

SUSTAINABILITY AT FRANKE 2017



This “mini” Sustainability Report provides a summary of our ambitions and contribution to a sustainable economy – fully in keeping with our Make it Wonderful brand promise. The mini version is the short edition of the comprehensive Franke Group Sustainability Report 2017, which is available on both our website and on the intranet. We applied the **United Nations Sustainable Development Goals** and the **Global Reporting Initiative (GRI)** sustainability standards as guidance when drawing up our report. At Franke, we have based our specific contributions for 2017 on eleven UN goals. It goes without saying that we have also included a selection of **key figures** on topics such as CO₂ emissions and the share of certified production sites. We also demonstrate our sustainability endeavors using **concrete examples** overleaf.

KEY FIGURES

- 4.5 %

Reduction in CO₂ emissions 2017 vs. 2016

- 5.4 %

Reduction in lost day rate 2017 vs. 2016

+ 3.1 %

Increase in net sales 2017 vs. 2016

92.5 %

Production sites with quality management certification in 2017

75.8 %

Proportion of successful completion of online Code of Conduct training courses

The full report can be found in English and German at:

Internet ▶ www.franke.com ▶ About us ▶ Sustainability

Intranet ▶ www.one.franke.com ▶ About us ▶ Sustainability



ENVIRONMENT

The challenges in the area of environmental protection are many and various – and they ultimately concern all of us. As the world’s leading producer of solutions for kitchens and bathrooms, Franke is in a position to make an authoritative contribution to protecting the environment. We have a direct influence, in particular in the area of energy and materials efficiency in production and in products, and when it comes to sustainable water management.

For example, we contribute to the UN goal “Affordable and clean energy” by promoting renewables. At some of our production sites, we already obtain electricity from sustainable sources such as hydropower and operate not only wood chip plants but also photovoltaic systems. In 2017, Franke recorded a Group-wide reduction in heating oil consumption of 24 percent. We achieved this positive development by increasing our use of CO₂-neutral wood chip plants.

Resources-saving manufacturing procedures are a further elementary contribution toward achieving the smallest environmental footprint possible. Renewable sources are used for just under 70 percent of the packaging materials processed. In view of the larger amount of waste in 2017 and the increased consumption of water in the same year, we have made it our goal for the future to focus even more strongly on these issues and aim to achieve reductions in both areas.

SOCIAL RESPONSIBILITY



Health and education are social topics that Franke and its around 9,000 employees worldwide can influence. An indicator for employee health at Franke is the lost day rate. This parameter, which describes the number of work-related lost days per 100 employees, was reduced by 5 percent last year.

In order to organize working conditions of our employees as optimally and safely as possible, we are working on introducing certification for occupational health & safety at all of our production sites. This goal was already achieved by 28 out of 40 production sites last year. We are, however, seeing a slight increase in occupational injuries across the Group. On the other hand, individual companies such as Frank Faber India Pvt. Ltd. have not had a single accident for two years in a row. This shows that there is certainly room for improvement. We are taking this opportunity to impose more stringent prevention measures, thereby avoiding accidents.

To remain an attractive employer, and recruit and retain talent, we have set ourselves the target of recruiting 70 percent of our management and specialists in-house. In 2017, we succeeded in recruiting two thirds of our vacancies in the Global Leadership Team – 85 individual leaders with major influence on our corporate success – internally, which sent a strong signal for our future leadership candidates.

ECONOMY



Profitable business operations and business integrity are the levers that Franke can move to promote the UN goals for decent work, broader-based and more sustainable economic growth, and full employment. We also support the achievement of these goals with our long-term market presence and the new roles we created once again last year at production sites around the world.

We also regularly invest in our production so as to support sustainable economic growth globally. What is more, Franke attaches particular importance to the UN goal “Peace, justice, and strong institutions”. It was for this reason that the ethical guidelines of 2013 have been updated in the Franke Code of Conduct.

Through transparency and training courses, Franke actively supports the avoidance of behavior which is not in compliance with rules. The Compliance Management System was introduced in 2016 with this aim in mind. As of 2017, most employees had received compliance training online for the first time. The objective for the future is to keep the number of non-compliance incidents as low as possible and to continuously enhance ethical behavior.

PRODUCT RESPONSIBILITY



Products that save resources, product safety, and innovation are a priority, not only for the economy as a whole but also for Franke's targets. With the reliability and durability of all products that leave our factories, we contribute to these superordinate goals.

Our products are, on the one hand, in the high-quality segment. Yet we are also in the "long-seller" segment with the useful life of our kitchens and bathrooms spanning decades. The useful life for kitchens in Switzerland is 20 to 25 years and, at 30 years, it is even longer for baths, showers, and toilets. In other words, an exceptionally long product life.

We also make a contribution to sustainability with our high-quality products: Last year, only 0.6 percent of the products we sold were the subject of complaints. Market launches of consumption-efficient products underline our aim of contributing to protecting the environment.

In addition, Franke truly focuses on innovation. In 2017, approximately 33 percent of total sales were achieved with products that had been brought to market within the past three years. Apart from the opportunities of winning new customers with innovative products, innovation also presents the possibility of using more environmentally-friendly technologies.

SAVINGS THANKS TO CHECK-UPS



In order to reduce energy consumption within Franke Group, Corporate Real Estate Management which is headed up by Dieter Deiss, performs energy check-ups at the most energy-intensive production sites. This results in action plans to reduce energy consumption for each production site. Between 2013 and 2017, the CO₂ emissions of the 13 most energy-intensive production sites were reduced – from around 23,400 tons of CO₂ to around 19,300 tons annually, which corresponds to a reduction of almost 18 percent. Heat consumption was also reduced by 14 percent within the same time period. Electricity consumption fell by 1.8 percent.

Franke has defined goals and measures to be implemented to further reduce energy consumption at the selected production sites, e.g. optimizing hydraulic presses, switching light sources to LED and implementing improvements regarding compressed air. What is more, wood chip plants – as already in operation in Aarburg and Unterkulm – are also being considered, as they allow huge reductions in CO₂ emissions. Energy consumption at the head office in Aarburg was reduced by around one third between 2010 and 2017 thanks to systematic energy management. Deiss: “This shows that the measures are paying off.”

A HEALTHY WORKING ATMOSPHERE



Minor investment – significant effect: With newly installed air-scrubbing devices, Franke is showing how health hazards for employees – e.g. caused by particulate matter – can be reduced over the long term, at the production site of Franke Kitchen Systems Germany in Bad Säckingen. “Particulate matter is created when handling cardboard packaging, particularly in the packaging sector, and is also caused by floor and tire abrasion from conveyor vehicles,” says Thomas Eschbach, Head Warehouse and Distribution at the site.

To improve the situation, the particulate matter concentration has now been reduced by around 80 percent (which is considerably below the recommended limit) in collaboration with Zehnder, a Swiss company. Eight air scrubbing devices now ensure not only a healthy working atmosphere, but also reduce dust deposits on goods and installations. This leads to a reduction in cleaning costs, while ensuring a clean environment for inspections and customer visits at the same time. But it is, of course, the employees at the site who are most pleased by the improvement in air quality. As a result of the positive responses and the very promising measurement results, it is now planned to install the air scrubbing systems in additional production halls in Bad Säckingen.

SUSTAINABLE COMPLIANCE CULTURE



Franke introduced a Compliance Management System in 2016 and set up a Compliance Organization in 2017. For instance, the reporting process was simplified via the Integrity Line SpeakUp@Franke. It is now possible to report concerns about integrity directly to the Group Compliance Officer. Furthermore, awareness for compliance risks has been raised among employees in training courses. The first online Code of Conduct training courses took place in 2017, and every employee with an email address has completed these.

For the two major risks of corruption and violations of anti-trust law, Franke has introduced e-learning programs for employees in functions where these risks exist. These e-modules have been completed by individuals such as members of the Executive Board, business managers, and employees in Purchasing and Sales. “All e-learning modules have been successfully implemented, and we are very satisfied with the completion rate,” comments Marcel Enz, Group Compliance Officer. In comparison to 2016, the number of cases of misconduct identified through the Integrity Line has increased by 9 percent. Furthermore, sanctions resulting from violations of internal compliance regulations were imposed for the first time in 2017. According to Enz, this is a positive development and reflects increasing confidence in the Compliance Organization.

INNOVATIVE, DURABLE, AND ROBUST



With its new FRAMIC cartridge, Franke is placing the emphasis on sanitation technology. The abbreviation stands for Franke Modular Innovation Cartridge – the world’s first self-closing ceramic cartridge. It is particularly reliable, durable, and therefore suitable for long-term use. It enables stagnation-free, hydraulic control of the water flow. “We are the first and only company to have introduced this new technology,” asserts FRAMIC Project Head Rainer Urban.

FRAMIC is used in the F5 self-closing taps, which were launched in 2017. The combination of F5 tap with a hygiene unit permits automatic hygienic flushing and thermal disinfection of the taps, which significantly improves drinking water hygiene. In addition, Franke has introduced a new Systembox for the wall-mounted installation of the F5 taps and their F3 sister series with newly developed, steplessly adjustable disk adhesive flanges. These ensure the secure sealing of wall-mounted taps.

The F5 and F3 taps are designed for sanitation areas with high user frequency, e.g. schools, indoor swimming pools or shopping centers. They are particularly robust, easy to clean, and maintain and ensure economical water utilization.

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it
Wonderful

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