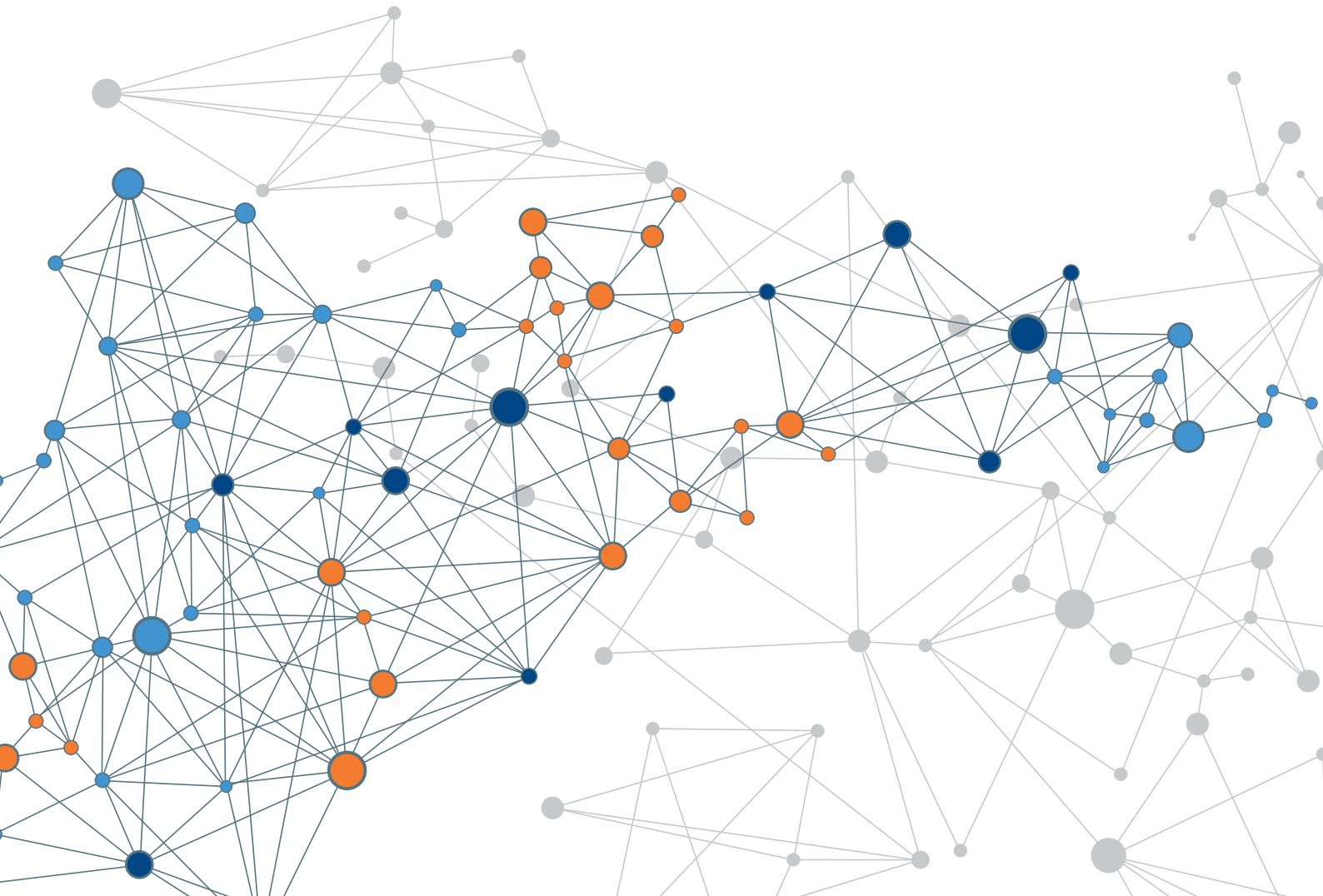


2015 SUSTAINABILITY REPORT

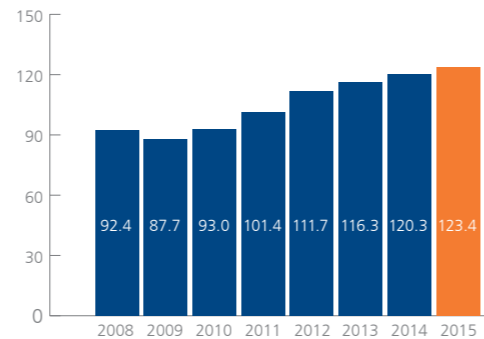
SETTING THE COURSE FOR THE FUTURE



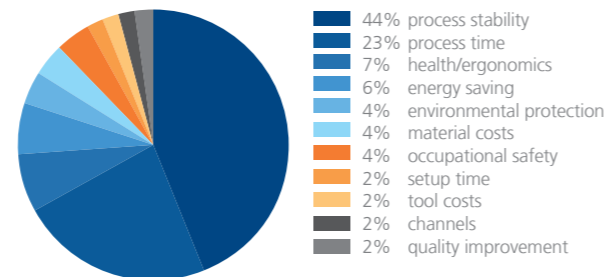
2015 SUSTAINABILITY REPORT
 THE DETAILED REPORT IS PUBLISHED ON OUR WEBSITE
www.august-faller.com



TURNOVER OF THE AUGUST FALLER GROUP IN MILLION €



IMPLEMENTED IMPROVEMENT SUGGESTIONS



Dr Daniel Keesman and
 Dr Michael Faller,
 Managing Partners of August Faller
 GmbH & Co. KG

SETTING THE COURSE FOR THE FUTURE

AUGUST FALLER GROUP 2015

In an age of rapid change and highly volatile markets, we aspire to agility based on reliability. Our corporate strategy for 2015 has again strengthened our positioning in the pharmaceutical and healthcare packaging market. Our objectives and the strategy we derive from them are setting the course for development, and creating a framework for the necessary flexibility and agility.

SAP roll-out in May 2015 is fundamental to the further development of our networking with customers and suppliers – and most importantly, to the development of our European production network. The integrated control of the European August Faller Group lets us target company-wide process digitalisation, from customers, to Faller, to suppliers.

Our actions as a European solutions provider in pharmaceutical packaging are guided by our strategy of efficiency, innovation and internationalisation. Our network of Faller competence centres gives us effective control of our product and services portfolio. Our integrated sales strategy allows us to offer a variety of product and service combinations on the pharmaceutical and healthcare markets. We focus on being as close to our customers as possible. Solutions that add value, product and process innovation, and organisational developments that are geared to problem-solving skills and self-renewal, provide the basis for surviving and thriving in a volatile and difficult market. By changing the name of the business in April 2016 to August Faller GmbH & Co. KG, we created the organisational framework for further internationalisation of the Group.

Faced with major challenges in the market, we are also targeting considered success, and are consciously following the path of sustainable development, so that we can also stay close to our employees, our business partners and our customers in an international context.

Dr Michael Faller

Dr Daniel Keesman

Presidents & Managing Partners of the August Faller Group

PRODUCTS AND SERVICES



Folding carton with NFC chip: Secondary packaging for pharmaceuticals can be provided with a simple QR code, or the already mentioned NFC technology, which creates a connection to the internet via a direct smartphone link.

The Internet of Things is also finding its way into the pharmaceutical sector. Digital and analogue processes are amalgamating: Prescriptions ordered from physicians by app, or the display of vital functions on a smartphone every day are merely some aspects of a profound change.

The so-called "digital transformation", in the sense of the long-term application of digital technology to our environment, has also had an effect on pharmaceutical packaging. In this context, the August Faller Group is developing the trend towards **digitalisation** – from direct communication with customers in production and supply chain processes, to digital product solutions.

QR codes and wireless technologies such as NFC (near field communication) allow the development of new channels of communication with patients, and help treatments to be taken and applied, as appropriate.

Serialisation: By no later than 09.02.2019, all prescription medication and some OTC products must carry a serial 2D data matrix code. There are many facets to the complexity of serialisation. With folding cartons, the interplay of the cardboard material, the coding technology being used, the individual settings of the push-button or laser, the running speeds of the packaging line and more besides, are all crucially relevant.

The legibility of the code and thus the option to authenticate and identify the product, is an important requirement for ensuring that there is no risk of tampering within the delivery chain.



Presented with the SilverPack Award: the Faller Ergo Label

ECONOMIC DEVELOPMENT

The **sales trend** at the German sites in 2015 was greatly affected by SAP roll-out, and is therefore atypical. The changeover to SAP at the start of May 2015 meant that many orders were pre-dated, and brought us four extremely strong sales months from January to April, with correspondingly weak months in May and June. The distinguishing feature of the market in general during the second half of the year was a flagging demand. The Adhesive Labels division recorded an increase in turnover of 13.7 %, and the turnover in Packaging Services rose by 22 %. The turnover of the August Faller Group in 2015 grew by 2.6 % to 123.4 million euro.

Efforts to penetrate the market in Scandinavia are now proving successful. The sales team at **August Faller A/S** has succeeded in attracting new customers. The sales trend is extremely positive in the Nordic market, with growth of 13.1 % compared to the previous year, and could go beyond the ten million mark for the first time.

In line with our strategic approach, we pressed ahead with relocating multiple order packages from Waldkirch to Łódź, because production in South Baden was no longer covering costs. The factory there specialised in the production of standard folding cartons with defined product portfolios and service standards, especially for the generic drugs sector. **August Faller Sp. z o.o.** has achieved a turnover of 7.3 million euro and thus an increase of 74.6 % compared to the previous year.

Our subsidiary **Pharma Print Design GmbH**, which since May 2016 has been trading under the name of **August Faller Artwork Solutions GmbH**, achieved an increase in turnover of 33.1 % in 2015. The workforce and the new management team have been highly committed to integrating many new staff, and turnover has reached the 2 million euro mark. The standards of quality and reliability are high: This is a requirement of continued growth, which we are stimulating by progressive integration into the sales organisation and the services network of the August Faller Group.

Trade fair highlights included successful participation at CPHI in Madrid, Pharmapack Paris and Scanpack in Gothenburg.

In 2015, the "Ergo Label" from the Schopfheim label centre received the SilverPack Award from the Meyer-Hentschel Institute.

The zone concept with LED lights also saves energy at the Binzen site.



SOCIAL

Social and societal responsibility are firmly entrenched in the **corporate policy** of the August Faller Group, as part of the sustainability concept.

Social responsibility manifests itself in job security, opportunities for staff promotion and development, occupational safety and preventive health care, equal opportunities for all employees and in maintaining the correct work/life balance.

We see our societal responsibility as a commitment to society, association activities, political lobbying and the support of charitable institutions, clubs and cultural activities at our sites.



Social commitment: Project work from the trainees at the Werksiedlung in Kandern

NEWS

Faller corporate values were a key issue again in 2015: Numerous workshops were held at all the sites, where managers and employees worked at developing a shared understanding of the values, the corporate strategy and the management guidelines.

Under the auspices of the Faller **Innovation Circle**, staff systematically developed new ideas for smart packaging. Three of the solutions initiated by the Innovation Circle in 2015 were presented at the Pharmapack Europe trade fair in Paris in February 2016.

December 2015 is the third time that the employees of the German sites have had the opportunity to acquire **employee equity participation** shares and participate in the success of August Faller KG, as silent partners. Currently 22 % of employees are involved in equity participation. Sharing in the financial success of the company through the above-average interest rate of the invested capital, is not the only aim of employee equity participation, it also targets the promotion of the corporate value of "entrepreneurial spirit", namely: "We are open to new ideas and can think outside the box. We encourage our staff to question what has been achieved, to lead the way and change things."

The keen competition in the packaging material market makes it necessary to constantly examine and develop the processes and underlying conditions, with a view to improvement. The August Faller Group has introduced **Lean Management methods**, which take effect at different levels:

- Workshops and projects aimed at process efficiency and process stability, in order to create benefit by applying lean principles,
- Improvement of the Lean Supply Chain throughout the company,
- Active involvement of the staff concerned in workshops or in ideas management,
- Spreading the idea of "Lean Thinking", with various training opportunities.



Working on values: At August Faller Sp. z o.o. in Łódź, a specifically designed jigsaw was used in a team event to provide an amusing examination of the corporate values of confidence, highest achiever, customer loyalty, entrepreneurial spirit and sustainability.

ECOLOGY

ENVIRONMENTAL FIGURES AUGUST FALLER KG

ECOLOGY	DEFINITION	2013	2014	2015	CONSUMPTION COMPARED WITH PREVIOUS YEAR IN %
Total energy per tonne of printing material PSC* folding cartons	kWh energy consumption per tonne of printing material	513	460	490	+6.3
Total energy per tonne of printing material PSC* leaflets	kWh energy consumption per tonne of printing material	620	538	554	+3.0
Total energy per tonne of printing material PSC* adhesive labels	kWh energy consumption per tonne of printing material	1,886	1,662	1,902	+14.4
CO ₂ from energy consumption per tonne of printing material PSC* folding cartons	kg CO ₂ per tonne of printing material	63	55	60	+9
CO ₂ from energy consumption per tonne of printing material PSC* leaflets	kg CO ₂ per tonne of printing material	40	30	30	+/- 0
CO ₂ from energy consumption per tonne of printing material PSC* adhesive labels	kg CO ₂ per tonne of printing material	260	207	242	+17.1
Hazardous waste PSC* folding cartons	kg of hazardous waste per tonne of printing material	1.0	0.7	0.9	+28.1
Hazardous waste PSC* leaflets	kg of hazardous waste per tonne of printing material	1.1	0.8	1.3	+47.9
Hazardous waste PSC* adhesive labels	kg of hazardous waste per tonne of printing material	5.1	3.4	3.7	+7.7
Carton board waste PSC* folding cartons	kg carton board waste per tonne of carton board	370	379	368	-2.9
Paper waste PSC* leaflets	kg paper waste per tonne of paper	179	176	182	+3.4
Adhesive material waste PSC* adhesive labels	kg adhesive material waste per tonne of adhesive material	410	381	387	+1.7

*PharmaServiceCenter

"The future of mankind in its natural surroundings and in its social and economic development depends not least on the ecological balance of the environment. So each individual is encouraged to see what they can do in this connection, and to take responsibility for the environment. As a company of the packaging industry, we acknowledge our shared responsibility for eco-friendly economic activity." The **environmental policy** of the August Faller Group is based on this, and the following principles of operation: "The protection of the environment is an important determining factor in the development, production and sale of our products, and challenges us to make continual improvements. Our aim is to develop and accomplish products that are more eco-friendly, and which cause little or no damage to the environment and to health during their production, usage and disposal."

Energy management: Despite making selective savings, all the sites have recorded an increase in energy consumption. This is due firstly to the additional buildings and machines in Waldkirch and Schopfheim, and secondly to so many extra weekend shifts for SAP roll-out. Two-year disposal is to blame for the increase in hazardous waste.

In 2015, our building services network 2015 was able to implement important items from the energy potential lists, and will continue to do so in future. We plan to extend and further specify the energy indicators to a reasonable extent. Energy efficiency will be one of the selection criteria in new investment.

The explanation of the ecological indicators is published on the website www.august-faller.com under the heading of Sustainability.

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