology (DCT) enables the shortest heating-up periods for ovens and simultaneous cooking or baking of several dishes without any aroma transfer. What's more,

the intuitive control panels guarantee ease of use. The performance is also compelling: baking results either beat or are comparable with the brands of competitors, and do so at the highest level of energy efficiency. In addition to top-of-the-range products, excellent distribution and strong marketing, Franke also requires an optimal service structure. Work on this aspect is currently in full swing, as the internal service organization is being expanded and a network of external service companies established. Furthermore, the Marketing team is being strengthened, communication measures intensified and the sales team trained and enhanced with cooking specialists. Various teams are in charge of the enhancement, production, marketing, product management and sale of built-in kitchen appliances. A joint, cross-functional approach, fully in line with One Franke and the value Foster teamwork is essential for implementing the appliances strategy.





Multifunctional oven Touch

Product advantages

- Colored full touchscreen
- Dynamic Cooking Technology (DCT)
- Full menu: automatic baking and roasting programs
- Superfast heating up
- Large cooking volume (74 liters)
- Cool door
- Sleep mode (day/night mode)
- Energy-saving
- Energy efficiency category: A++



Colored full touchscreen

Simple and intuitive operation with just one finger – just like on a smartphone.



Dynamic Cooking Technology (DCT) The heat can be controlled with total precision, the oven heated up to more than 200 °C in less than seven minutes in power-saving mode, and the oven door does not become hotter than 55 °C thanks to its four layers of glass.



Full menu

Thanks to DCT, several dishes can be prepared at the same time in the oven – without transmitting any aroma.

CONTACT

Should you have any questions concerning Sustainability at Franke in general, please contact:

Bruno Triet

Head of Risk, Sustainability & Real Estate
Management Franke Group

► bruno.triet@franke.com

For questions regarding the content contained in this report, please contact:

Jessica Erb

HR Communications Franke Group

► jessica.erb@franke.com



Publisher

Franke Holding AG
Franke-Strasse 2
4663 Aarburg
Switzerland

Sustainability Contact

Bruno Triet, Head of Risk, Sustainability &
Real Estate Management Franke Group
bruno.triet@franke.com

Editor

Jessica Erb, HR Communications Franke Group

Image credits

Getty Images (Cover)
Gataric Photography (page 2)
Reed Brown Photography (page 28)
Balz Murer (page 29)
Bettina Matthiesen (page 33)
istock (pages 12, 24, 30, 34)
Shutterstock (pages 16, 38)
Franke

Conception/Realization

Swisscontent AG, Zurich

Print/Lithography

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



Make
it
Wonderful

Franke Holding AG
Franke-Strasse 2
4663 Aarburg
Switzerland
www.franke.com

FRANKE