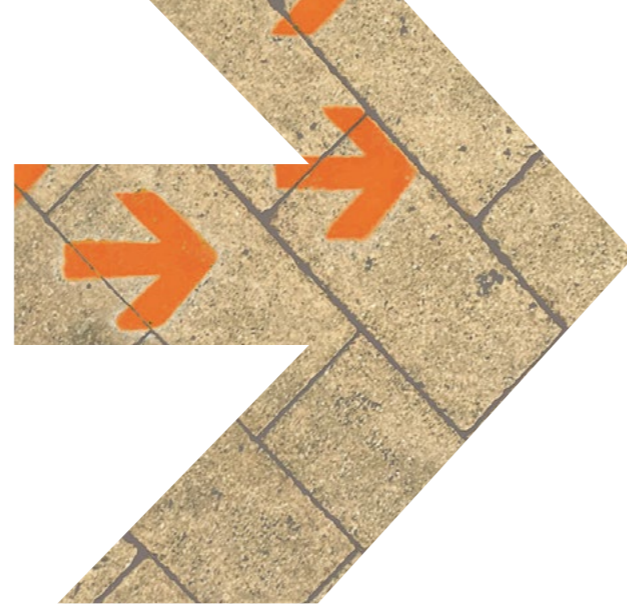


## 2016 SUSTAINABILITY REPORT

KEEP THE  
COURSE

2016 SUSTAINABILITY REPORT  
YOU WILL FIND THE FULL REPORT ON  
OUR WEBSITE  
[www.august-faller.com](http://www.august-faller.com)



# KEEP THE COURSE.

## AUGUST FALLER GROUP 2016

The August Faller Group has successfully navigated 135 years of change, experience that allowed us once again to take on projects in 2016 which strengthened our competitive position in the global pharmaceutical and healthcare market. As operations become increasingly international, we rely on being close to the customer and following a sustainable path towards the ongoing success of our Group. The shareholders have established the legal framework for our continued internationalisation by changing the legal form of the Group to a "GmbH & Co. KG". Another substantial increase of capital raised the company's equity ratio to 43.4%, placing it on solid financial footing and making it ready for a sustainable future.

The August Faller Group encompasses August Faller GmbH & Co. KG (D), August Faller A/S (DK), August Faller Sp. z o.o. (PL) and August Faller Artwork Solutions GmbH (D). The Group reported turnover of EUR 119.4 million in 2016, which was a 3% decline compared to 2015. Considering the volatile demand situation and enormous pricing pressure on the market, this still represents a satisfying financial result for the Group.

Faller offers a broad portfolio of products and services in the secondary packaging segment to meet the various demands of the pharmaceutical and healthcare industry.

We base our success on proximity to the customer, understanding of supply chain requirements, solutions tailored to the customer, product and process innovations and the consistent improvement of our organisational workflows.

We have united all of our production and service locations in the European Faller production network on the basis of shared values, processes and systems. This allows us to exploit the greatest synergies for our national and multinational customers of pharmaceuticals and healthcare packaging. With the imminent digitisation of all processes, from the customer to Faller to our suppliers, we secure our innovative and competitive capabilities for the years ahead.



*Dr Michael Faller*



*Dr Daniel Keesman*

Dr Michael Faller

Dr Daniel Keesman

Presidents & Managing Partners of the August Faller Group

# ECONOMIC DEVELOPMENT

## FOCUSED ON SUCCESS RESOLUTE.

Product innovations, production network expansion, process improvements, efficiency programmes, structural adjustments and market development were all things that we dealt with in 2016. The procurement policies of the public health insurance funds concerning generic medicines and the Act on the Reform of the Market for Medicinal Products (the *Arzneimittelmarktneuordnungsgesetz* or AMNOG) also had their impact on market trends in 2016. One of these impacts was the continuation of price competition among generic drug manufacturers and, consequently, generic drug packaging, which accounts for a considerable portion of packing production. Packaging producers' overcapacities also drove competition.

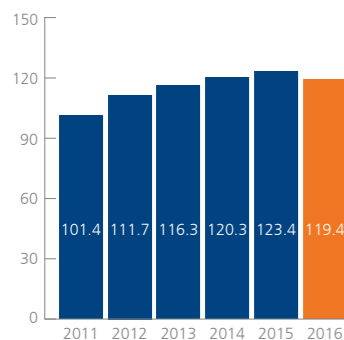
We implemented projects and measures to increase efficiency and improve quality in all areas: projects to reduce the use of materials, corrective actions and preventive actions, following the pharmaceutical CAPA principle, and lean administration workshops. This enabled us to maintain our extraordinarily high on-time delivery rate of 98.5% in 2016, a critical purchasing criterion for our customers. It also kept the customer complaint ratio down to a very good 0.55%. We find both of these to be best-in-class figures in our industry. Conscientious portfolio management again allowed the August Faller Group to increase the value added year-on-year from 69.9% to 70.6%.

The average headcount of the August Faller Group, including apprentices, came to 1,117 in 2016, 28 employees less than in the previous year; this was mostly due to fluctuation and to reducing the number of temporary workers, but the permanent lay-off of employees to improve the cost structures of the Group also played a role. On average, the market prices for the most important production materials – carton stock and paper – remained mostly stable throughout 2016. The cost of materials was reduced by 1.8% through successful material efficiency measures and a modified order mix.

The EUR 119.4 million in turnover of the August Faller Group was well supported by the subsidiaries. August Faller A/S raised turnover by 4.2% compared to the same period in the previous year. August Faller Sp. z o.o. lifted turnover by 36% and reported an excellent on-time delivery rate of 99.3% and customer complaint ratio of 0.36%. August Faller Artwork Solutions GmbH managed to increase turnover by 5.7%. The German locations of the parent company reported a 7% drop in turnover. Investments in 2016 focused on expanding the technical infrastructure for special and combination products, future serialising folding carton manufacturing, expanding capacities for multicolour packing inserts, modernising refinement processes and adding digital technology for adhesive labels. We expanded Our service offering in the area of Contract Packaging by adding a modern air conditioning system for temperature-sensitive medications.

Based on the three strategic pillars of operational excellence internationalisation and innovation, the August Faller Group is preparing itself to expand the core business and develop new products and services. This is how we strengthen our market position as a specialist in the pharmaceuticals packaging supply chain.

TURNOVER OF THE AUGUST FALLER GROUP IN MILLION €



The “**Three Pillars of Sustainability**”, Ecology, Economy and Social Engagement, help to secure the company's future through the sustainable usage of natural resources, cost effectiveness and the fair treatment of our employees. As early as 1998 when we won the Environmental Award of the German Federal State of Baden-Württemberg, the August Faller GmbH & Co. KG had implemented environmental management at all locations. In 2014 the August Faller GmbH & Co. KG signed the *Charta der Wirtschaftsinitiative Nachhaltigkeit* (WIN) of Baden-Württemberg, a charter focused on sustainable business practices.

The plants in **Waldkirch** and **Binzen** have reduced energy consumption and CO<sub>2</sub> emissions significantly compared to the years before. The 6% increase in energy consumption at the **Schopfheim** site was due to the expansion of usable space. In July 2016 there were also added three more machines which, although they were only gradually put into operation, were already subject to test runs and therefore, were using power in standby modus. At the same time, only shortly before Christmas 2016 two machines, which had been running at full capacity were phased out of the production process.

Building services and administration account for 60% of energy consumption and both are unrelated to production volumes. Since the output quantities of each PharmaServiceCenter were temporarily low during 2016, the KPIs related to energy consumption and CO<sub>2</sub> per tonne of printing material increased in comparison to the previous year. We fell short of our goal of reducing energy consumption per tonne of printing material by 5% in 2016, so we have kept it on the agenda for 2017. **Łódź** reported an increase in energy and gas consumption due to a 7% increase in material volume production. The proportionally higher output volume lowered energy consumption and CO<sub>2</sub> emissions per tonne of printed material. Energy consumption in **Hvidovre** shrank by 17% in 2016.

Waste quantities improved somewhat in absolute terms but in fact worsened because of the lower material volumes. We will keep the course!

## ENVIRONMENTAL FIGURES AUGUST FALLER GMBH & CO. KG

ECOLOGY	DEFINITION	2014	2015	2016	CONSUMPTION COMPARED WITH PREVIOUS YEAR
					IN %
Total energy per tonne of printing material	kWh of energy per tonne of printing material				
PSC* folding cartons Waldkirch		460	490	525	+7
PSC* leaflets Binzen		538	554	636	+15
PSC* adhesive labels Schopfheim		1,662	1,902	2,012	+6
August Faller A/S Hvidovre		974	774	873	+13
August Faller Sp. z o.o. Łódź		431	415	363	-13
CO <sub>2</sub> from energy consumption per tonne of printing material	kg of CO <sub>2</sub> per tonne of printing material				
PSC* folding cartons		55	60	70	+17
PSC* leaflets		30	30	39	+30
PSC* adhesive labels		207	242	252	+4
August Faller A/S		444	358	384	+7
August Faller Sp. z o.o.		199	213	187	-12
Hazardous waste**	kg of hazardous waste per tonne of printing material				
PSC* folding cartons		0.7	0.9	0.9	0
PSC* leaflets		0.8	1.3	1.1	-15
PSC* adhesive labels		3.4	3.7	6.7	+81**
August Faller A/S		4	n/a	1.1	n/a
August Faller Łódź		1.1	0.5	0.1	-80
Carton waste	kg of carton board waste per tonne of carton board				
PSC* folding cartons		379	368	368	0
August Faller A/S		424	443	506	+14
August Faller Sp. z o.o.		347	333	355	+7
Paper waste	kg of paper waste per tonne of paper				
PSC* leaflets		176	182	205	+13
Adhesive material waste	kg of adhesive material waste per tonne of adhesive material				
PSC* adhesive labels		381	387	300	-22

\*PharmaServiceCenter

\*\* Hazardous waste:

The volumes of hazardous waste vary due to the two-year pick-up cycle determined by when the containers are full and picked up. Compared to 2015, the 2016 figures were therefore nearly twice as high in Schopfheim, equal in Waldkirch and slightly lower in Binzen. The plant in Łódź managed to reduce hazardous waste to a minimum of 0.1 kg/tonne of printing material.

# ECOLOGY



# SOCIAL & NEWS

## Individualised and personalised packaging

The competence centres in the Faller production network create packaging solutions designed for the future needs of pharmaceuticals and healthcare manufacturers: custom-fit product and process solutions both for the requirements of large batches of medications for widespread diseases (such as diabetes and circulatory complaints) and for the growing demand for individual solutions with correspondingly smaller batch sizes. Individualised packaging is needed for drugs that treat rare diseases (orphan drugs) and the companion diagnostics products used in tandem with drug testing. The August Faller Group offers the special packaging and individual services needed for these purposes worldwide. In addition to standard packaging, Faller produces a multitude of special constructions for clinical studies and orphan drugs, such as inner compartments to protect drugs from breakage, labels to document patient files and wallets for tablets and capsules.

Compliance-enhancing packaging solutions are ideally suited to meet the current communication needs of industry, physicians and patients. These include, for example, printed QR codes readable by smartphone and adhesive NFC chips containing videos of personalised patient information playable by automated internet connection. Another product of increasing importance for patients is portable cards deployed as part of drug packaging, such as patient alert cards, medical alert cards, organ donor cards and implant identification. Compliance enhancement, digitisation and expanding packaging to include features like patient alert cards ensure the more long-term effectiveness of medications, promote health and remove some of the burden from the healthcare system.



Faller Pharma Compliance Pack

## Pharma Compliance Pack – the correct dosage at the right time

The Pharma Compliance Pack, a product developed by Faller, guides patients easily and visibly through their medication. Perforated tabs which are separated before use, allow the blisters to be removed from the packaging one “portion” at a time. This helps patients take their medication at the right time, in the correct order and in the prescribed dosage, by which the folding carton helps to ensure that patients adhere to their therapy. At the same time, the innovative drug packaging features a special closure to ensure reliable authenticity protection, suitable for a broad range of blister designs, materials and dosage formats, such as regular pills, capsules and sugar-coated pills.

The Faller Pharma Compliance Pack won both the 2016 World Star Award and the 2016 German Packaging Award. In early 2017 it also won the renowned Pharmapack Europe Award.

## Introduction of workplace health management (WHM)

The principles of WHM were worked out in 2016. The responsible management committee and the works councils consensually developed a structure for the integrated bundling of measures for promoting health and personal development. The goal is to facilitate a culture where people interact in a manner in which they appreciate and respect each other and focus on results in equal measure.

A moderation method known as sounding board has been used successfully at the PharmaServiceCenter Waldkirch since 2015. It is a structured approach in which employees from various departments share their thoughts on the topics that concern them in a structured and constructive manner. Management's objective is to use the sounding board to integrate the needs of the staff adequately into site development.

## Employee shareholding

The programme is being continued successfully. The participation ratio rose slightly from 22% in 2015 to 23.5% a year later.

The **social standards** were observed in the supply chain of the August Faller Group. The Group procures 100% of its materials and services from providers in industrialised nations, 98% of which are domiciled in Europe. All of these suppliers publish a code of conduct on their company websites, which adheres to these social standards.

## Awards in 2016

The newly developed Faller Compliance Pack has received three different awards. In 2016 it received the German Packaging Award and the World Star Award, then was granted the Pharmapack Award in 2017. In May 2016, the Faller Hanger Info Label took the limelight at the World Star Awards.

The Minister President and Minister of the Environment of Baden-Württemberg, Winfried Kretschmann and Franz Untersteller, named the August Faller GmbH & Co. KG one of the **“100 Best Businesses for Resource Efficiency”**. This recognition was due to the development of the Anicolor printing technology for use by packaging manufacturers. The marketing video created by Faller apprentices for the **TwoGo car sharing service** was recognised on 4th July 2016 by a jury in the Baden-Württemberg Ministry of the Environment in Stuttgart.

## New Methods in Großbeeren – Contract Packaging

We launched a new business venture in 2016: a customer outsourced its entire contract packaging business and delivery to August Feller. The customer's goods are stored at Faller and the customer informs Faller of upcoming delivery needs using a shared software tool. The goods are made to order and delivered to the end customer directly from the plant in Großbeeren.

## Lean Management

Last year 20 employees were certified as Lean Trainers internally at the plants in Binzen, Großbeeren and Waldkirch. The focus of such training is to tackle issues holistically. The concept has proven to be so effective that we will “keep the course” with more in-depth seminars and additional training in Schopfheim.

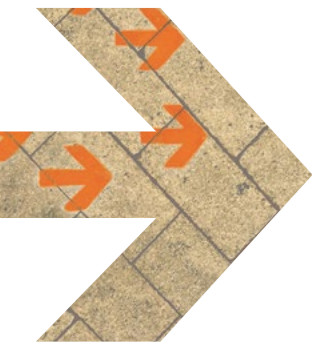


Perfect teamwork in Binzen: installation of the 8-colour-printer



The World Star team in Schopfheim

# PRODUCTS & SERVICES



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