

FRANKE GROUP SUSTAINABILITY REPORT 2019



MAKE IT WONDERFUL

FRANKE

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Franke Group Sustainability Report 2019

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CEO STATEMENT



Dear Readers,

The gap between rich and poor countries has narrowed in recent decades. The emerging nations are catching up. Their economies are growing faster than those of the industrialized nations. Accordingly, their GDP is rising and new middle classes are emerging. This development poses great challenges that we must overcome in order to ensure prosperity and sustainability for all. We only have one Earth at our disposal to support this growth. Its resources are limited.

We only have one Earth at our disposal, so it is all the more important that we treat it with care

This makes it all the more important for us to manage our resources carefully and try to heed the warning signs, such as ongoing climate change; we must do our part to stop or at least slow down the effects. Sustainable thinking should not be limited to ecological issues, but must also address social, societal and basic economic needs. Therefore, we take it upon ourselves to make progress in these areas year after year.

With a broad range of measures and activities, we have again focused on moving one step closer to fulfilling our sustainability goals in the 2019 reporting year. Fortunately, we have succeeded in many areas, for example, a further improvement in our overall energy and CO₂ balance. Franke Group's CO₂ emissions were decreased by 10 percent compared to the previous year. At our Strečno site in Slovakia, production processes were modernized and paper consumption was eliminated; both factors positively impacted the full year's CO₂ balance which improved by 20 percent compared to 2018.

In 2019, we have again focused on moving one step closer to fulfilling our sustainability goals

In addition, there were many diverse measures to reduce energy and water consumption as well as CO₂ emissions and waste volumes at the Group's various sites world wide. In Argentina, gasoline forklift trucks were replaced with electric and gas-powered ones, in Turkey the quantity of waste was reduced by 47 percent with a new recycling system, in Germany easy-touch systems led to a clear improvement in the efficiency of building heating systems and in China, water consumption was reduced by almost one third thanks to a circulation system. This corresponds to savings of 5 percent on water consumption across the Group.

This sustainability report gives a short presentation of the 17 global sustainable development goals (SDGs) followed by four main chapters "Environmental Responsibility", "Social Responsibility", "Economic Responsibility" and "Product Responsibility". At the end of each chapter, you can read further success stories which have been implemented with a high level of engagement by our companies in France, UK and Southeast Asia during this reporting year.

Franke's most valuable asset is its people. Therefore, employee well-being is particularly important to us, which is why we focus on social responsibility. We support our

people in staying healthy and in continuously developing their skills. For this reason, internal promotion and further training opportunities within the company are of utmost importance. During the reporting year, approximately 200 people successfully completed one of our 16 new "Leadership Development Programs". We also developed and tested new training programs in the area of project management and these will be rolled out globally in 2020. To transfer knowledge, we can exploit the latest digital technologies, including virtual classrooms, online coaching tools and an extensive e-learning library.

The well-being of our employees is important to us. We support our people in staying healthy and continuously developing their skills

By promoting lifelong learning, Franke aims to create a culture geared towards high performance. We call this "Winning Together". It is characterized by knowledge and skills, rewards engagement and motivation and gives us all a common orientation. This means more added value for our customers, our owner and ourselves.

We have achieved a lot, but we are not yet satisfied. There is a long road ahead of us and we will not lose sight of our sustainability efforts. We want to do this together with the same enthusiasm as we currently show.

Kind regards,

Patrik Wohlhauser
President/CEO Franke Group

GROUP PROFILE

Franke Group is comprised of the Franke Kitchen Systems, Faber Hoods & Cooking Systems, Franke Foodservice Systems, Franke Water Systems and Franke Coffee Systems divisions. The Group employs over 9,000 people worldwide, and achieved consolidated net sales of CHF 2.4 billion in 2019.

Divisions



Franke Kitchen Systems
Integrated systems for food preparation in private kitchens. The range includes sinks, fittings, worktops, extractor hoods, hobs, ovens and waste disposal systems.



Faber Hoods & Cooking Systems
Experts in exhaust air purification, extractor hoods and kitchen technologies, with a focus on the OEM business.



Franke Foodservice Systems
Design, installation and maintenance of custom kitchen solutions for the food service sector. The range includes complete kitchen interiors, renovations, special equipment and replacement parts, including technical services.



Franke Water Systems
Integrated systems for commercial, semi-public/public washrooms and private bathrooms. The range includes tap fittings, showers, sinks, accessories and water management systems including fittings for private kitchens.



Franke Coffee Systems
Coffee machines and services for professional away-from-home coffee preparation. The range includes full and semi-automatic machines, traditional machines and filter coffee machines.

Figures

- 10,1 %

Reduction in CO₂ emissions
2019 vs. 2018

- 17,3 %

Reduction in lost days due
to occupational diseases and
accidents 2019 vs. 2018

+ 14,5 %

Increase in net sales
2019 vs. 2018

91,9 %

Production sites with quality
management certification
in 2019

Net Sales 2019

NET SALES BY DIVISION



	IN MIO CHF
Franke Kitchen Systems	675
Faber Hoods & Cooking Systems	358
Franke Foodservice Systems	955
Franke Water Systems	234
Franke Coffee Systems	271
Corporate/Consolidation	-70
Total	2,423

NET SALES BY REGION



	IN %
Europe	54,7
The Americas	31,8
Asia/Oceania	10,7
Africa/Middle East	2,8

Employees by region 2019



	IN %
Europe	61,1
The Americas	15,6
Asia/Oceania	17,8
Africa/Middle East	5,5

Locations worldwide

Franke Group has production sites and/or its own companies in 40 countries.

The head office is in Aarburg, Switzerland.

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 (8 countries)

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

Africa/Middle East (5 countries)

Egypt, Morocco, South Africa, Tunisia, United Arab Emirates

Organization as of September 2020

Board of Directors

Christian Mäder, Chairman
Alexander Pieper, Vice Chairman
Patrick Naef
Michael Pieper
Dr. Michael Reinhard

Group Management

Patrik Wohlhauser, President/CEO

Group Functions

Finance Jürg Fischer
Human Resources Beat Sigrist
Operations Gianluca Mapelli
Information Services Markus Bierl

Divisions

Franke Kitchen Systems
Barbara Borra
Faber Hoods & Cooking Systems
Barbara Borra
Franke Foodservice Systems
Christian Mathesius
Franke Water Systems
Patrik Wohlhauser (ad interim)
Franke Coffee Systems
Marco Zancolò

Brands

Franke Carron Chain Link
Services Dalla Corte Dart Valley
Systems Dominox Elikor Easi Serv
Eurodomo Faber Facility Solutions
Inc FIFO Kindred KWC Mepamsa
Newair Nokite Roblin S2K Sertek
Spar

OUR CONTRIBUTION TO THE UNITED NATIONS' SUSTAINABILITY GOALS

The 17 sustainable development goals (SDGs) of the United Nations are fundamentally important in the promotion of sustainable development. Since our 2017 sustainability report we have been focusing on 11 of these global targets. We are firmly convinced that we as a business can contribute to the successful fulfillment of these selected goals, through our sustainability endeavors.

In 2015, the UN member states formulated a series of goals to protect the Earth, reduce poverty and ensure prosperity for as many people as possible. With their global orientation, these 17 SDGs serve as a guideline for jointly tackling the most urgent challenges on the planet within the international community. Achieving these goals by 2030 will also depend to a large extent on the actions of global companies. Franke Group accepts this responsibility, and wants to play its part in sustainable development.

Franke does not only see sustainability as a social obligation

Integration of the SDGs into Franke's sustainability ambitions

Based on the materiality analysis according to the GRI Standards, Franke has identified 12 key topics it focuses on in its sustainability management. We have examined the extent to which these issues support the UN sustainability goals.

The analysis results in a list of 11 SDGs (see chart on the right) localized along our value-added chain. In this way, we were able to make our contribution to the SDGs more concrete.



In a next step, the identified SDGs were embedded into our four reporting areas (Ecology, Social Responsibility, Economy and Product Responsibility). Specific activities were therefore allocated to the SDGs. This systematic development helps us to identify our risks and opportunities in relation to the SDGs, and to better define the corresponding indicators, measures and targets.

Franke sees sustainability not only as a social obligation, but also as an essential component of its long-term corporate success. In recent years, we have already achieved a great deal in this area and are committed to consistently improving our activities for the benefit of our numerous stakeholders and the environment, increasing our efficiency and finding new, forward-looking solutions.

Kirill Bourovoi
 Manager Sustainability Franke Group
 Group Head of Learning & Development

OVERVIEW OF THE 11 TARGETED SUSTAINABLE DEVELOPMENT GOALS

Environmental Responsibility

- 
 6 SAUBERES WASSER UND SANITÄRE EINRICHTUNGEN
 Ensure availability and sustainable management of water and sanitation for all.
- 
 7 ERNEUERBARE UND SAUBERE ENERGIE
 Ensure access to affordable, reliable, sustainable and modern energy for all.
- 
 13 MASSNAHMEN ZUM KLIMASCHUTZ
 Take urgent action to combat climate change and its impacts.
- 
 15 LEBEN AN LAND
 Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

Social Responsibility

- 
 3 GESUNDHEIT UND WOHLERGEHEN
 Ensure healthy lives and promote well-being for all at all ages.
- 
 4 HOCHWERTEIGE BILDUNG
 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
- 
 5 GESCHLECHTERGLEICHHEIT
 Achieve gender equality and empower all women and girls.

Economical Responsibility

- 
 8 WIRTSCHAFTSWACHSTUM, VOLLBESCHÄFTIGUNG UND MENSCHENWÜRDIGE ARBEIT
 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- 
 16 FRIEDEN, GERECHTIGKEIT UND STARKE INSTITUTIONEN
 Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

Product Responsibility

- 
 3 GESUNDHEIT UND WOHLERGEHEN
 Ensure healthy lives and promote well-being for all at all ages.
- 
 9 INDUSTRIE, INNOVATION UND INFRASTRUKTUR
 Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
- 
 12 NACHHALTIGER KONSUM UND PRODUKTION
 Ensure sustainable consumption and production patterns.

STRATEGY AND VALUE CHAIN

Franke's strategic business areas are resource-intensive, and have a significant impact on the environment. After all, food preparation and housing are, along with mobility, the most important areas of humankind's resource consumption. This means that we can have a correspondingly important influence on business and the environment.

Our business model

Franke's five divisions offer product systems and services in four strategic business areas, specializing in food & beverage preparation and water management & hygiene systems for the commercial and private segments. In the commercial segment, everything revolves around equipping foodservice kitchens and semi-public and public washrooms with integrated systems, as well as away-from-home coffee preparation. In the private segment, the main focus is on equipping household kitchens with integrated kitchen systems for food preparation, cooking and exhaust air cleaning, as well as private bathrooms with taps and accessories.

Longevity of our products

Food preparation, sanitary and hygiene technology as well as accommodation are essential aspects of everyday living. As a result, our products correspond with intensity of use and the associated resources required are considerable. In both the home and commercial sectors, much of our energy and resource consumption is linked to kitchens and bathrooms, and this impacts our branded products. It means that Franke has a big influence on society and the environment, and has great potential to do good.

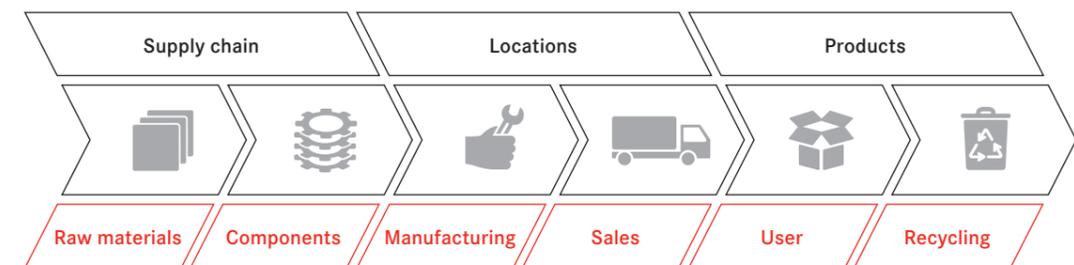
OUR STRATEGIC AREAS

	Commercial	Residential
Food and beverage preparation	<p>Restaurant</p>  <p>LANDLORD BUSINESS OWNER</p> <p>Franke Foodservice Systems Franke Coffee Systems</p>	<p>Kitchen</p>  <p>HOME OWNER LANDLORD</p> <p>Franke Kitchen Systems Faber Hoods & Cooking Systems</p>
Water management and hygiene	<p>Washroom</p>  <p>LANDLORD BUSINESS OWNER</p> <p>Franke Water Systems</p>	<p>Bath</p>  <p>HOME OWNER LANDLORD</p> <p>Franke Water Systems</p>

As our products are used for a comparatively long time, this has a positive impact on the energy and raw material footprint over a product's entire life cycle. Many of our products are designed for long-term use, reliability and reparability: For example, the recommended service life of a private kitchen in Switzerland is 20 to 25 years.

Baths, showers and toilets must be designed for a consumer life of 30 years. This shows that, compared to other areas of the consumer goods industry (household appliances, cosmetics or electronics), kitchen and bathroom technology has a long life cycle.

THE FRANKE VALUE CHAIN



Sustainability along our value chain

The sustainable consumption of resources in the development and production of our products, and their effects on climate change, are central themes of our strategy. As a manufacturing company, we have a great responsibility towards the environment – but also towards our employees and our owner.

We influence people and the environment throughout our value-added chain and product life cycle. This starts with the quarrying and production of raw materials and covers transport and logistics, the suppliers of our semi-finished products and components, manufacturing and distribution through to end use, disposal and recycling. People are involved at every stage, and resources are needed, accordingly. The sustainable use of resources at all our sites is a cornerstone of our strategy.

Our upstream and downstream processes affect customers in areas from maintenance through to food preparation. At Franke, we also include topics such as the health and safety of all people who come into contact with our products in our area of responsibility.

This means the health of our employees, the work-life balance and the safety of our products throughout their

serviceable life. Products such as our ovens or hobs can influence food during preparation, while taps and filters can affect the cleanliness of water, or of air, in the case of extractor hoods. Gastronomy, for example, is an important consumer of resources. Along with customers such as fast-food chains, DIY stores or kitchen and bathroom dealers, other major customers also rely on our products: as a globally active original equipment manufacturer, we are partners of multinationals – and our actions can have a positive impact on their resource efficiency.

Outlook

We take a long-term perspective beyond our products: Sustainability is a central pillar of our business strategy. Franke has set itself the goal of becoming the world's leading supplier of systems for food & beverage preparation and water management & hygiene, and aims to achieve growth both organically and through acquisitions, and to continuously improve its profitability. Franke's management and the company owner build on a long-term approach, and are aware of their responsibility towards the environment, society, and the economy. "For me, sustainability means fairness towards future generations", says Michael Pieper, owner of Franke. "In everything we do, we should be able to look our children and grandchildren in the eye with a clear conscience. Acting sustainably is therefore a must".

SUSTAINABILITY MANAGEMENT

Through its existing management structures, Franke assures that governance requirements are fulfilled. These requirements are explained in more detail below, with regard to sustainability. We also present our internal guidelines and key stakeholders.

Management structure and committees reporting to the Board of Directors

Franke has a two-tier management structure:

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

Management Board of Franke Holding AG (Franke Group)
8 members

In this section, we present the current situation of the organisation as of September 2020. The purpose, duties and responsibilities of each body are defined in our bylaws and in the company regulations. The members of the board of directors of Franke Holding AG are responsible for the strategic direction of the company; they have various non-transferable, irrevocable duties in accordance with the Swiss Code of Obligations.

The Board of Directors has three permanent internal boards: an Audit Committee, an Information Technology Committee (IT Committee) and a Human Resources Committee (HR Committee). The Board of Directors and the committees met regularly in 2019. Franke's Management Board consists of eight members. More details on the management structure can be found here:

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

Separation of the Board of Directors from the business management

No member of Franke's Board of Directors or of its committees is involved in the operational management of the company.

How shareholders and employees can submit recommendations to the Board of Directors

Michael Pieper, the owner and President/CEO of Artemis Group, is a member of the Board of Directors of Franke Holding AG.

There are no employee representatives in the boards of directors. The employee representatives of the European companies meet regularly at the Franke Forum (European Works Council) with members of the Management Board of Franke. Specific concerns can be brought to the attention of the Board of Directors in this way.

Relationship between payment and company performance

The remuneration of the members of the Board of Directors is independent of the Group's performance.

In 2019, the members of the Franke Management Board, like other employees, received incentives through a combination of personal and financial objectives. Depending on the business area, personal targets may be linked to social and environmental performance.

Mechanisms by which the Board of Directors avoids conflicts of interest

How conflicts of interest of the members of the Board of Directors can be avoided is defined in the code of conduct and specified in the organizational regulations. Members of the Board of Directors may not participate in any matters affecting their personal interests or those of any affiliate or person closely linked to them.

General principles and code of conduct

Various sustainability topics are the subject of policies. A series of internal policies address sustainability and business ethics matters:

- Code of Conduct: Legislation, occupational safety, basic labor standards against child labor, forced labor and discrimination, sexual harassment in the workplace, anti-corruption, gifts and entertainment, theft, fraud and dishonesty and disclosure of information. The code of conduct applies worldwide and is available on the intranet in 13 languages. In December 2019, a revised version of the Code was released. In addition, an "integrity line" is available to all employees, who can contact the General Counsel confidentially and anonymously if they have concerns about integrity.
- 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 has been adopted by the Franke Management Board; its revised version came into force on January 1, 2020.
- Group Guidelines: Equal opportunities and diversity, employee relations, personal safety and emergency planning, business travel, information security.
- Sustainability principles: internally defined framework for improving the economic, ecological and social performance of Franke.

Monitoring of the sustainability performance by the Board of Directors

The Finance and Audit Committee of Franke's Board of Directors discusses risks and opportunities relevant to Franke, when approving the annual risk report.

Evaluation of the sustainability performance of the Board of Directors

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

Precautionary approach

The precautionary principle plays an important role for Franke as a production and distribution company. The precautionary principle is also expressed in the quality, environment, occupational safety management systems implemented at the various sites. On the operational side, the precautionary principle is implemented by pursuing preventive approaches to environmental protection, occupational safety and quality assurance. Franke has a comprehensive system for the control and management of all risks associated with its business. In line with the ISO 31000 standard, Group Risk Management acts as the interface between all the management systems. All Franke companies have clearly defined contingency planning in place and conduct an annual risk analysis in which key risks are identified. All the production companies must

GENERAL PRINCIPLES AND CODES OF CONDUCT



Code of Conduct

- Legal compliance
- Health and Safety
- Fundamental labor standards against child/forced labor and discrimination
- Prevention of sexual harassment
- Anti-corruption
- Rules for dealing with gifts and entertainment
- Prevention of theft, fraud and dishonesty as well as rules concerning the disclosure of information

The Code applies worldwide and is available on the intranet in 13 languages.

In addition, an integrity line that can be used by all employees 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 also approved by the Franke Management Board.



Sustainability Principles

- Equal opportunity and diversity
- Employee relations
- Personal safety and emergency planning
- Business travel
- Information security



Sustainability Principles

Internally defined framework for improving the economic, environmental and social performance of Franke.

also have an emergency management plan in place, to ensure a rapid, competent response in the event of an emergency. In addition, our employees on business trips are also supported by an external intervention specialist in crisis situations.

External agreements and initiatives

Franke 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

By voluntarily applying the guidelines of the Global Reporting Initiative for Sustainability Reporting (GRI standard), we aim to contribute to transparency and comparability in sustainability reporting.

Membership in associations and organizations

Franke is active in a number of industry associations and initiatives in various countries. Many of these organizations deal with sustainability issues, for example by defining best practice standards or developing product labels. These include:

- CECED (European Committee of Domestic Equipment Manufacturers), which represents the household appliance industry in Europe
- öbu, the Swiss association and think tank for ecologically conscious corporate management
- Advance Women, with the aim of continuously and actively increasing the proportion of women in management positions at Swiss companies through a series of specific measures

Relevant stakeholders

Franke considers the following stakeholders to be relevant:

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

Basis for selecting the stakeholders

Franke is aware that the company interacts with various stakeholders. These stakeholders were selected as significant for a systematic stakeholder dialog because they fulfill at least one of the following two criteria: They exert a strong influence on Franke's economic, environmental or social performance and/or are strongly influenced by Franke's economic, environmental or social performance.

Approaches to stakeholder interaction

Dialog with external stakeholders is currently highly decentralized. We are continuing to work on formalizing our interactions with representatives of key stakeholders, and aim to establish a structured process for dialog by 2020.

Reaction to key issues and stakeholder interests

Sustainability issues are increasingly becoming the focus of discussion with both internal and external stakeholders. The following central topics and interests are addressed in particular:

- What our major customers require in terms of sustainability standards: surveys on sustainability management and certifications.
- Instructions on how Franke products support building standards compliance: We apply the LEED and Minergie criteria to some of our products, to determine which of our products best meet these standards.
- "Operational Excellence" program: Achieving excellence and meeting social and environmental standards through the systematic management of operational safety, reliability, efficiency and total cost reduction. As in the prior year, the 2019 program also contributed to improving Franke's competitiveness by reducing costs.

Key topics

The following 12 topics are covered in the succeeding chapters:

Environmental Responsibility:

- Energy efficiency in production
- Water, wastewater
- Material efficiency in production
- Resource-efficient products

Social Responsibility:

- Leadership development
- Occupational health and safety

Economical Responsibility:

- Profitability
- Business integrity
- Human rights

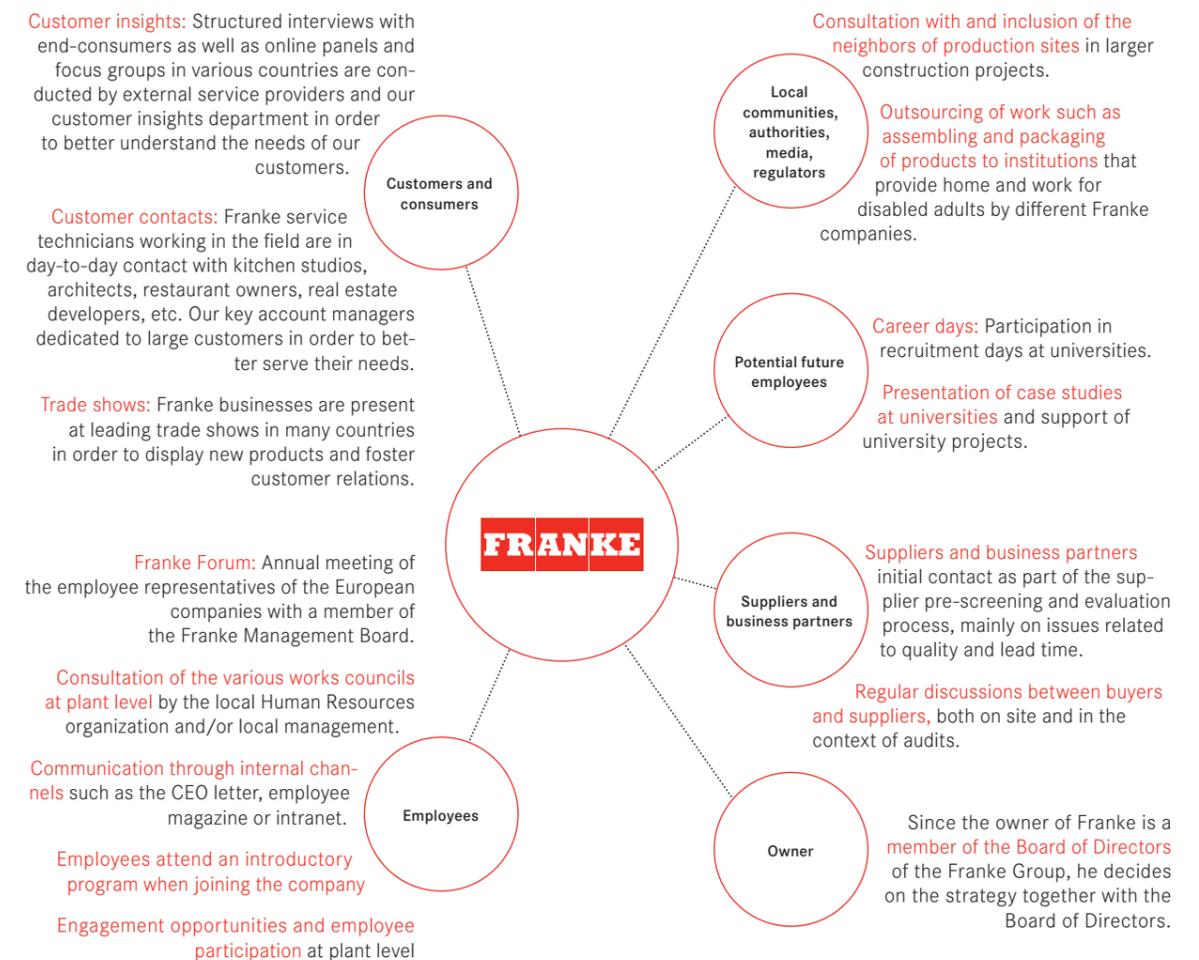
Product Responsibility:

- Product reliability and longevity
- Product safety
- Product innovation

Legal form, company size and markets

Franke Holding AG is a joint-stock Swiss-law company, 100 percent owned by Artemis Holding AG (Artemis Group).

MOST IMPORTANT STAKEHOLDERS 2019



In 2019, with 72 branches and 9,362 employees (FTE), Franke generated sales of CHF 2,423.1 million. The balance sheet total amounted to CHF 2,213.4 million at the end of 2019. The equity ratio was 51.9% in 2019. Franke's products are sold to various customers including fast-food chains, wholesalers, kitchen studios and construction companies, in over 100 countries.

ENVIRONMENTAL



RESPONSIBILITY

Essential topics and our contribution to sustainable development

 **ENERGY EFFICIENCY IN PRODUCTION**
SDG 7: Affordable and clean energy
SDG 13: Climate action

 **WATER, WASTEWATER**
SDG 6: Clean water and sanitation

 **MATERIAL EFFICIENCY IN PRODUCTION**
SDG 15: Life on land

 **RESOURCE-EFFICIENT PRODUCTS**
SDG 13: Climate action

ENVIRONMENTAL RESPONSIBILITY

No product is manufactured without a careful use of resources. Optimizing the eco-sustainable use of these resources is of primary importance. Reducing emissions, recycling waste materials and increasing the energy efficiency of our products are important steps in ensuring a good life for future generations.

Since Franke was established over 100 years ago, numerous environmental protection initiatives have been launched as a result of new legislation, stakeholder interests or for efficiency reasons. The positive effects of Franke's environmental actions are felt across the entire value chain.

To concentrate our resources, we focus on those segments of the value chain where we can exert the most influence, and where the greatest impact can be achieved. Our focus areas are product development and innovation, resource efficiency (specifically raw materials, energy, water and waste), and we invest in environmentally friendly production processes. Over the long term, we also intend to reduce our ecological footprint in the logistics area.

RISKS AND OPPORTUNITIES OF CLIMATE CHANGE

Climate change requires the efficient use of energy and water. With the need to use these resources in a smarter fashion in the future, demand for products that consume less energy and/or water will increase. We at Franke have set ourselves the goal that our innovative products will meet these requirements. Based on our annual risk analysis, we believe that Franke is only exposed to climate change risks (such as natural hazards at production sites or transport facilities) in certain cases. For example, we may have sites which are in areas at risk of flooding or tornadoes. There are currently no special CO₂ regulations, such as emissions ceilings, which we have to comply with. However, Franke is doing everything in its power to continuously reduce CO₂ emissions on a voluntary basis, especially at its energy-intensive production sites. In addition, Franke strives to continuously reduce energy consumption in order to take responsibility for the environment and to counteract rising energy prices.

ENVIRONMENTAL MANAGEMENT SYSTEMS

	2019	2018
Production sites certified in accordance with ISO 14001	31/37	31/37

Franke is committed to continuously reducing the ecological impact of its everyday operations, where economically feasible and where environmentally friendly technologies are available. Bruno Triet, Chief Risk & Real Estate Franke Group, is responsible for the majority of these measures – in particular for risk assessments, which also include ecological aspects. A series of measures are in place to reduce the environmental impact of our operations:

- Environmental management systems at the Franke companies ensure that ecological effects are identified and controlled. Franke strives for the continuous certification of all production companies to the ISO 14001 standard. By the end of 2019, 31 of the 37 production companies had been certified to ISO 14001.
- As in the previous year, all Franke companies exchanged best practices in order to learn from success stories (such as the optimization of building heating systems, the transition to electric forklift trucks or the use of solar power).
- The review of the environmental data collected in 2018, along with the sharpening of definitions, provided a solid basis to build on in 2019. This means that the absence rate was again reliably calculated, and renewable product materials have again been expressly recognized. In general, the monitoring of environmental data enables the continuous monitoring of progress and, thanks to the constant focus on improved data quality, has also led to a reliable source of information.

- It goes without saying that environmental regulatory compliance is a minimum requirement for all of Franke's activities.

ENERGY EFFICIENCY IN PRODUCTION

In 2019, Franke implemented measures to reduce the environmental impact of its production in the following areas:

- Franke Aquarotter in Ludwigsfelde, Germany, has already achieved substantial success in waste management as part of a comprehensive environmental program that was further expanded in 2017. In 2018 alone, the site's non-recyclable residual waste was reduced by as much as 57 percent. In 2019 the effects of the program were still visible. The mandatory waste reporting data shows a 9 percent reduction, while non-recyclable residual waste was reduced by approximately 20 percent.
- In 2019, FFB Industrias Spar San Luis S.A., Argentina, was re-equipped with electronic and gas-powered forklift trucks. This has had a positive impact on air quality, and has saved on fuel costs.
- Changes to the waste technologies used at the Slovakian site have generated less toxic waste. A large proportion of the waste products generated from molding and washing can now be reused in a polymerization process, so these products can be collected as non-toxic waste.

- At the production sites in Gebze, near Istanbul in Turkey, the cutting machines have been optimized, which has reduced waste.
- At the Bad Säckingen plant in Germany, building heating technologies have been optimized, and employees have been given guidance in this respect. Energy savings have resulted from the more targeted use of the air-conditioning system and by reducing the time that lights are switched on. Staff have been trained to use the air conditioning correctly on hot summer days.

Systematic energy management was expanded at various Franke locations. Software for the online, real-time monitoring of energy consumption and the installation of additional meters will ensure transparent energy flows, enabling further optimization measures for hydraulic presses or compressed air.

Energy consumption

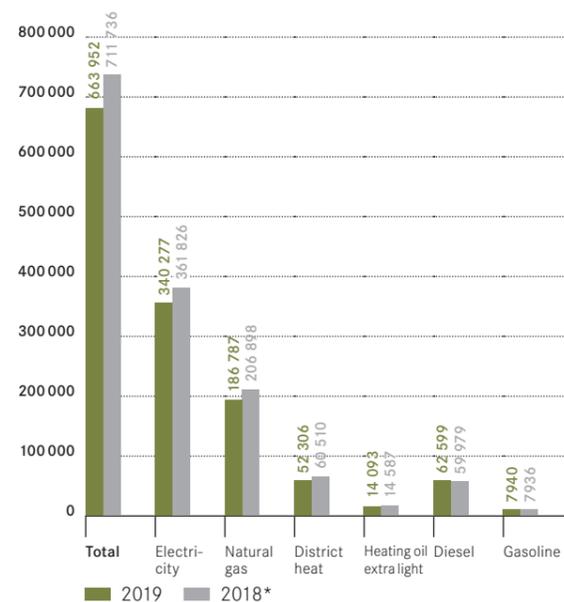
Franke mainly uses externally purchased energy. It obtains energy in the form of electricity, natural gas, district heating and extra-light heating oil. Energy consumption for 2019¹ and changes compared to the previous year are shown in the Energy consumption (in absolute terms) table (see page 21).

The 3.4 percent reduction in heating oil consumption is relatively low, and is due to the warm winter in various parts of eastern Europe. Fluctuations are generally to be expected for heating oil, as it is usually stored in large tanks, which are only topped up as required, and according to the trend in market prices. Natural gas consumption in 2019 was 9.7 percent down on the prior year. This is primarily due to the lower production volumes at two sites, one in the UK and one in Egypt.

Diesel consumption in 2019 rose slightly compared to the previous year. This increase is due to the infrequent use of fuel for generators, where there are disruptions or bottlenecks. Gasoline consumption remained almost the same.

Fluctuations in electricity consumption in 2019 were largely due to changes in production volumes and plant closures. The closure of the production site in Falkirk, Scotland, had a major impact on electricity consumption.

ENERGY CONSUMPTION IN GIGAJOULE



* Subsequent data corrections for 2018

¹ Regarding the reporting year 2019, the data for two legal entities had to be estimated due to missing information in our group-wide reporting tool. This applies to all data in this chapter coming from this tool.

ENERGY CONSUMPTION (IN ABSOLUTE TERMS)

	UNIT	2019	2018*	DIFR 2019/2018
Electricity	MWh	94 508	100 507	-6,0%
Natural gas	m ³	5 141 175	5 694 724	-9,7%
District heat	MWh	14 529	16 808	-13,6%
Heating oil extra light	Liters	391 543	405 262	-3,4%
Subtotal excluding fuel	GJ	593 413	643 821	-7,8%
Diesel	Liters	1 753 962	1 680 555	4,4%
Gasoline	Liters	252 896	252 778	0,0%
Total	GJ	663 952	711 736	-6,7%

* Subsequent data corrections for 2018

ENERGY CONSUMPTION (IN RELATION TO NET SALES)

	UNIT	2019	2018*	DIFR 2019/2018
Electricity	MWh/m CHF	39	47	-17,8%
Natural gas	m ³ /m CHF	2122	2690	-21,1%
District heating	MWh/m CHF	6	8	-24,5%
Heating oil extra light	Liters/m CHF	162	191	-15,6%
Fuels	Liters/m CHF	828	913	-9,3%
Total	GJ/m CHF	274	336	-18,5%

* Subsequent data corrections for 2018

CO₂-EMISSIONS

	UNIT	2019	2018*	DIFR 2019/2018
Scope 1 (from fuels and combustibles)	Metric tons (t)	16 475	17 287	-4,7%
Scope 2 (from electricity and district heating)	Metric tons (t)	33 976	38 893	-12,6%
Absolute CO₂ emissions	Metric tons (t)	50 480	56 180	-10,1%
Relative CO₂ emissions (Scope 1 and 2)	t/million CHF	21	27	-21,5%

* Subsequent data corrections for 2018

At the same time, the much more efficient production system was started up in Slovakia. On the other hand, remote heating is mainly influenced by the weather conditions. At Franke's Russian site in St. Petersburg, the warm winter meant that less district heating had to be used. The district heating intensive operations at the Slovakian site of Zilina also terminated in 2019.

Franke's total energy consumption fell slightly compared to the prior year. The greatest energy savings were in electricity (see the gigajoule figures in the bar chart on page 20). This was closely followed by natural gas. Relative energy consumption, which includes Group net sales, changed significantly compared to the previous year. As the year-on-year Group-wide net

sales have increased, the relative changes in energy consumption have fallen more sharply than the absolute changes.

Greenhouse gas emissions

In absolute terms, greenhouse gas emissions (Scope 1 and Scope 2) decreased by 10.1 percent. This decrease can be explained by the reduced emissions from electricity consumption on the one hand, and by the lower power consumption on the other. In relation to net sales (tons of CO₂ per million Swiss francs), greenhouse gas emissions in 2019 fell by 21.5 percent compared with 2018. Electricity consumption (around 64 percent of total greenhouse gas emissions) was once again by far the most important source of CO₂.

Reduction of greenhouse gas emissions and energy consumption

To reduce greenhouse gas emissions, we pursue two goals:

1. Implement energy-saving measures and increase energy efficiency.
2. Switch to renewable or low-carbon energy sources: When constructing new buildings or renovating existing ones, Franke always tries, depending on availability, to promote the use of renewable energies, heat pumps, heat recovered from production processes, and district heating.

To further reduce consumption at the most energy-intensive sites, targets and measures have been defined, such as optimizing building heating systems and training staff to notice the effects of simple behavioral changes.



WATER, WASTEWATER

WATER AND WASTEWATER

	UNIT	2019	2018*	DIFR 2019/2018
Water consumption	m ³	579 021	641 064	-9,7%
Relative water consumption	m³/m CHF	239	303	-21,1%
Wastewater channeled into treatment plants	m ³	270 057	264 031	2,3%
Total wastewater	m ³	574 240	635 250	-9,6%
Relative wastewater	m³/m CHF	236	300	-21,0%

* Subsequent data corrections for 2018

Water consumption

Franke mainly uses drinking water from the public water supply system, and well water. Closed water cycles have been achieved at most of the international production sites. The consumption of water for 2019 has decreased compared to 2018. This is partially due to the optimization of the varnishing process at the Chinese factory in Heshan. The water required for this process is recirculated within the machine, and is only released into surface water every one to two months. In relation to net sales (m³ per million CHF), this resulted in a reduction of 21.1 percent compared to the prior year. However, it should be stressed that collecting reliable data on water consumption is challenging, due to a lack of water meters. This was particularly noticeable in 2017, when the reporting system was partially revised. Clear improvements can be seen here for 2018. We have therefore come one step closer to our goal of continuously improving data quality. At Group level, water data is primarily dependent on the number of production sites, while at company level it depends

SDG reference

By using renewable energy to promote clean energy sources, Franke is contributing to **SDG 7** "Affordable and clean energy" and **SDG 13** "Climate action". Admittedly, the achievement of this goal comes with a risk of high initial investments. This, however, gives Franke the opportunity to achieve an independent, affordable and sustainable energy supply in the long term. The use of renewable energy also makes an important contribution to climate protection. Franke also has the opportunity to become more resilient to volatile energy prices.

Franke is pursuing the goal of continuing to promote the conversion to renewable energies, and for the fourth year running has been able to reduce its CO₂ balance. The promotion of renewable energies made this reduction possible to a significant degree.

on the production intensity. For this reason, we do not set quantitative targets for water consumption.

Water sources significantly affected by the removal of water

The water consumption of our production sites does not represent a significant burden for water sources as defined in the GRI guidelines.

Total wastewater discharge

In 2019, 574,240 m³ of wastewater was discharged, which is 9.6 percent less than in 2018. The relative volume of wastewater in 2019 was 237 m³ per million CHF, 21 percent lower than in 2018. A small amount of wastewater was disposed of by external specialist companies. In 2019, there were no unplanned wastewater discharges at Franke.

The volume of water forwarded to a treatment plant and not directly discharged into surface water or groundwater has increased by 2.3 percent year on year.

SDG reference

With regard to **SDG 6** "Clean water and sanitation", Franke can reduce users' water consumption through its resource-efficient product range for kitchens and bathroom areas. This enables Franke to stand out from the competition, meet customer needs at an early stage and contribute to the sustainable management of water and sanitation. In addition, Franke ensures the efficient use of water in production.



MATERIAL EFFICIENCY IN PRODUCTION

Franke uses a large number of materials of different quantity and quality. The main materials we use in our production are metals (predominantly stainless steel), quartz and plastics as well as semi-finished and finished products. When processing stainless steel for sinks, kitchen covers and equipment, cutting and punching the material results in a large amount of recyclable waste. This is returned to the manufacturer and reused for the production process of the raw material. This process is reflected in the reported figures. As a result, Franke has a large amount of scrap and a high proportion of recycled materials due to its resources and production.

Since Franke reported its comparative figures on materials consumption for the first time in 2017, for this year's report we were able to rely on the data collected in 2018 using an improved, established process. Data was collected and carefully checked in close cooperation with the Central Purchasing department. In addition to improving data quality, this also resulted in closer cooperation between the Central Purchasing department and sustainability reporting.

The increase in the purchased quantities of quartz and SMC (sheet molded compound) compared to the previous year is particularly notable. It can be explained by the renewed increase in the production of synthetic sinks in 2019. There was also reduced use of carbon steel and galvanized steel. This is due to three factors: a change in the product portfolio, lower sales figures and changes to product design following an improvement process.

In addition, since 2018 we have primarily reported on the centrally purchased raw materials. Of the materials previously reported on a decentralized basis (materials from renewable sources and unclassified/miscellaneous materials), since 2019 the renewable materials (primarily wood) have been re-presented. We hope with the 2020 report to make the first meaningful comparisons, which are not yet possible based on the currently available data. As part of the measures to improve data quality, it was found that the decentralized recording system had

Franke strives for a more sustainable use of water resources throughout the entire water cycle. Although it is not yet possible, at least for the time being, to set a quantitative target for water conservation, Franke nevertheless aims to reduce water consumption and make a contribution to a more sustainable water management throughout the water cycle.

several shortcomings and that the allocation of materials was not uniform throughout Franke. As wood is not centrally purchased, decentralized data collection is the best possible solution

Share of recycled raw materials in total raw material input

Stainless steel, which is the main component of many of our products, is estimated to be 91 percent recycled materials. The share compared to the previous year has increased by four percentage points. This estimate comes from our largest steel supplier. For both brass (four percent) and carbon steel and galvanized steel (10 percent), the proportion of recovered constituents is rather low in each case. MMA (methyl methacrylate), quartz, SMC, plastic and brass do not contain any recovered constituents. As a result, in the reporting year, the proportion of recovered constituents from all non-renewable materials was 47 percent. It is thanks to the Central Purchasing department that statements of this kind are even possible.

The cardboard we use for our packaging consists mainly of recycled constituents (estimated at 90 percent of the total cardboard used). The pallets, which also make up a large part of the renewable packaging materials, consist of wood, a naturally renewable raw material.

Total weight of waste

In 2019, 25,999 tons of non-hazardous waste were generated, including scrap metal, and 1,541 tons of hazardous waste. Non-hazardous waste has risen by 10.3 percent, and hazardous waste has increased by 4.8 percent compared to 2018. Total waste in relation to net sales (tons of waste per million Swiss francs) was 6.4 percent lower in 2019 than in 2018.

845 tons of hazardous waste were reused or recycled in 2018. In 2019, this figure fell by 4.3 percent to 809 tons. Hazardous waste, which goes to landfill or is incinerated, also fell, by 5.4 percent from 774 tons in 2018 to 732 tons in 2019.

MATERIALS BY WEIGHT

MATERIALS IN METRIC TONS (T)	2019	2018	DIFR 2019/2018
Stainless steel	29 612	32 701	-9,4%
Carbon and galvanized steel	11 736	14 367	-18,3%
MMA (methyl methacrylate), mostly used for acrylic	2252	2236	0,7%
Quartz	7997	7346	8,9%
SMC (sheet molded compound), mostly used for fiber-reinforced plastics	2421	2076	16,6%
Plastic	2112	2250	-6,1%
Brass	2597	2450	6,0%
Glass	1350	1450	-6,9%
Total weight of non-renewable materials	60 077	64 876	-7,4%
Renewable materials (e.g. wood)	1486	1105	34,5%
Total weight of renewable materials	1486	1105	34,5%

Since 2018, we have produced the same breakdown for non-hazardous waste as well. Due to the large quantities of scrap metal, the proportion of reused and recycled non-hazardous waste is particularly high (73 percent).

The decrease in hazardous waste and the simultaneous increase in non-hazardous waste disposed of at incineration plants is largely attributable to the Slovakian site. On the one hand there has been a massive increase in operations where, in comparison to other products, there is a use of non-recyclable synthetic polymers. On the other hand, the Strečno site has optimized its waste technologies. Recently, the flows resulting from molding and washing that were previously treated as hazardous waste have started to be reused in a second step, so that they can be treated as non-toxic waste.

Weight of the packaging material

A distinction is made between renewable and non-renewable materials. The total weight of packaging materials increased slightly on the prior year. The weight of renewable packaging has increased by 5.4 percent. We also recorded a decrease of 8.6 percent in non-renewable packaging.

The classification of packaging materials is still relatively new for Franke companies. Collecting reliable data poses a challenge for individual companies, and is thus mainly based on estimates. In the future, we expect this data to be recorded more precisely at company level and consequently more meaningful at Group level. Based on this, development opportunities are then to be identified and clear measures defined.

SDG reference

The efficient use of resources and materials leads to a lower environmental impact, in particular with regard to SDG 15 "Life on land". Franke has managed to generate less waste through its resource-efficient production and the associated process optimizations, and is contributing to reducing its environmental impact through recycling.

Improvements could not be achieved in all categories in 2019. Despite the increase in the amount of packaging materials, there was a welcome reduction of 8.6 percent in non-renewable packaging.

WASTE

	UNIT	2019	2018*	DIFR 2019/2018
Total non-hazardous waste	Metric tons (t)	25 999	23 577	10,3%
Hazardous waste to be reused or recycled	Metric tons (t)	809	845	-4,3%
Hazardous waste disposed of in landfills or incinerators	Metric tons (t)	732	774	-5,4%
Hazardous waste total	Metric tons (t)	1541	1618	-4,8%
Total waste	Metric tons (t)	27 540	25 195	9,3%
Relative waste	Mt/m CHF	11	12	-6,4%

* Subsequent data corrections for 2018

PACKAGING MATERIAL ACCORDING TO WEIGHT

MATERIALS IN METRIC TONS (T)	2019	2018*	DIFR 2019/2018
Renewable packaging material	16 971	16 102	5,4%
Non-renewable packaging material	6237	6826	-8,6%
Total weight of packaging material	23 208	22 929	1,2%

* Subsequent data corrections for 2018



RESOURCE-EFFICIENT PRODUCTS

The company's responsibility begins with product development. The aim is to develop energy-efficient and resource-saving products that are safe for end consumers. Our products' greatest environmental contribution lies in their economical use of energy and (hot) water, which indirectly saves energy and water. At the same time, our customers can save money when using our products. This is why we are constantly working on making our products more resource-efficient, as the following examples show:

- KWC BEVO is a comprehensive new range of fittings for bathrooms that offers esthetically superior bathroom solutions. Bathtub and shower thermostats, as well as the Coolfix option for sink mixers, allow a notable reduction in water and energy consumption: Careful use of resources combined with more comfort and safety.
- In 2019 Faber developed the K-air mini series, which will be marketed in 2020. The cooker hoods have a built-in sensor which measures the air quality in the room, and sends the data to the Faber app. The air filter function on the extraction hood can be controlled and monitored using the app at any time, not just when cooking, or can be set to autopilot. In autopilot mode, the extractor hood is particularly efficient at regulating air quality, which means that the air is only filtered until the desired air quality is

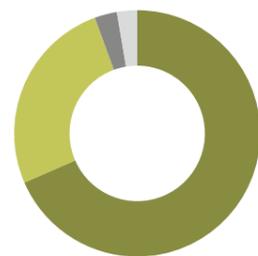
reached. Another feature of this line of extractor hoods is that it belongs to energy efficiency class A.

- At the Smyrna site in the USA, pleasing progress has been made with the cooling agent used in refrigerators. The new refrigerators are now manufactured using propane, not with the ozone-damaging HCFC (chlorodifluoromethane). The climate-damaging potential of propane is thousands of times lower than that of HCFC.
- The Coffee Systems division has introduced new, non-plastic coffee cups. The new paper cups are made from FSC wood, while the transparent beakers are made from corn and sugar cane. Both types are 100 percent natural and biodegradable. We were also able to commission an institution for people with special needs to equip 20,000 cups with our logo.

Although only a few of our products (taps, hobs and ovens in the EU) are required to display specific information on sustainability, Franke relies on labels to facilitate informed purchasing decisions by our customers. These labels include:

- EU energy label (energy efficiency for extractor hoods and ovens)
- PEFC Chain of Custody (indication of origin of wood)
- Well, WRAS and Energie Schweiz (water efficiency of taps and shower heads)

WASTE ACCORDING TO HAZARDOUSNESS



IN METRIC TONS (T)	2019
Non-hazardous waste to be reused or recycled	18 856
Non-hazardous waste disposed of in landfills or incinerators	7143
Non-hazardous waste total	25 999
Hazardous waste to be reused or recycled	809
Hazardous waste disposed of in landfills or incinerators	732
Hazardous waste total	1541
Total waste	27 540

* Subsequent data corrections for 2018

Franke aims to actively adapt to higher customer expectations, regulatory changes, new labeling requirements or building standards. At the same time, we are continuing to reduce the environmental risks and impacts of our products and services, such as our consumption of materials, energy and water, and waste generation.

Effect of our measures in the area of ecology

Compared to 2018, the absolute reduction in greenhouse gas emissions (tons of CO₂) of 10.1 percent and the corresponding relative reduction of 21.5 percent (tons of CO₂/CHF million of sales) is mainly attributable to the energy-efficient Slovakian plant.

We aim to continuously reduce our environmental impact, especially in terms of our energy consumption, but also in terms of material efficiency in production. Our energy-saving measures and energy efficiency should be increased, and the substitution of high-CO₂ energy sources for low-CO₂ energy sources should be further promoted. There is also potential for improvement in the reported water, waste and packaging data. In order to better assess and consequently reduce water consumption, an increase in data quality is indispensable. Despite some improvements in 2019, there is still room for optimization in the future.

We were also able to make our products more resource-efficient thanks to the large number of actions we have taken. However, we are aware that there is still a lot of development potential in this area. To systematically increase the resource efficiency of our products across the whole Group, we require more accurate data on the impact of our products and on the countless improvement actions taken by the individual companies.

SDG reference

In response to our global presence and our activities in energy-intensive areas of the market, we are making a significant contribution to **SDG 13 "Climate action"** through consumption-efficient products and custom solutions. Our resource-efficient products and systems not only save our customers money, but also reduce their ecological footprint.

We have set ourselves the goal of continuously developing the resource efficiency of our products, and of providing our customers with specific information on sustainability. In 2019, we brought consumption-efficient products to market and – as the example of the Active Plus tap shows – this also reduced water consumption. In this way, we are mobilizing our consumers in the fight against climate change and giving them an incentive to act on their awareness.



TAKE CARE OF NATURE, TAKE CARE OF THE WASTE

Greener and cleaner: Franke France S.A.S. has contributed to a healthier ecosystem at its site in Chambly through a range of environmental actions, generating much goodwill among its workforce in the process.

France and Europe have a firm grip on the sustainability debate, and rightly so, says François-Xavier Gilbert, the Quality and Safety Manager of the subsidiary, which is based in Chambly, 40 km north of Paris. Two years ago, the company planned multiple initiatives to make a contribution to environmental protection at the site.

This resulted in a series of projects which were launched by Franke France during the past year. The first is the planting of fruit trees on a plot of 3000 m² owned by the company behind the warehouse at the Chambly site. Gilbert explains: "We've planted apple, pear, cherry and plum trees. The trees are already thriving. However, we will have to be patient until the first harvest in August 2021".

Customers and staff should benefit

Meanwhile, the results of introducing six large beehives on the same plot of land at Chambly should be seen much more quickly. A local beekeeping firm was commissioned for this project. "In the first year we are expecting a harvest of approximately 100 kg of natural honey", François-Xavier Gilbert is pleased to report. They will be gifted equally to staff and customers.

The fruit tree and honey projects have been warmly welcomed by staff at the Chambly site, who have really engaged with the idea. There are plans for sustainable care of the bee population, and to have the honey harvested by volunteers from their own ranks. "Happily, there is a lot of interest", says Gilbert.

Promoting recycling

Responsibility for a sustainable approach to natural resources can also be seen through another project launched at Chambly in 2019. In a concerted action,



cigarette butts were collected and sent by employees to a specialized recycling facility. "We are making all smokers aware that their cigarette butts should not be thrown on the ground nor in the ordinary bins, but only in the ashtrays", explains Gilbert.

It works. Franke France is expected to send 30,000 cigarette butts for recycling, with immediate effect. This is an exemplary contribution to greater sustainability, considering that in Paris alone, according to data from the city authorities, each year 350 tons of cigarette butts are picked up from the ground and end up as waste.

SOCIAL



RESPONSIBILITY

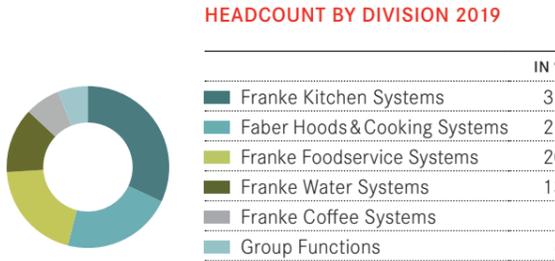
SOCIAL RESPONSIBILITY

Healthy, committed and well-trained employees and managers are the key to the success of any company. With around 9,400 employees at 72 sites on five continents, Franke's workforce plays a key role in its sustainability efforts.

Our employees are our most valuable asset. As an employer, we bear a social responsibility for them and their families. We therefore support them in staying healthy and continuously developing their skills. Not only does this avoid accidents in the workplace, it also contributes to the continuous improvement of working conditions through regular employee surveys, thereby increasing staff engagement. However, we also understand social responsibility to mean our obligation to respect internationally applicable human rights at our sites and in our supply chain. By signing the Global Compact in 2011, we committed to "supporting and respecting the protection of internationally proclaimed human rights" (Principle 1) and to "making sure that they are not complicit in human rights abuses" (Principle 2).

Responsibility for Human Resources & Organization at Franke lies with the Chief Human Resources Officer, who reports directly to the CEO of Franke and is a member of the Management Board. In addition, the Human Resources (HR) Committee of the Board of Directors monitors personnel-related activities.

We conduct our business in accordance with high ethical and moral standards. Our Code of Conduct (see Economic responsibility, p. 39) and internal policies define our business principles and are regarded as the authoritative source for regulations on various topics in the area of occupational safety. The focus is on the prevention of discrimination and harassment, the promotion of equal opportunities and diversity, collegiality among employees and compliance with basic employment standards.



The Franke values of "Enable people", "Foster teamwork", "Act entrepreneurial", "Deliver solutions" and "Be accountable" apply equally to all employees as guidelines and run through all our corporate communications. We expect our managers, as multipliers, to create an environment in which our employees are willing to give their best and contribute to the development of new ideas. The corporate value "Be accountable" has a direct link to sustainability and thus to the activities described in this report.

Total workforce
In 2019, Franke employed an average of 9,362 full-time equivalents (FTEs) worldwide, exactly the same as in 2018.

Essential topics and our contribution to sustainable development

LEADERSHIP DEVELOPMENT
SDG 4: Quality education
SDG 5: Gender equality

OCCUPATIONAL HEALTH AND SAFETY
SDG 3: Good health and well-being

WORKFORCE

IN AVERAGE FULL TIME EQUIVALENTS	2019	% OF 2019 TOTAL	2018	DIFF. 2019/2018
Europe	5717	61%	5729	-0,2%
Thereof Switzerland	1171	13%	1057	10,8%
Americas	1503	16%	1522	-1,2%
Asia/Oceania	1630	17%	1574	3,6%
Africa/Middle East	512	5%	537	-4,7%
Total	9362	100%	9362	0,0%
Full-time employees	8326	89%	8368	-0,5%
Part-time employees	834	9%	801	4,1%
Apprentices	202	2%	193	4,7%
Total	9362	100%	9362	0,0%

FULL-TIME EMPLOYEES BY REGION

IN AVERAGE FULL TIME EQUIVALENTS	2019	2018	DIFR 2019/2018
Europe	5001	5043	-0,8%
Thereof Switzerland	1033	937	10,2%
Americas	1382	1423	-2,9%
Asia/Oceania	1461	1402	4,2%
Africa/Middle East	482	500	-3,6%
Total	8326	8368	-0,5%

TEMPORARY EMPLOYEES BY REGION

IN AVERAGE FULL TIME EQUIVALENTS	2019	2018	DIFR 2019/2018
Europe	567	549	3,3%
Thereof Switzerland	55	42	31,0%
Americas	96	74	29,7%
Asia/Oceania	141	141	0,0%
Africa/Middle East	29	37	-21,6%
Total	833	801	4,0%

Female employees

The percentage of female employees (25 %) has fallen slightly compared to the prior year. In 2018 we aligned our diversity reporting with the Schillingreport. The Schillingreport collects data on the composition of the management boards and supervisory boards of Switzerland's 100 largest employers, and focuses among other things on the developments in the field of gender diversity. Through this alignment, since the 2018 report the following levels have been identified (see the table on page 33):

- **Management Board:** All members of the Management Board are included at this level.
- **Management Level 1:** All employees reporting directly to a member of the Management Board.

- **Management Level 2:** All employees directly reporting to Management Level 1.

Barbara Borra (CEO Franke Kitchen Systems) is the female member of the Management Board. At Management Level 1, in 2019 there was an increase in the number of female employees from 12 percent to 17 percent, compared to the previous year. This is the result of five new roles which have now been filled by women, and one promotion. There was also a slight increase in the number of female employees at Management Level 2. Across the workforce, the percentage is one percentage point lower than in the previous year.

Franke has set itself the task of promoting gender equality, diversity and equal opportunities, and

DIVERSITY: FEMALE EMPLOYEES COMPARED TO THE PRIOR YEAR

NUMBER OF WOMEN	2019	% OF 2019 TOTAL	2018	% OF 2018 TOTAL
Management Board	1	9%	1	9%
Management Level 1 (reporting directly to Management Board)	18	17%	12	12%
Management Level 2 (reporting directly to Management Level 1)	82	22%	74	21%
Total employees*	2109	25%	2068	26%

* The shares are based on the list of employees. In the event of missing gender data, we extrapolated this information based on existing gender data.

prohibits discrimination based on gender, age, skin color, nationality, ethnic origin, religion, disability or other characteristics of a person (see Franke Code of Conduct, p. 43). Within the framework of the internal talent promotion program (One Franke Talent Program), the proportion of female talent in 2019 was 36 percent. When executive positions are filled with the support of external partners (executive search), Franke demands a focus on diversity when identifying potential candidates.

Employee Engagement Survey

The engagement of our workforce is central to our success. This is why a new Group-wide employee engagement survey was conducted in 2016. Based on the results of the 2016 survey, in 2017 we defined three drivers for even more engagement at Group, country and team level: Leadership, Learning and Development, as well as Recognition. The measures defined within these drivers include improving communication, promoting learning opportunities, training managers and introducing a recognition program.

The second employee engagement survey in 2018 had a very high participation rate of 89 percent. In the survey, Franke achieved an overall rating of 56 percent, an improvement of four percentage points compared to the 2016 survey. This result places us in the middle by external comparison (with 50 percent of all companies surveyed). Nevertheless, we did achieve excellent results in several sub-topics of the survey. For example, 81 percent are willing to work hard to exceed customer expectations. Compared to the 2016 results, an improvement was achieved in all focus areas. However, we are not satisfied with these achievements and aim to continuously improve our working conditions, which ultimately determine the engagement of our workers.

Senior Leadership and HR at Group/division level as well as managers at all levels are responsible for the continuous optimization of working conditions within the engagement process. Across all levels of the organization, team workshops have been set up, in order to come up with ways to improve employee engagement.

In 2017, 89 percent of all teams drew up an action plan and worked continuously on implementing these measures through to the second survey in October 2018. To create the best possible conditions for even more engagement, the specific results of the second survey in 2018 have been thoroughly analyzed. In 2019, 93 percent of the teams again produced measures, in a maximum of three different areas. This has led to the definition of concrete targets and steps in order to improve the level of engagement. At Group level, the same process was conducted. In the next survey in autumn 2021, we expect to see more exciting insight into Franke's progress.

Franke Academy

Based on the results of the first employee engagement survey, the Franke Academy has continued to expand since 2016. It includes all Franke's training and further education measures. Central to this is our company-wide strategy with the core objectives of outstanding production, excellent marketing and sales, promoting our drive for innovation and outstanding project management. Specifically, we conduct programs and training courses in the areas of leadership development, technical sales and product skills as well as individual work task-related competencies (language courses or software training). The Franke Academy thus supports all its employees and managers in acquiring the necessary tools and relevant knowledge. Franke employees receive long-term support in achieving their personal and professional goals through regular feedback, learning programs and development opportunities.

LEADERSHIP DEVELOPMENT

Franke attaches great importance to the development of its own managers. The two core elements for this are appropriate HR processes and targeted development programs.

HR processes for sustainable performance

The processes of performance assessment and development planning are actively supported by a central system. Measures and results can be systematically recorded as part of the personal goals achievement (Management Incentive Plan, MIP or SIP, Sales Incentive Plan) or the competency appraisal. In 2019, 1,156 MIPs and 2,306 competency appraisals were recorded across all levels of the organization.

The competency appraisal process introduced in 2015 is closely linked to the Franke values and promotes open communication. The process has been extended to ever more employees in recent years. Development goals are defined and specified together and their implementation is monitored. In the MIP, both financial and personal goals are jointly defined, whose achievement defines the amount of the bonus payment. This model is mainly applied to employees with management, project or specialist functions (see also the table on page 34).

In addition, an HR process for Talent Management and Succession Planning (TMSP) was initiated in 2016 and rolled out further in 2017. This involves systematically assessing employees, identifying talents and discussing potential development opportunities such as participation in the talent program (more information in the next chapter). In 2019, 984 employees were assessed within the TMSP framework.

Competency promotion programs

The regularly held One Franke Talent Program (OFTP) is designed to give talented and ambitious employees the opportunity to develop their skills in a real project and to promote exchange among themselves and with senior management. The third global OFTP was successfully completed in 2019. Since the program started, 74 people have completed it.

Since 2018, we have also been offering leadership development programs worldwide that help managers to execute their role even better and thus increase their contribution to success. In collaboration with an external partner and our own staff, these programs are implemented globally. Franke's goal is to offer executives development opportunities and to promote them. In 2019, 190 workers took part in one of the 16 four-day leadership development programs. A further 110 workers completed one of the eight two-day programs.

In addition, an initiative has been launched to promote project management skills. A pilot training program was introduced in 2019, based on the newly defined Franke Project Management methodology. The global rollout is planned for 2020.

Moreover, the conception and development of a systematic "on-the-job development" approach was launched during the year. As the name of the project indicates, this approach will enable the targeted, continuous development of workers, while they are at work. The achievement of the self-defined targets will be assured in combination with the systematic promotion of skills in the context of competency appraisals.

TARGET AGREEMENTS (EMPLOYEES WITH MANAGEMENT INCENTIVE PLAN)

IN % OF TOTAL WORKFORCE	FEMALE 2019	MALE 2019	TOTAL 2019
Franke Management Board	0,01	0,12	0,13
Management Level 1 (reporting directly to Management Board)	0,19	1,04	1,23
Management Level 2 (reporting directly to Management Level 1)	0,69	2,45	3,14
Other employees with MIP*	2,90	6,85	9,75
Total employees with target agreement	3,79	10,47	14,26
Employees without target agreement*	21,69	64,05%	85,74
Total employees	25,49	74,51%	100,00

* The shares are based on the list of employees. In the event of missing gender data, we extrapolated this information based on existing gender data

Identifying and developing our internal talents and potential candidates for key roles allows us to provide our employees with career opportunities and increase the rate of internal promotions. For the Global Leadership team (GLT), we achieved a rate of 63 percent in 2019. Compared to the 71 percent in the previous year, there has been a slight reduction in this respect. The constant effort to identify internal talents is a significant contribution to a growth-oriented culture.

SDG reference

With regard to SDG 4 "Quality education" and SDG 5 "Gender equality", Franke has positively impacted the education of its employees through its education and training programs. This gives Franke the oppor-

tunity to retain and develop talented employees as an attractive employer. Investments in our people also support productivity and innovation potential.

Franke employs more than 9,000 people worldwide and has many opportunities to promote women at different management levels. Compared to the prior year, the proportion of female employees at Management Level 1 and Management Level 2 increased in 2019. Franke continues to promote women in management positions and provide equal opportunities. In addition, a number of Leadership Development programs were conducted in 2019. The Franke Academy is now also able to offer project management training.

OCCUPATIONAL HEALTH AND SAFETY

Franke attaches great importance to occupational health and safety. Franke's Management Board aims to ensure that all production companies roll out and certify a management system for occupational health and safety (OHSAS 18001 and ISO 45001)². By the end of 2019, 28 of the 37 production companies were certified to OHSAS 18001 or ISO 45001. In 2019 the number of production companies certified to ISO 45001 standards rose to six, compared to one in the previous year.

Internal risk audits are carried out as part of measures to protect the health, safety and well-being of employees. In 2019 the successful collaboration between the internal Audit team and sustainability reporting continued. Among other things, a standardized process was set up in 2018 to report sustainability risks so that they can be taken into account in audits if necessary. In 2019 this allowed the Audit team to investigate a number of sustainability issues, on-site.

On-the-job training, refresher courses for long-term employees, guidance for new hires and an open communication culture form the basis for safe working. Health and safety at work is also ensured by adequate protective equipment in the workplace. For example, we offer our employees at our head office in Aarburg (Switzerland) the opportunity to contact the company's social services department in the event of social or professional issues. In addition, the "Fit4Franke" campaign offers various possibilities to stay physically and mentally fit. Options include the all-year Hockey Events or the skiing day at the Aarburg site. Franke in Smyrna, USA, also promotes

the mental, social and physical well-being of its employees through its Wellness Committee. The program offers activities such as yoga, fitness challenges and a bowling team, and provides employees with information on a healthy diet.

Together with its employees, Franke is also committed to the society as a whole. One example of this engagement is presented at the end of this section (see page 37).

Accidents, injuries, deaths

We minimize occupational health and safety risks through safety training and occupational health and safety certification. With measures such as the installation of safety sensors on production machines, Franke aims to achieve an overall reduction in the number of injuries in the coming years and to permanently reduce the number of injuries.

The Franke-wide lost day rate (LDR = lost days per 100 employees) was 23 in 2019, compared with 27 in 2018³. Since 2018, only incidents that led to lost days have been included in the injury figures. The reason for this is a harmonization of the definitions between the different functions. One day lost is defined as a planned working day that cannot be performed due to an accident on the prior day. Comparing the lost days between 2019 and 2018, a decline of 17 percent can be observed. It can be seen that the accidents figure has only fallen slightly, but on average there were fewer serious accidents, and this in turn led to fewer lost days. As in the previous year, no fatal accidents were recorded in 2019.

² The international migration from OHSAS 18001 to ISO 45001 was published in March 2018. Accordingly, for 2019 both the OHSAS 18001 and also the ISO 45001 certifications were taken into consideration, as this conversion will take time.

³ Regarding the reporting year 2019, the data for two legal entities had to be estimated due to missing information. This also applies to the absence rate.

The Group-wide absence rate for 2018 could not be fully recorded due to a change in reporting. For this reason, the absence rate of three percent for 2018 is an estimate, based on the data collected by the end of August 2018. The necessary data was again collected for 2019, and the absence rate was 2.2 percent. This transition should be further improved in the 2020 report, and the reliability of the indicator will thus be increased.

About half of the entire workforce is currently covered by collective agreements such as collective labor agreements or collective bargaining agreements. In Austria, France, Germany, Italy and Switzerland, over 90 percent of employees are bound by a collective employment agreement or collective bargaining agreements. There are no collective agreements for employees in the US and China, which represent 19 percent of the total workforce.

OCCUPATIONAL HEALTH AND SAFETY

	2019	2018*	DIFFERENCE 2019/2018
Lost days due to occupational accidents or work-related illnesses	1921	2324	-17%
Lost days rate	23	27	-15%
Absence rate**	2,2%	3,0%	-28%
Number of work-related accidents/illnesses resulting in lost days ³	82	91	-10%
Fatal accidents	0	0	0%
Production facilities certified according to OHSAS 18001 or ISO 45001	28/37	28/37	

* Subsequent data correction for 2018

** Absence rate extrapolated for 2018 based on data to the end of August 2018. Further information is given in the Annex (p. 57). The required figures were again collected for 2019.

SDG reference

Franke always aims to make the working conditions of its employees as pleasant and safe as possible, in accordance with **SDG 3 "Good health and well-being"**. Safety and awareness-raising measures can prevent accidents, reduce health risks and promote staff well-being. This can also increase employee productivity and reduce healthcare costs.

Franke aims to introduce and certify (OHSAS 18001 and ISO 45001) a management system for occupational health and safety at all production companies. By the end of 2019, 28 of 37 production companies were certified to OHSAS 18001 or ISO 45001. As in previous years, Franke also avoided any fatal accidents in 2019.

LIGHTING UP THE LIVES OF CHILDREN IN SOUTHEAST ASIA

With its aid campaigns in schools, Frank Kitchen Systems Southeast Asia is creating sustainable value for underprivileged children. The first of these CSR events in the Philippines and Cambodia were successful.

The idea came to Markus Ratfelder early in 2018. "The idea of launching an annual campaign for local charitable causes together with my team at Franke Kitchen Systems Southeast Asia (KS SEA) was one that I could not let go of", recalls the sales director. A meaningful way of starting this kind of social engagement quickly became apparent, after a discussion with the team: Ratfelder says, "We decided on a project that would support children in poorer regions of Southeast Asia, to make their time at school easier and more pleasant".

No sooner said than done. A suitable target for the first event was the Anapog Integrated School in the Cebu region of the Philippines, where approximately 400 children aged between four and 15 are taught in precarious conditions. Many of them have to walk more than six kilometers each way, to get to school, and come from the poorest of circumstances. In autumn 2018, Franke KS SEA visited the school and provided the children with new shoes, satchels, notebooks and stationery items like pens, rulers and scissors. The school kitchen was fitted with new sinks and taps, to improve cleanliness and efficiency. The Franke team prepared a celebratory dinner at the site, for all the children and their teachers.

Franke KS SEA was assisted in the campaign by a local business partner, the Philippine construction chain Wilcon Depot. "The company has already promised further expenditure for the school, and where possible will offer many children the opportunity of apprenticeships, when they leave", Markus Ratfelder confirms.



2019 – Continuing the work in Cambodia

The enormously positive response to the first action in the Philippines has motivated Franke KS SEA to embark on a new project. In summer 2019, another aid event was held at Aziza's Place, a learning and development center catering for 50 underprivileged children in Phnom Penh (Cambodia). The children received useful equipment for the classrooms, kitchen equipment and sanitary installations. All this was with support from Franke's local partner, Econflo Systems. Once again, the gratitude shown was overwhelming for Ratfelder and his team: "The children's smiling faces and shining eyes were priceless". Further actions are planned for 2020 and future years.

ECONOMICAL



RESPONSIBILITY

ECONOMICAL RESPONSIBILITY

Essential topics and our contribution to sustainable development



PROFITABILITY
SDG 8: Decent work and economic growth



BUSINESS INTEGRITY
SDG 16: Peace, justice and strong institutions



HUMAN RIGHTS
SDG 8: Decent work and economic growth

Financial stability in terms of a strong capital base, and healthy profits form the basis for the long-term existence and successful growth of a company. These factors are obviously also the pillars of Franke's approach to business. The Management Board, the Board of Directors and the owner of Franke set themselves the task of creating the necessary conditions.

Franke is part of a global value chain. For this reason, the performance and developments achieved do not only have a direct impact on the company. Our numerous suppliers and customers around the globe, with some of whom we have been cooperating for a very long time, are also an important part of this network and thus also depend on its overall success. At Franke, adherence to high ethical standards in the conduct of our business is just as important as the figures; we see integrity and compliance as being

central factors in our success. Franke's economic performance, market presence and indirect economic impacts are monitored strategically by the Board of Directors and the operating management of Franke – the Management Board. Compliance activities are directly monitored by Franke's Management Board or the Audit Committee. As part of its internal risk management, Franke conducts permanent monitoring in order to identify business-relevant risks at an early stage.



PROFITABILITY

The market orientation and internal strategies and processes of Franke and its divisions are regularly reviewed and adjusted where necessary. The economic performance, changes to framework or market conditions and a number of other factors are all carefully considered. To maintain profitability, we have implemented a timely review and long-term planning measures.

The necessary flexibility within management is gained by monthly meetings to make sure that we are staying on track. In this regular process, monthly results are being consolidated and reviewed on a divisional level to detect indications for a deviation from the annual targets and allow for the timely implementation of countermeasures.

In the medium to long term, we have an annual internal planning and budgeting process that takes into account the following three years. In the reporting year, Franke

KEY FIGURES

IN CHF M	2019	2018	DIFF.
Net sales	2423,1	2117,2	14,5%
Organic growth	3,7%	1,0%	
EBIT	133,8	67,2	99,1%
Investments	98,0	177,0	-44,6%
Employees average	9 362	9 362	0%

achieved strong sales growth, with greater profitability. In 2019 it achieved consolidated net sales of CHF 2.42 billion in comparison with CHF 2.12 billion in the prior year, thereby increasing sales by 14.5 percent. This sales growth comprises an organic growth of 3.7 percent (previous year 1.0 percent), a positive acquisitions/divestment effect of 13.5 percent, and a negative exchange rate effect of 2.7 percent.

EBIT almost doubled, to CHF 133.8 million which is thanks to numerous operational improvements, the absence of value adjustments and restructuring measures. This overall positive development is also reflected in the improved EBIT margin of 5.5 percent (previous year 3.2 percent).

SDG reference

With regard to **SDG 8** "Decent work and economic growth", Franke, being a long-established business,

§ BUSINESS INTEGRITY

All employees are obliged to follow the highest ethical standards of professional and personal conduct in their dealings with customers, colleagues, business partners, competitors, regulators and the communities in which Franke operates. The new Code of Conduct contains 15 clearly structured ethical principles, which are also reflected in the corresponding e-learning program. More details about the revised Code of Conduct, which came into force on January 1, 2019, can be found at the end of this section (see page 43).

Compliance or rule-compliant conduct is indispensable for sustainable corporate success. Incorrect conduct leads to reputational damage, fines and lost orders. We are therefore strengthening our employees' understanding of legal compliance, particularly with regard to corruption, antitrust law, product requirements, third-party industrial property rights, data protection and trade restrictions. In 2016, Franke introduced a compliance management system with the pillars of prevention, detection and control. In 2017, all employees were trained online for the first time on the subject of compliance. The online training was upgraded in 2019. Compliance with laws and regulations is also promoted by Marcel Enz, General Counsel. Since January 1, 2020, he has been the head of the Legal & Group Compliance department, and is based in Switzerland. The compliance processes at the individual sites are carried out by the Internal Audit department. In addition, the SpeakUp@Franke Integrity Line, launched in 2013, can be used confidentially and anonymously by all employees with integrity concerns. Corrective measures are taken in the event of misconduct. The Integrity Line is available in 26 languages and makes an important contribution to maintaining high compliance standards.

can claim positive effects on employment and economic growth. Expanding into new markets and acquiring new customers comes with a variety of challenges, but is always an opportunity to operate profitably in the long-term and to strengthen the company's market position.

In 2019, the adjusted EBIT margin fell to 5.5 percent (3.2 percent year on year). Franke employed 9,362 people worldwide (full-time equivalents).

Analysis of business units due to corruption risks

In 2019, 13 audits were carried out by Internal Audit (compared with 15 in the prior year). These are based on a risk-oriented audit approach and include, among other things, compliance risks.

Anti-corruption policy training

February 2017 saw the rollout of three e-learning modules on the Code of Conduct and two policies (bribery and antitrust law), which are mandatory and must be repeated periodically. The first module is addressed to 5,400 employees and must also be completed by new hires. The other two modules cover bribery and antitrust law. All modules were reviewed and relaunched in Q2/2019. By the reporting date of December 31, 2019, 68 percent of a total number of workers of 862 had already completed the module on corruption. For 866 employees the figure was 65 percent for the program on antitrust law.

All Franke employees worldwide have access to the Code of Conduct, which is available in 13 languages. Since 2016, we have also renewed the communications about the SpeakUp@Franke integrity line, to raise employee awareness, in particular through periodic articles in the "One Franke" employee magazine

SDG reference

With regard to **SDG 16** "Peace, justice and strong institutions", Franke is actively committed to avoiding incidents of non-compliance through transparency along the value chain, and training. Franke sees compliant behavior as a necessary prerequisite for sustainable success.

To achieve the goal of keeping non-compliance incidents low, 13 internal audits were conducted in 2019 (15 internal audits in 2018). Franke thus makes a contribution to the promotion of a peaceful and inclusive society.



HUMAN RIGHTS

Code of Conduct

The protection of human rights has a high priority at Franke and is a requirement in the entire value-added chain to guarantee the license to operate. With its binding Code of Conduct, Franke is committed to respecting and complying with all applicable laws and regulations, and to supporting international human rights as well as basic labor regulations such as the ILO Declaration on Fundamental Principles and Rights at Work. The Code also implies basic labor law provisions that do not tolerate child labor or forced labor. An additional Franke supplier code, which was updated in January 2020, also requires that all suppliers and their respective supply chains comply with labor practices, environmental protection and business integrity requirements. The supplier code requires all suppliers and their sub-suppliers to refrain from forced, bonded, prisoner, military or compulsory labor and from any form of human trafficking. Compliance with the supplier code is assured as it forms part of our supplier contracts. Audits are also conducted to address these aspects, and to further verify and minimize the risk of human rights violations in our supply chain.

Corporate Compliance and Human Resources are responsible for raising awareness and for the internal monitoring of human rights (in areas such as discrimination, equal opportunities and diversity, freedom of association and the right to collective bargaining) at all Franke sites. The purchasing functions integrate continuous requirements that human rights and basic labor standards must be respected in the supply chain.

Through audits, certifications and training, Franke makes a significant contribution to the protection of human rights at production sites and in the supply chain. This ensures that workers' rights are respected and that child labor is ruled out.

Employee training

All employees with an email address were able to complete the online training courses on the Code of Conduct (including human rights) launched in February 2017. In 2019, online training sessions were held on the Code of Conduct (including human rights). As of December 31, 2019, 68 percent of all eligible employees had successfully completed the training. As the new training cycle only

started towards the end of 2019, this figure is lower than in comparison to the previous year (78 percent). In 2019, one face-to-face compliance training session (including human rights) was held (compared with two in the prior year). The Code of Conduct sets our standard for compliance and human rights issues. All Franke employees have access to the code, which is available for download on the Franke intranet, in 13 languages. The Code of Conduct was presented to all employees worldwide to ensure its global proliferation.

Cases of discrimination

The Franke Code of Conduct prohibits discrimination on the basis of gender, age, skin color, nationality, ethnicity, religion, disability or other legally protected characteristics of a person. However, due to safety regulations, certain work tasks may be restricted to specific individuals. For example, different reasonable load weights for lifting and carrying may apply to men and women.

Guarantee of freedom of association and the right to collective bargaining

In its Code of Conduct, Franke undertakes to respect the rights of its employees to freedom of association and collective bargaining within the limits of local law. The supplier code also requires that all suppliers and their respective supply chains respect the right of employees to freely associate and negotiate collectively, without restriction or consequence.

SDG reference

Franke contributes to **SDG 8** "Decent work and economic growth" through the Code of Conduct and the supplier code, among other things. The protection of human rights and the fight against discrimination along the value-added chain are prerequisites for Franke's long-term success. Franke creates jobs with well-designed conditions for employees of all sexes, genders, ages, skin colors, nationalities and skill levels, supporting the economic development of the countries in which Franke is present.

Franke is committed to driving its strategy and fully support human rights, ensuring that workers' rights are respected and that child labor can be ruled out. The completion rate for online Code of Conduct training at the end of 2019 was 68 percent.



A CULTURE OF STRICT COMPLIANCE

Franke makes great efforts to make sure that the Group-wide Code of Conduct is known to all its workers across the globe. The compliance with the Code also brings advantages in economic terms, thanks to greater customer confidence. The Code was revised as of January 1, 2019.

Marcel Enz, General Counsel at Franke, who is also responsible for Legal & Compliance, gets straight to the point: “Our compliance culture first of all lightens the load for workers, and it also gives them a clear set of values with defined safeguards”. With its 2013 Code of Conduct, Franke set out its commitment to observing and complying with the local laws and regulations applicable to its international subsidiaries, and also the laws that apply in other countries in which the Group does business, and it is also committed to observing international human rights. Part of the Code of Conduct is about respecting the basic principles and requirements of international labor organizations, with regard to workers’ rights. “The Franke supplier code also requires that all suppliers and their respective supply chains comply with labor practices, environmental protection and business integrity requirements”, added Marcel Enz.



It is a comprehensive bundle of rules, conditions and requirements with which Franke obligates itself to observe a sustainable compliance culture. The existing Code, which was adopted in 2013, was “reviewed and extended”, effective from January 1, 2019, Marcel Enz confirms. The new 2019 Code of Conduct brings together all the company’s values, in 15 ethical principles. “The revised Code also embraces new issues concerning trade restrictions, product safety and quality, and data protection”.

Strengthening the One Franke culture

To ensure the smooth, sustainable dissemination of the core messages of an effective compliance culture among the 9,000 global employees of the Franke Group, there is a comprehensive e-learning program every two years. The latest wave of training on the revised Code of Conduct was launched on September 1, 2019. As Marcel Enz

explains, “The program incorporates more extensive, updated training on anti-trust law, as well as a specific component on the prevention of corruption, for management personnel”.

This will make the work of Franke employees all over the globe easier, and will also indirectly benefit their personal well-being. According to Marcel Enz, a company can only operate successfully over the long term and guarantee quality jobs if it conforms to the regulations. “Inappropriate behavior, on the other hand, leads to penalties, damage to image, and the loss of business”. Finally, a strong compliance culture also encourages workers to identify with their employer, Franke. “This is a central pillar of our motivational One Franke culture, and it should stay that way”.

PRODUCT



RESPONSIBILITY

Essential topics and our contribution to sustainable development

 **PRODUCT RELIABILITY AND LONGEVITY**
SDG 12: Responsible consumption and production

 **PRODUCT SAFETY**
SDG 3: Good health and well-being

 **PRODUCT INNOVATION**
SDG 9: Industry, innovation and infrastructure

PRODUCT RESPONSIBILITY

Our business is based on selling products and services. It goes without saying that we will continue to strive to improve the quality of our offer. Our customers deserve genuine added value. We devote all our efforts to doing this.

It is important to us to be perceived as a quality supplier in the market. This can be seen from the reliability and longevity of our products. These product characteristics guarantee not only functional value, but also the careful handling of finite resources. This is fully in line with sustainability. To maintain our leading market position in the future, we constantly make adjustments to innovations and meticulously ensure that the highest quality and safety standards are maintained in all processes. The latter are the basic prerequisites for the safe use of our products. The key effects and consequences of Franke's high regard for product responsibility are experienced directly by the customer, i.e. in the usage phase. Technical requirements for product safety, but also innovation, reliability and longevity have an indirect effect on the upstream stages. At Franke, product responsibility is located in various departments: Product Development, Quality, Marketing, Risk Management and Legal. At the end of 2019, 34 of 37 production sites had implemented a certified quality management system according to ISO 9001.

QUALITY MANAGEMENT SYSTEMS

	2019	2018
Production sites with certified quality management systems (ISO 9001)	34/37	34/37

Our quality management systems help to ensure compliance with mandatory technical and other standards. They also result in a continuous improvement process. The surveying and ensuring of customer satisfaction are part of quality management and follow clearly defined procedures. While some companies in the Group conduct customer questionnaires independently, others rely on standardized third-party surveys. Routine plans are developed to improve performance in the areas that perform weakest in the surveys.

PRODUCT RELIABILITY AND LONGEVITY

We want our products to be reliable and durable. On the one hand, we guarantee our customers' high expectations of quality, and on the other hand, this approach helps to ensure that resources are used more efficiently. Our products are in high-end market segments. That is why we have implemented a wide range of quality assurance measures in product development and production. Among other things, we carry out failure mode and effects analyses (FMEA) to avoid faults and increase the

technical reliability of our products. Since 2016, there has also been a regular exchange between production and quality managers on a global level in order to standardize processes and learn from each other's experiences. Products that do not pass our internal tests are subjected to a revision process or, in the case of major faults, are dismantled in order to recycle the raw materials wherever possible. The systematic collection of scrap rates also enables us to monitor process quality.

The reliability and durability of our products is evident from their long years of use. Many of our products have been in use for over two decades. To enable us to track product performance outside the factory gates as well, the "Faulty Products Indicator" was surveyed for the first time in 2017. It records the number of faulty products. This is measured by the number of customer complaints within the warranty period.

For 2018, we decided to track this KPI at division level rather than company level, in order to improve data quality. In collaboration with the quality managers of our five divisions, we defined a new process to measure both the number of faulty products across the group, and also the service call rate (the percentage of faulty products compared to the total number of products sold). This approach is most effective, as the divisional quality managers have the necessary knowledge of the markets and products concerned, so that they can give accurate estimates. Markets or product groups were disregarded if not enough data was available. Based on these estimates there was a Group-wide service call rate of 1.69 percent for 2019, which is a little lower than in the previous year (2.14 percent). This is primarily attributable to the slight change in the data collection system within one

PRODUCT SAFETY

Almost all our products are either related to the preparation of food or the use of water. They must therefore comply with a large number of technical and food safety regulations. Franke follows the precautionary principle as part of quality management to ensure that health and safety requirements are met by all products.

Our innovative products also promote hygienic behaviors and thus the health of our consumers, for example through the installation of contactless fittings. One example of this is the VITAL tap, which improves water quality. More information about this product can be found at the end of the Product responsibility section.

As with reliability and longevity, we rely on certified quality management systems in our production facilities. Full data on incidents related to health and safety impacts for the whole group is not yet available. During the 2019 reporting period, our Franke Kitchen Systems division had to report two safety-related customer incidents that resulted in sanctions, warnings or product recalls. In 21 customer incidents, voluntary internal rules were violated. Countermeasures were taken for the products concerned.

of our five divisions, which from 2019 only considered warranty calls from the first year of use instead of the first two.

The key figures provide us with better insights into the effective service life of our products. From this, we derive appropriate further development measures for our products and production processes.

SDG reference

With regard to SDG 12 "Responsible consumption and production", Franke has a positive influence on the sustainable consumption of its customers through its efficiency measures and the development of new business models. By developing high-quality, reliable and, in particular, durable products, we can also meet the needs of environmentally conscious customers.

Franke has set itself the goal of reducing the energy and water consumption of its end customers by using smart technologies and products. Furthermore, quality assurance enabled Franke to achieve a service call rate of 1.69 percent. We promote sustainable consumption through our durable, high-quality products, which inspire our customers.

We adhere to the high health and safety standards of our products. In line with the precautionary principle, we will review our new developments and product adaptations for health and safety impacts in the future. Franke intends to further strengthen the centralization of its quality management. To this end, a new role for Group-wide quality management was created in 2019. This is particularly important to ensure the transfer of knowledge across the Group and to collect and evaluate data for controlling in this area in an even more methodical way. The Head of Quality of Franke Group is responsible for coordinating the company-wide quality assurance and improvement activities. One example of the projects undertaken in 2019 relates to a process which assures that our suppliers make regular reports on the quality of their products.

SDG reference

Through the high quality and high safety requirements of our products, we make an important contribution to the reduction and avoidance of accidents. This commitment has a positive effect on consumer health, as defined in SDG 3 "Good health and well-being". High security requirements are an essential building block for Franke's reputation.

Franke relies on certified quality management systems at its production facilities and pursues the goal of ensuring a high standard of health and safety for its products.

PRODUCT INNOVATION

Franke considers innovation to be one of the most important prerequisites for future success, and also as an authoritative lever for sustainability. This will support more environmentally friendly products that are energy-efficient and water-saving, among other things. Our standardized innovation process helps us to quickly transform new ideas into innovation projects and promote them accordingly.

Process or product innovation is also a core element of our business success and sustainable performance. In particular, we promote increased efficiency to save costs and minimize the consumption of resources. Robotization and LEAN management are central topics of our innovation activities.

Our drive for innovation bore fruit last year, in the form of numerous awards won by Franke Kitchen Systems, Faber Hoods & Cooking Systems, Foodservice Systems and Franke Water Systems. These include recognitions such as the Golden Award from the LifeCare Initiative, prizes in three categories of the European Product Design Award, Best Supplier of the Year Award, the Iconic Award and four different commendations from the 2019 Plus X awards.

To assess product innovation, we used the net trading revenue of products launched over the past three years as the basis. Compared to 2018, this figure has fallen slightly from 33 to 28 percent⁴. However, the signifi-

cance of this indicator should not be overestimated, as the activities of Franke do not correspond to a uniform picture and some companies make exclusively customer-specific products. This contributes to an increase in the indicator value, whereas factors such as the limited influence of customer demand can lead to a reduction.

In 2019 progress could be seen across all four areas Environmental, Social, Economical and Product Responsibility. The continued improvement in data quality is particularly pleasing. We will continue to work on this in the future in order to obtain an authoritative database, and thus a reliable basis for future decisions. We intend to continue and intensify our efforts to promote sustainability within Franke in 2020.

SDG reference

With regard to SDG 9 "Industry, innovation and infrastructure", Franke makes a positive contribution to innovation by bringing consumption-efficient products to market. By investing in research and innovation, Franke has the opportunity to win new customers and promote the adaptation of environmentally friendly technologies.

Franke has set itself the target of continuously supporting product innovation. In 2019, Franke generated 28 percent of its sales with products launched over the past three years. Franke is thus contributing to innovation in its markets.

⁴ Regarding the reporting year 2019, the data for two legal entities had to be estimated due to missing information.

CLEANER WATER – LESS PLASTIC

In tandem with the launch of the new VITAL Capsule filter tap system, Franke UK has helped to reduce plastic waste through its “Refill not Landfill” campaign, which was launched for the trade and also the retail market.

The patented "Clear Water System" filter technology from Franke Kitchen Systems cleanses ordinary tap water of more than 99 percent of bacteria, viruses, rust, microplastic and other deposits. The Swiss-developed technology helps to make drinking water healthier for consumers.

To introduce the new VITAL Capsule filter tap system, Franke UK Ltd, based in Manchester in northern England, launched a specific sustainability campaign last year, which was successfully completed. Named “Refill not Landfill”, the campaign promotes the new filter system which is designed to make a sustainable contribution to reducing plastic waste. In conjunction with this, Franke UK has produced a series of practical reusable water bottles; the bottles are available through the dealer network and can also be shipped directly to the end consumer. The easy-to-open, washable bottles should help to reduce the huge mountain of waste created every year from the use of disposable plastic bottles.

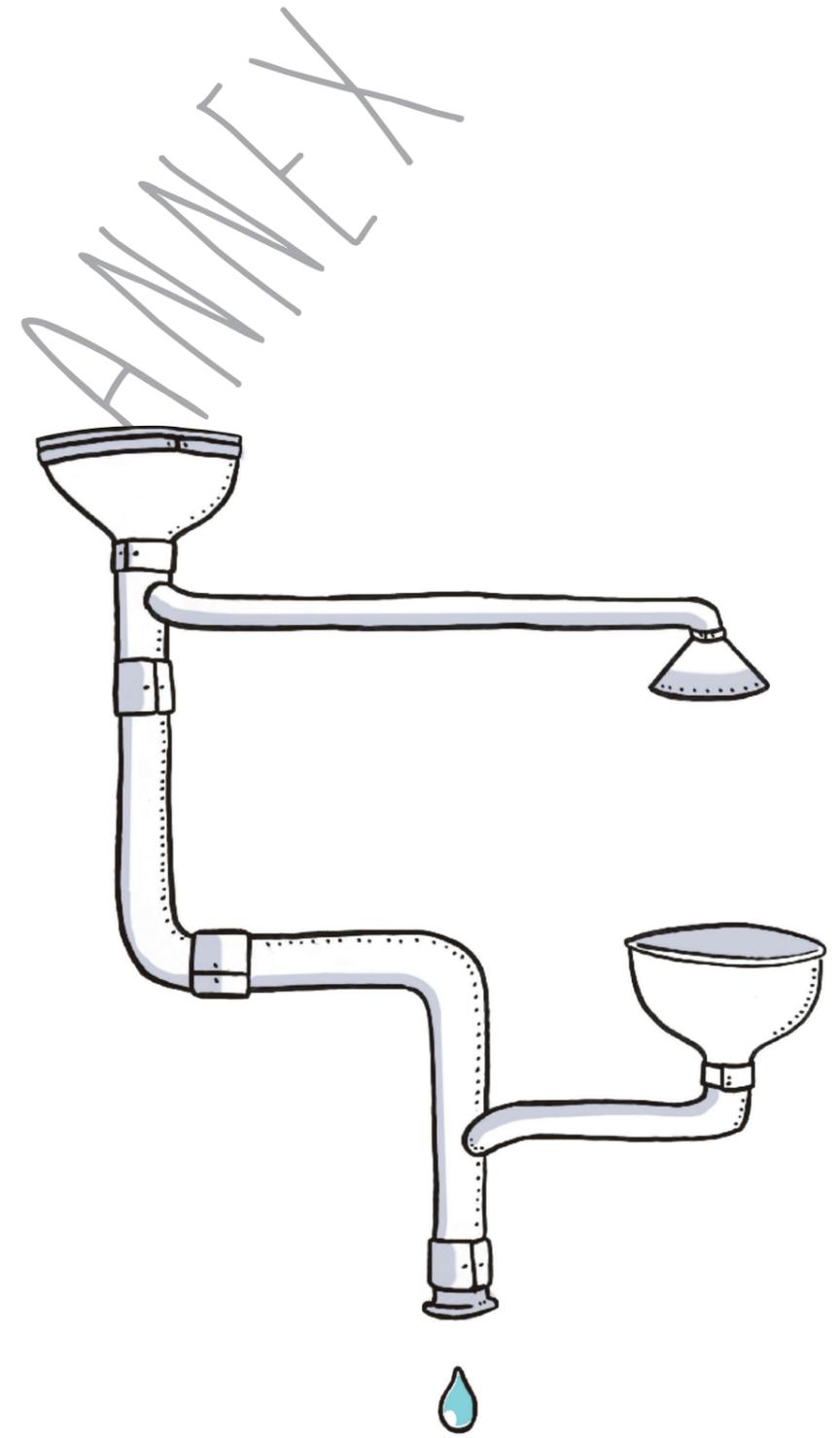
Franke UK conducted a study across the UK’s kitchen and bathroom industry, and found that 70 percent of all sites had no recycling facilities for plastic waste. The survey also found that more than half of all workers in the industry bought at least one plastic bottle every week, and threw them in the ordinary bin due to lack of recycling facilities.

“For us, the launch of the VITAL Capsule filter tap was the ideal time to raise awareness of this issue and to make an active contribution”, explains Joanne Rawstron, Sales & Marketing Director at Franke UK in Manchester. With the targeted involvement of staff, dealers and end consumers, not to mention suppliers and the media, the “Refill not Landfill” campaign has achieved respect-



able results within a comparatively short time. “We have reached more than a quarter of a million people, making them aware of the plastic waste issue”. No fewer than 187 Franke retailers have signed up to support the campaign.

The environment is already benefiting. Not only have all Franke UK’s workers received the new non-disposable bottles; they have also been received by hundreds of customers who can register for them online. There is more to come. Joanne Rawstron reports: “As a result of the Refill not Landfill campaign, we expect that 170,000 fewer disposable bottles will be bought each year in the UK”.



REPORTING PARAMETERS

REPORTING PARAMETERS

GRI CONTENT INDEX

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Reporting period

This report covers the 2019 financial year: January 1, to December 31, 2019. Information from prior years was included where necessary to give the reader a complete picture of Franke's sustainability approach and performance in this area. If the data does not originate from 2019, this has been clearly indicated.

Date of the most recent previous report

In July 2019 Franke published its 2018 sustainability report. The reports from prior years can be found here:

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

Reporting cycle

Franke publishes a sustainability report every year. The next report will be published by August 2021.

Procedure for determining the report content

The Core option of the GRI standard was followed, in defining the report content and priorities for Franke. Our sustainability report is based on a materiality analysis, to identify those aspects that are important to our stakeholders and on which Franke has the greatest impact. The key stakeholders and their most important interests are described on page 14.

As in previous years, this sustainability report is based on the materiality analysis, which was prepared in accordance with the GRI standards. The previous topics were checked for completeness, and were then assessed by a group of internal experts in terms of their relevance to Franke stakeholders and their significant economic, ecological and social impacts. In order to take greater account of stakeholder involvement and the sustainability context, Franke plans to validate the key issues and their limitations with regard to the following sustainability reports.

Reporting boundaries, joint ventures, subsidiaries, outsourced activities, etc.

This report covers Franke in its entirety. If only a part of the company is meant (as an example or due to the data situation), we clearly point out that. This report does not cover outsourced activities. Although Franke Beverage Systems is still legally part of Franke,

the company is no longer included in our calculations and has followed a new reporting line to the Artemis Group since January 2016. Since 2017, Franke Industrie AG (a manufacturer of hot gas components for industrial gas turbines and aerospace) also reports directly to the Artemis Group.

There were also the following changes in connection with joint ventures, acquisitions, divestments or mergers in the reporting period: At the end of June 2019, Franke acquired a majority stake in Dalla Corte S.R.L., a premium Italian coffee machine manufacturer.

Data collection methods and bases of data calculation

At Franke, non-financial data has been measured for many years. A consolidation of non-financial data according to the GRI indicators at Group level was carried out for the first time in 2011.

The financial, personnel and environmental data (energy, greenhouse gas emissions, water, materials and waste generation) for this report was taken from the COGNOS system. Regarding the reporting year 2019, the personnel and environmental data and the share of products launched over the past three years had to be estimated for two legal entities due to missing information in COGNOS. Data on occupational health and safety was collected using COGNOS. Certain personnel data was extracted from the HR tool, which now covers approximately 90 percent of the workforce. With regard to materials, the central purchasing figures have been used since 2017. As some materials are still purchased locally, it is very difficult to enter reliable data at this time. However, we are working on a solution to ensure that these figures will be transparent again in the future. This would also allow us to make a clear distinction between renewable and non-renewable materials. For the 2019 reporting year, we decided to use COGNOS for the collection of data on renewable materials. For the 2019 report in particular, it is still difficult to make statements about the collected data. The figures on the purchased quantities of semi-finished and finished products are being processed for the 2020 report.

The environmental and occupational health and safety data for the 2019 financial year was reported by all the production, service and sales companies. The data on water, wastewater and waste disposal were collected from the bills of the municipal water supply and other utilities.

The conversion factors for energy consumption come from the fact sheet: CO₂ emission factors of the Swiss greenhouse gas inventory from 2016 (Federal Office for the Environment). Direct greenhouse gas emissions from fossil fuels (heating oil, natural gas, diesel and petrol; Scope 1 of the GHG Protocol) are also based on the fact sheet of the Swiss Federal Office for the Environment (2016). The individual greenhouse gases emitted at Franke sites are CO₂, CH₄ and N₂O, which have been converted into CO₂ equivalents for this report, according to the above-mentioned fact sheet. Greenhouse gas emissions for electricity and district heating (Scope 2) were calculated on the basis of the emission factors reported by the Franke companies.

The environmental and occupational health and safety data were determined in relation to each other by dividing the total values by net sales in Swiss francs. Many of the key figures in the "Environment" and "Social Responsibility" sections are heavily dependent on Franke's economic performance. For this reason, the key figures are listed relative to total net revenues.

Furthermore, we do not consider the share of temporary employees in the total workforce to be significant at 8.6 percent, and therefore do not discuss in detail their precise activities. In addition, there are no significant seasonal fluctuations in the total workforce.

With regard to our data sources for the statements on the workforce made in the report, the following distinction must be made. When we speak of full-time equivalents, the information is taken from our financial reporting system and, if a number of employees is mentioned, from the employee directory. For the calculation of the proportion of female employees in the "Social Responsibility" section, the year-end situation was taken into account. As the Group profile on p. 6 - 7 shows the situation at the time of publication, the Management Board data shows slight differences between the Group profile and the "Social Responsibility" section.

It is also important to mention the changed data basis for calculating the absence rate. The original KPI for the absence rate was calculated on a rolling basis up to August 2018, and then no longer. In 2019, the KPI was taken up again, and is now only calculated at year-end, for the whole year. The figure for the absence rate thus shows the situation at the end of December 2019.

Effects of any restatements of information provided in earlier reports

In the context of a more comprehensive audit, subsequent data corrections were also made for 2018. In most cases these are adjustments of inaccurate data. As a result, the 2018 key figures of this report differ from those of the prior year.

GRI reference

This report has been prepared in accordance with the GRI Standards: Core option.

External assurance for the report

No external confirmation was obtained for this report.

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Exclusions and remarks

1. Due to the current system landscape, some breakdowns cannot yet be made. We are in the process of developing a new system that will allow us to collect the missing data. The missing data mainly concerns the variables sex and type of employment, which we are not yet able to identify in all areas. We expect to be able to introduce and use this system in 2020. Accordingly, we expect to be able to make all the breakdowns from 2020 onwards. Unfortunately, due to the coronavirus pandemic, it is possible that there will be a delay in the introduction of the new system.
2. Data on the detailed breakdown by water source is not yet available. We will collect it for the 2020 report.
3. The data for a breakdown by water quality is not yet available. We are working on establishing a corresponding data collection process with the goal of reporting on this in 2021.
4. Includes the most important non-renewable materials that are used for manufacturing and packaging the products. Data on both semi-finished and finished products is not yet included because of a delay in the process. We are working on establishing the data collection with the goal of reporting on this in 2020 instead of 2019.
5. The extent to which existing data on the two disposal methods of landfill and incineration can be further broken down will be clarified internally by the publication of the 2021 report.
6. The data for assessing the reduction of the energy demand of our products is not yet available. We are working on establishing a data collection process with the goal of reporting on this in 2020.
7. Information on the injury rate and the breakdown by region is not yet available. We are working on establishing a data collection process with the goal of reporting on this in 2020 instead of 2019 as originally planned due to missing capacity. Data on the occupational disease rate cannot be collected for reasons of confidentiality (medical secrecy). For this reason, the following will also not be reported in the future. The type of the injuries and the breakdown by sex are also not available. Since Franke wants to avoid injuries completely, regardless of type or gender, the collection of this data has a low priority. For this reason, no survey is planned in the near future and therefore no time horizon can be defined.
8. The topic of human rights is part of the e-learning module on the code of conduct. Since this module covers many other topics, it is not possible to reliably estimate the number of training hours.
9. The documented cases relate to the Kitchen Systems division. In the near future, it will be assessed whether it makes sense to introduce this KPI in the other divisions as well. We will follow-up on the progress in the next report.

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