

BECOMING BETTER

2011 SUSTAINABILITY REPORT



CONTENTS

FALLER 2011

Foreword 04

PRODUCTS AND SERVICES

Printable Data Store 06

Serial Coding 06

Product Specification 08

Development Service 08

ECONOMY

Market 10

Economical Operations 11

Investment 13

Earnings and Equity 13

Profit-sharing 13

Working for Faller 14

Economic Indicators 15

ECOLOGY

Energy Efficiency Workshop 16

Materials Efficiency 16

Savings 17

2011 Sustainability Report

CO²-compensated 17

Alcohol-free Print 18

Workplace Accidents 2011 18

Environmental Indicators 18

SOCIAL AFFAIRS

Talking about Health 20

Supporting Perception 20

Fostering Career Paths 21

Training and Initiatives 22

Social Indicators 22

LATEST NEWS

Process Improvements 23

“We deliver quality” Project 23

Cross-border Solutions 23

Strong Values 25

FSC-certified Cardboard

for Natural Cosmetics 25

In Dialogue 25

Delivering Better Health 25

FALLER 2011

After an encouraging year in 2010 with a marked climb in sales, we grew again in 2011, and finished the year by topping the 100 million sales mark. This is another sales record despite a challenging market where pressure on pricing continues to be high, and consolidation and major upheavals abound.

Pharmaceutical packaging needs reliable suppliers with high standards of quality, strong adherence to delivery deadlines and flexibility, a major focus on service, and innovative strengths. Faller faced up to these challenges and won. Our customers have taken note of this and are recognising our achievements.

In 2011 Faller grew by 7.5% and once again achieved a sales record that relies purely on organic growth. As the pharmaceutical market in Germany has only shown weak growth of 2%, and is actually stagnating across Europe as a whole, we anticipate that we can further stabilise and increase our market shares. Following on from 2010, the 2011 year was the second year to show above-average growth. This success depends above all on our consistent focus on our clients' purchasing criteria. This enabled us to further improve our quality standards, increase our adherence to delivery deadlines, increase our productivity and improve cost discipline. This can only be achieved if every employee puts maximum effort into the job. High employee commitment, our flexibility and remarkably good co-operation between all areas are crucial if we want to make improvements across a

broad front. That is why the theme of our sustainability report for this year is „Becoming better together“. And we have become better in many ways. Our sales department achieved an above-average performance in the market, defied rising price pressure, consolidated relationships through concentrated customer service and made the most of our potential.

Internally we also continued our systematic pursuit of operational excellence. The introduction of our „Ideefix“ ideas management system resulted in many suggestions for improvements from employees who are actively working on developing productivity, quality, safety and environmental protection. Our materials efficiency project secured a marked decrease in waste volume. This is where economic and ecologic improvements come together, achieving both a reduction of material costs and at the same time a reduction in material consumption and thus conservation of wood as raw material.

In this sustainability report we have reworked the basis for our key indicators and adjusted it to our new production structure, with competence centres for cartons/combination products, leaflets, labels and packaging services, which we introduced in 2009 with the „Creating the Future“ project. Previous key indicator history is affected by this, since 2010 now constitutes the first and only reference year.

Our profits, like many key indicators, have once again improved compared with 2010. Employees are also profiting from this, with dividends through the voluntary profit-sharing scheme almost doubling. Hence our social and corporate responsibility remains a focus of our efforts for healthy, sustainable operations. In turn, shareholders increased the capital equity, which raised our economic equity ratio to the present 48.7%.



Faller has thus established a secure basis for all future challenges in the field of pharmaceutical packaging. Despite major challenges in the market as well as from competition, we will continue to travel the route to sustainable business development.

Dr. Michael Faller

Dr. Daniel Keesman

PRODUCTS AND SERVICES

PRINTABLE DATA STORE

At Faller we are investing in the future with innovation and new technology to protect jobs and secure the long-term success of our business. We are also investing in our Printable Data Store which is unique anywhere in the world.

The Printable Data Store consists of storage labels to store data that can be accessed by the user. There are four types of application that can be achieved with the Printable Data Store.

- Authentication/testing of genuineness and security
- Identification and serialisation
- Communication and interaction
- Data storage functionalities

A variety of information can be stored. Batch numbers or alternating codes with unlimited encryption to clearly identify the original. The individualised product units are readable locally. In addition, different information can be provided in a targeted fashion to different recipients on one and the same data storage. For example, extensive additional data, an MP3 file to listen to, or a film with instructions on use. Connection to external servers or the internet is not necessary, but of course it is also an option.

The benefits for the customer:

- Better use of production capacities, simpler logistics: Individualisation of packaging just before delivery (late stage customisation).
- Statutory requirements, e.g. of the EU: Fulfilment of requirements for secure identification and authentication of products
- High level of security in the local supply chain: Checking of safety-critical data directly on the production line
- Problem-free multilingualism: Storage e.g. of all information in different languages as a document directly on the Printable Data Store.
- The latest functions for discerning consumers: Informative apps directly on the packaging.

SERIAL CODING

As well as the serialisation of packaging using adhesive labels, as of right now Faller offers serial coding by means of the direct printing of folding cartons.

Just-in-time delivery through Faller's supply chain services and also the resulting possibility of reducing customer stock serve to improve sustainability in numerous ways. Bar codes, serial or randomised alphanumeric sequences or 2-D data matrix codes. Faller gives the folding cartons the serialisation desired using an inkjet process. Naturally, readability requirements for codes (grading) are fulfilled. The verification is carried out by a camera system. The system checks not only the correctness of the printed information, but also its quality.



PRODUCT SPECIFICATION

Securing the longer-term, sustainable success of the company and the jobs of our employees is supported inter alia with the help of a project known as „product specification“. Thanks to the structure and organisation of our diverse product program we can make processes more efficient, manage materials more sustainably and adapt the range of our products even better to market requirements.

In product specification S, A and I have key roles. S stands for Standard product: there are no restrictions to knowledge, capacity or resources in their manufacture. Rapid delivery, competitive prices and the highest quality are included. A stands for Advanced product – can be manufactured at any time in principle, but subject to the limits described above in one or more product components. I stands for Individual products. These are initially developed together with the customer and hence call for prior agreement. But I can also be equated with Innovation, since we try every day to fulfil the needs and requirements of our customers with clever solutions and helpful services. The pharmaceutical quality of products that are consistently GMP-compliant and the greatest adherence to delivery dates are a matter of course for all products.

A result of this project is the new outsert configurator, which enables the quick and simple configuration of standardised but nevertheless customer-specific outserts.

DEVELOPMENT SERVICE

Our Development Department is staffed by engineers experienced in packaging and packing technology who create packaging solutions for the pharmaceutical industry that are customer-oriented and sustainable. Our business has expert staff for every product – folding cartons, leaflets, adhesive labels and combination products. The advantage for the customer: Special requirements can feed seamlessly into the development of an individual tailor-made packaging solution, creating efficient and economically sustainable solutions.

After completion the manufacture of the product can also be executed with a different partner, if the customer so wishes. Our experts provide all the support needed for a pharmaceutical packaging project from the initial idea to the final implementation. Faller is there to provide the customer with know-how for the duration of the development process. It does not matter whether it is producing samples at short notice or concerted project management with technical consulting.

The goal of our development team is always to achieve the client's requirements for secondary packaging with an efficient use of resources in a tailor-made design. A challenging task for our developers – helping to shape the pharmaceutical packaging of the future innovatively and sustainably.

Our range of services for developing sustainable packaging covers the following areas:

- Compliance and Convenience:
User-friendly packaging with elements that support the taking of medication
- Patient Communication:
Cleverly constructed packaging which help the pharmacists to communicate directly with their patients
- Tamper-evidence:
Visible counterfeit features for which the tamper-evidence is clearly recognisable
- Transport- and break-proof Packaging:
Packaging for almost all liquid and semi-solid dosage forms
- Clinical Trials:
Demanding and complex packaging solutions, depending on type and form of application as well as duration of trial
- Specials:
Special products which are customised for their very specific purpose



ECONOMY

Faller is one of the market leaders in German-speaking regions, and offers solutions to all issues relating to pharmaceutical packaging, printed folding cartons, leaflets and adhesive labels, with a comprehensive pharmaceutical-specific quality assurance system. Building on this, we have also delivered pharmaceutical services in the field of packaging.

There is no margin for error in „good manufacturing practice“ for pharmaceutical products. We see our contribution as supplying our customers with secure pharmaceutical packaging that effectively enhances convenience (patient- and user-friendly) as well as compliance (secure medication) for a society that places its faith in the secure supply of medication that is available at all times.

MARKET

In 2011 the pharmaceutical market has come under increasing pressure and has been characterised by major upheavals. This can be seen for example in newspaper headlines, with their growing number of reports of reduced profits, staff reductions and recall schemes. The reduction in health and pharmaceuticals costs demanded by governments, the public and the media leads to increased pressure on the pharmaceutical industry for efficiency and cost reduction. The pharmaceutical market is experiencing profound change. The shift of production capacities to high-growth future markets of the BRIC countries (i.e. Brazil, Russia, India and China) can be clearly seen; likewise structural alterations in companies manufacturing pharmaceuticals due to expiring patents, a declining number of new applications or

increasing number of drug recalls due to more stringent application of FDA and EMA guidelines. Some are seeking the solution in a greater diversification of the product palette by acquisitions, others in greater niche specialisation. It is clear that the classical model of the blockbuster (products with sales of more than a billion dollars) is on the way out, and that the vast amounts of research for new medicines will have to be secured by new strategies.

Viewed realistically, the pharmaceutical markets in North America, Japan and Europe are stagnating. The growth in German pharmacy and hospital sales – our main sales market – has dropped to 2%, while countries like France, Italy and Spain are not showing any positive trends and are in fact shrinking somewhat. Faller was able to gain ground in this difficult environment, growing in 2011 by 7.5%. We believe that we have further consolidated our market position and increased our share of the market (source: IMS Health).

For the first time in the history of the company our sales in 2011 exceeded the sales threshold of 100 million Euro. This purely organic growth is a great success for our motivated and ambi-

tious sales team and the high degree of commitment from our entire staff. All sales and market targets in the individual markets were equalled or exceeded. Double-digit percentage sales growth were achieved both in leaflets and labels, while folding cartons and combination products achieved single figures. These growth figures are the result of volume growth and improved prices in those areas where we were able to demonstrate a competitive advantage. They signal a success for the consistent pursuit of our new market development strategy. This excellent distribution work was supported by marketing activities like our successful participation as exhibitors at Interpack 2011.

Sales development in 2011 was marked from the beginning by high, if strongly fluctuating, order volumes and a good utilisation of production capacities. The lead-up is traditionally not very high, with small order quantities and short delivery times characterising demand. The heightened market fluctuations require great flexibility and good, smooth co-operation between the individual departments of the company in order to do justice to customer wishes in relation to quality and dependability. Strong adherence to delivery dates and an improved standard of quality as the decisive purchasing criteria helped to stabilise relationships with customers. Our Sales Department won new customers and extra volume for Faller. Customer potential was tapped to a significant extent through our new market development strategies.

Price pressure from our customers continues unabated. Bulk inquiries in particular – so-called tenders – at a German or European level are hotly contested objects due to the enormous volume requirements in a packaging market characterised by excess capacity, and as a rule result in a strong decline in price. On the one hand, packaging manufacturers from other sectors are surging into the pharmaceuticals packaging market, and on the other ever more Eastern European businesses with their low wage and salary structure are offering their products. Since cost reduction remains a strong focus for our customers, the awarding of contracts to these low-wage countries is becoming more and more likely, even if quality, dependability and service are not (yet) at our level.

The considerable increases in the price of materials that we had to deal with in 2010 have come to a standstill since mid-2011 due to the flagging global economy. The materials prices for our

main raw materials cardboard and paper have remained largely stable, and availability has once more returned to a normal level, the suppliers' markets have once more calmed.

Nevertheless, in 2011 we addressed materials efficiency concisely and were able to make marked reductions in the rate of waste material through format simplification and process improvements. We see this method of avoiding wastefulness as a decisive factor in reducing our costs and thus meeting the challenge of our customers' price pressure. Operational excellence has been the goal of our business strategy and remains the focus of our activities aimed at getting better.

The European pharmaceuticals packaging market underwent considerable change in 2011. The consolidation of the packaging branch is once again gaining momentum. Various acquisitions in Germany, Switzerland, Belgium, France, Sweden and other countries are seeing the emergency of entities that are further affecting the smaller and medium-sized businesses. The result is usually nervous market players, increasing sales interest with inflated conceptions about company values, emotional conduct of negotiations and lack of transparency in decision-making.

ECONOMICAL OPERATIONS

Production volumes and adherence to delivery deadlines

We increased our production volumes in all packaging sectors in 2011. The strongest growth in volumes were achieved in labels and leaflets in the high single figure range, but we also grew markedly in the folding carton segment. The order volumes to be processed in the individual product groups were subject to strong fluctuation in demands, particularly in the first half of the year. This is where meeting our customers' high expectations of reliability and adherence to delivery deadlines really matters. The planning and management of our production based on the lean management principles of timing, pull and flow ensures that we can produce even large monthly volumes in widely differing forms just in time. However, in particular segments the planned volumes were in part surpassed by up to 30%. Despite a high level of commitment and great flexibility on the part of staff, in particular in the packet insert area – including some Saturday and Sunday work – we couldn't quite achieve our target of 98% adherence to delivery deadlines. All other packaging segments

surpassed that figure, meaning that we once more improved our adherence to delivery deadlines, with an overall figure of 97.7%. This forms the basis of our efforts to further improve our rate.

Quality

We also improved once again in relation to quality, our customers' second important purchase criterion. With a complaints rate of 0.6% for completed orders we have achieved a very high standard of quality. We have made it our goal to further differentiate this figure in order to increase the transparency of claims causes and to introduce targeted measures for the further improvement of our standard of quality. We will report on the results next year.

Costs

Alongside quality and adherence to delivery deadlines, attractive prices are currently the crucial purchase criterion in order to satisfy the central demand of our customers for a reasonably priced supply of packaging. The ongoing improvement towards business efficiency – to operational excellence – is an essential component of our corporate strategy. Costs must always be adjusted quickly even when customer demand fluctuates; fixed costs must be kept at a low level, set-up times must be optimised, subsidies reduced and quick flow-through times guaranteed. The restructuring of our production centres into the competence centres of folding carton/composition products, leaflets, labels and packaging services has continued to prove its advantages and superiority in its second year in relation to clear accountability areas, high process transparency and thus targeted exploitation of cost-cutting potential. In 2011 we focussed on the two most important cost factors – materials and staff – and were able to achieve clear cost savings by means of a project initiated in order to improve material efficiency and also consistent further development of the lean management culture for increased productivity in the individual PSCs.

Materials efficiency

In the folding cartons and leaflets PSCs the materials efficiency project resulted in double digit percentage reductions in rejects through various format-specific measures, and in single-digit figures range in labels. The total materials input was kept close to constant for folding cartons and leaflets despite increased production volumes in the high single digit percentage range,

as reported above. We still see potential for improvement here for 2012, and are working towards this.

Value added ratio

The value added ratio dropped slightly to 65.5%, which returns it to the level of the 2008/2009 years and puts it at a high level compared with the industry norm. The markets for our most important raw materials such as cardboard, paper and label materials were relatively stable in 2011 in respect of prices and security of supply.

Process improvement and idea management

Our lean management team now includes three staff who are exclusively dedicated to the improvement of our production and administration processes. We held over 85 workshops during 2011 which identified savings potentials of almost seven-digit figures in Euros. This must now be implemented by management by applying the measures proposed in the workshops. Every employee has the opportunity to be actively engaged in the workshops, for which they are released from their normal duties.

The introduction of our idea management system, „Ideefix“, also led to a batch of improvement suggestions that will now be processed as promptly as possible. Through our ideas management we have implemented a lean management culture based on „horizontal alignment“ and with a large number of ideas coordinators in the areas concerned. In this way many of the central themes will be solved directly on site in future by means of lean management. Every recognised and implemented idea results in a reward for the department in which the employee works and for the participation of the idea-submitter in an annual draw of attractive prizes. By the end of 2011, 292 ideas had been submitted, of those 40 had been rejected by the end of December because they did not fit the criteria, and 170 had been implemented.

Growth and productivity

Thanks to productivity improvements, the number of employees only rose slightly by 1.2%, while our sales rose by 7.5% and production volumes for the individual packaging elements by between 5 and 10%. However, it was also by means of improved cost discipline in all areas, in particular the adjustment of staffing costs based on capacity fluctuations through reductions in time

accounts or use of leave, as well a reduction in temporary work that we improved our personnel-cost ratio – a significant contribution to job security.

Our PharmaServiceCenter in Großbeeren for pharmaceutical services in the packaging area recorded a positive trend for a third year running. Our focus now lies on so-called „business process outsourcing“, where customers' entire packing processes are outsourced and processed by us.

INVESTING

In 2011 we invested in the renewal of our production plants. With a total investment of EUR 4.6 million we invested in the new Anicolor print technology, two punching machines and also a new CIP platesetter in the folding carton area, and, in the leaflet area, in the automation of further processing and modernisation of outsert production. An additional Flytec plant for 100% final check of adhesive labels as well as a new label plant in the packing area rounded off the investment program. At 4.6% the investment ratio was at a level somewhat lower than average, as more major investments are due in 2012 through the planned expansion of label production in Schopfheim.

PROFITS AND EQUITY CAPITAL

The earnings situation of our company improved compared with 2010 and is at a good level. The shareholders once again decided on an increase in equity capital, increasing the ratio of operating equity capital by 3.4% to 48.7%. Hence we were able, in turn, to improve the capital basis of the company.

PROFIT SHARING

Since it had not been possible to agree on profit sharing with the bargaining committee in the in-house wage agreement valid since 10 November 2009, the management presented an entirely voluntary model to the staff and introduced it in 2010. This is because our employees should participate in the success of the business. Our aim is to make it clear to our employees that high productivity and flexible work, in other words efficient production processes, pay off for everyone in hard cash. This requires high quality and reliability for our customers, who pay all of us in the end.

Profit sharing is progressively structured so that employees also profit beyond expectations from positive business trends. Thanks to the profit achieved in 2010, despite the concessions made in the in-house wage agreement it is once again possible to distribute a dividend to staff.

Middle and senior management receive annual bonuses that are likewise based on the success of the business, but also reflect the personal achievement of individual managers' goals. Business, department and division goals, supplemented by personal goals, are agreed annually and pursued and followed up by the bonus system.

WORKING FOR FALLER

Values, management principles and guidelines

Faller combines traditional values such as reliability and partnerships based on trust with expert knowledge, quality and a consistent forward-looking approach. We stand for customer-oriented innovation and sustainability. In the systematic improvement of customer satisfaction and our performance, management and staff are guided by the corporate values that are the foundation and guiding principle for all decisions made in the company.

- Customer focus and entrepreneurship
- Performance orientation and cooperation
- Sustainability and personal responsibility
- Trust and credibility

The management principles and guidelines are available to all staff on the intranet. In addition to the guidelines, all managers have received a management compass that contains detailed documents on management and personal matters such as selection of applicants, training etc. Under the heading Latest News you will find information on the internal communication of the company's values.

The sick leave situation (sick leave/target work days in %) remained almost unchanged from 2010 from 93.9% compared with 94%. With the introduction of return-to-work interviews in Binzen (PSC Leaflets) we have achieved some success on our way to improving this indicator as well. We hope to be able to transfer some of our findings to the other PSCs.

Our statistics on accidents at work are not looking as successful. After a positive trend we experienced a setback in 2011. The ratio increased from 17 to 25 accidents per 1,000 employees. We have thoroughly analysed all accidents, but could not ascertain any clusters in types of accident, area or other connections. Most of the accidents can be traced to inattention of those involved.

The existing form of employee survey is currently under examination. Although it offered the advantage of an individual survey geared to Faller, its use as a communication tool was not in proportion to the expense involved in carrying it out and evaluating the results. We intend to redefine the future role of this tool in the course of developing our personnel strategy. We plan to carry out an employee survey in the new form in autumn 2012.

Expenditure for continuing education activities was increased slightly from 0.7% to 0.9% of personnel expenses. The information value of this indicator is limited, however, in view of the far more important effectiveness of further education. What is particularly important to us is the transfer of training contents into everyday professional life, which we intend to support through feedback discussions with managers and evaluations of the seminars in transfer sheets.

At 43 trainees, the ratio has further dropped from 5.6% in 2010 to 5.1%, one reason being that the information technology workplace experience capacity planned for 2011. We have been fostering learning partnerships with schools in the region continuously since 2006. We are now experiencing a positive effect on the numbers of applicants and the qualification of applicants for our training positions. Public awareness of our business on the part of school students is high and our positioning as a vocational training business is good. However, we must undertake more concerted recruitment for the position of packaging technologist in order to awaken the interest of young people in this skilled but largely unknown occupation, and to convey its favourable employment prospects.

ECONOMIC INDICATORS

	2011	2010	2009	2008	2007	2006
Turnover (in EUR million)	100,0	93,0	87,4	92,4	87,0	77,0
Investments in EUR million	4,6	6,6	3,3	7,8	12,4	3,8
Investment ratio (in %)	4,6	7,1	3,8	8,4	14,3	4,9
Operating capital equity ratio in %	48,7	45,3	38,7	36,8	35,8	33,5
Proportion of added value in %	65,5	66,3	65,7	65,9	66,7	67,3



Großbeeren PharmaServiceCenter: Factory floor with vertical cartoner

ECOLOGY

Getting better is a demanding goal, one that we are pursuing with sustained commitment to positive changes in our working environment. Whether it is our energy supply from ecologically generated power or our energy management. Our employees are also initiating ecologically effective projects. And that makes us especially proud.

ENERGY EFFICIENCY WORKSHOP

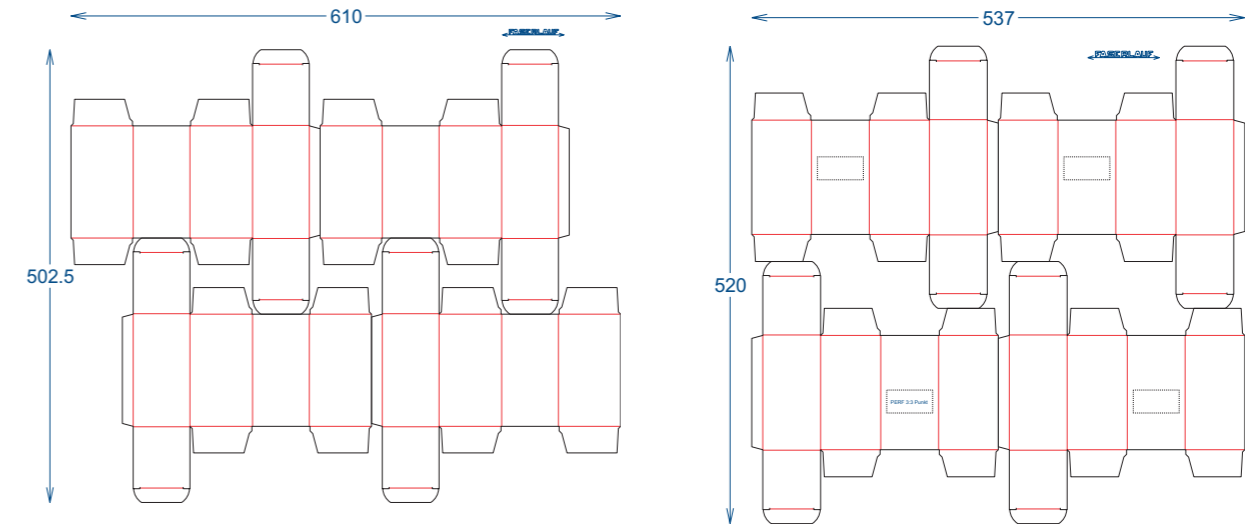
Faller is one of 14 businesses that are involved in the IHK Freiburg Südlicher Oberrhein, Freiburg, energy efficiency workshop. Energy costs will continue to rise over the coming years, while considerable potential for energy savings in businesses exists that is in part unknown or unrecognised. In order to record this potential systematically, Faller is taking part in the "Energy Efficiency Workshop" project. By means of an inventory of the status quo for relevant users, savings possibilities are recorded and evaluated that can then be implemented with the least possible effort as a first step.

As a second step further potential energy savings will be tapped through a systematic consideration of the use of energy. Initial plant inspections took place in the PharmaServiceCenter Leaflets in September 2011 and revealed a variety of savings options. Faller intends to extend this process to additional sites and to establish a structured energy management system.

MATERIALS EFFICIENCY

Traditionally, pharmaceutical packaging orders are characterised by small batches of many sizes. The quick and flexible production of these orders can only be achieved by the use of standard cardboard sheet formats. However, every standard sheet format involves a certain border or offcut, since the punching contour as a rule does not fill out the whole sheet. In order to keep these offcuts as minimal as possible and therefore to conserve resources, the specialist departments in printing, contract services and purchasing have found two very successful solutions.

FIGURE 1: CARDBOARD WASTE REDUCTION BY CHANGES TO PANEL USAGE



Starting point: 4 panels to 0.324m²

Optimisation: 4 panels to 0,296 m² = 10% savings

In the project aimed at increasing materials efficiency, the specialists together with the packaging technologists are reviewing the division of panels. By minimal alterations of the punching contours a better utilisation of the printed sheets or print webs can be achieved. Figure 1 illustrates an example in which by a minor change in the division of panels 10% of cardboard waste is avoided.

The role of purchasing lies in the analysis of the standard formats used: By monitoring and adapting the standard format specifications where there are changes in the order volume, considerable savings have been achieved in cardboard waste during folding carton production and in paper waste during the printing of packet inserts. Figure 2 (page 18) shows the reduction in the folding carton area.

In total the relative cardboard and paper waste per tonne was reduced by 11.2% and 20.3% respectively. A great success for ecology and economy.

SAVINGS

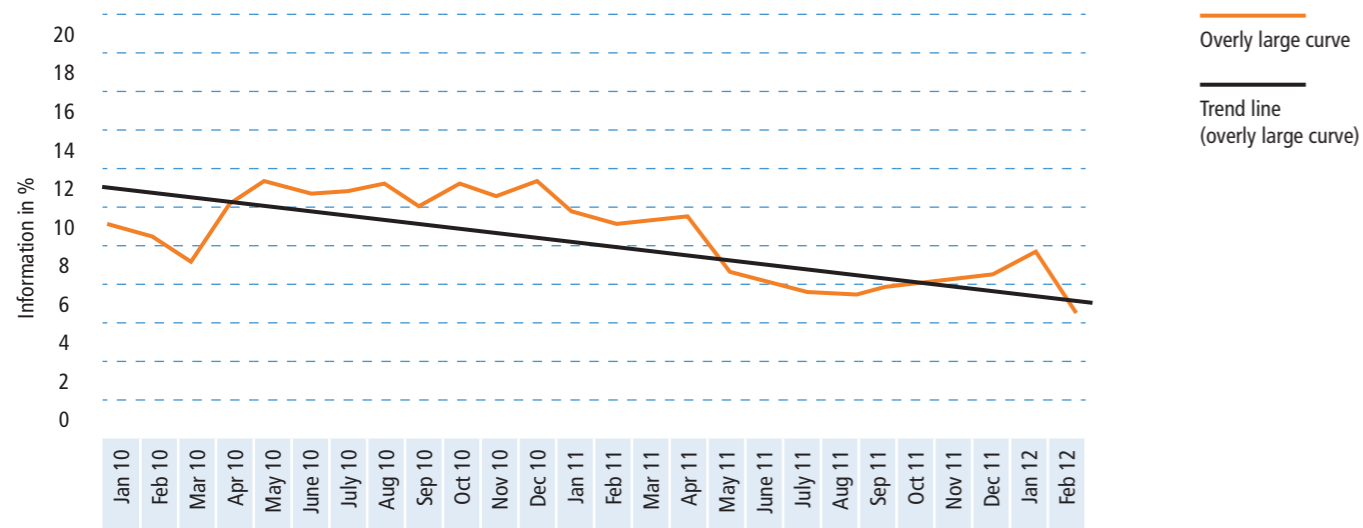
In the production of printing plates the production of twice the area was made possible by technical changes, from 4.000 m² to 8.000 m²! This means only half as much developer is required.

2011 SUSTAINABILITY REPORT CO²-COMPENSATED

The reprints of our brochures have been printed on FSC- or PEFC-certified paper since 2011. In the production of the 2010 sustainability report with a print run of 4,300 copies greenhouse gas emissions in the amount of 1.2 tonnes of CO²-equivalents were generated, which we compensated via First Climate CO²: These emissions were balanced by emissions savings from the wind-energy climate change project in Yundtag in Turkey certified according to the gold standard, and the corresponding emission reduction certificates were discontinued.



FIGURE 2: FALLING WASTE COMPONENT THROUGH ADJUSTED CARDBOARD SHEET SIZES IN PSC FOLDING CARTONS



ALCOHOL-FREE PRINTING

Alcohol as a drink is naturally banned in the workplace, but as an additive to the dampening solution it is still used in many printing works. Not so at Faller. In 2011 in the folding cartons PSC the print manager Jürgen Herr and the manager of the printing service Matthias Schmieder instigated the switch to IPA-free printing of folding cartons on their own initiative. This is significant because IPA additives can under some circumstances slightly irritate the airways and thus affect employees' health. An additional consequence is that alcohol-free printing also reduces costs. Currently only the SM 52 Anicolor requires the use of a two-percent alcohol component in the dampening solution, because this is still needed for technical reasons. All other machines in Waldkirch have been operated since October 2011 exclusively using the newly developed dampening additives and therefore without alcohol. All employees in the print area actively supported the transition to alcohol-free printing and thus jointly rendered the printing process friendlier to the environment and employees' health.

WORK ACCIDENTS 2011

In 2011 we registered a total of 27 notifiable accidents. All accidents were analysed as a matter of practice. Despite the clear increase compared to 2010 (14 notifiable accidents) we could not ascertain any significant clusters, connections or striking features that we might be able to prevent through mechanical engineering safety precautions or more intensive training measures.

ENVIRONMENTAL INDICATORS

Due to the reorganisation of our Pharma Service Center in the 2009 year it became necessary to restructure our indicators. Since 2010 the indicators for the production of folding cartons and combination products in Waldkirch, for leaflets in Binzen and Großbeeren, and of labels in Schopfheim have been recorded separately and thus provide more meaningful results about environmental protection in the production process.

ENVIRONMENTAL INDICATORS

Ecology	Definition	2011	2010	Use year-over-year in %
Energy per tonne of printing substrate PSC* folding cartons	kWh energy consumption per tonneprinting substrate	565	553	2,2
Energy per tonne of printing substrate PSC* leaflets	kWh energy consumption per tonneprinting substrate	684	677	1,0
Energy per tonne of printing substrate PSC* adhesive labels	kWh energy consumption per tonneprinting substrate	1.698	1.868	-9,1
CO ₂ from energy consumption per tonne printing substrate PSC* folding cartons	kg CO ₂ per tonne printing substrate	92	101	-8,6
CO ₂ from energy consumption per tonne printing PSC* leaflets	kg CO ₂ per tonne printing substrate	61	62	-3,0
CO ₂ from energy consumption per tonne printing substrate PSC* adhesive labels	kg CO ₂ per tonne printing substrate	213	254	-16,2
Hazardous waste PSC* folding cartons	kg hazardous waste per tonne printing substrate	1,1	1,0	7,5
Hazardous waste PSC* leaflets	kg hazardous waste per tonne printing substrate	0,7	1,2	-41,2
Hazardous waste PSC* adhesive labels	kg hazardous waste per tonne printing substrate	5,5	6,9	-21,4
Cardboard rejects PSC* folding cartons	kg cardboard rejects per tonne cardboard	422	476	-11,2
Paper rejects PSC* leaflets	kg paper rejects per tonne paper	197	248	-20,3
Adhesive material reject PSC* adhesive labels	kg adhesive material rejects per tonne adhesive material	339,4	347	-2,2

* PharmaServiceCenter

SOCIAL AFFAIRS

There's nothing new about a company wanting to contribute to a liveable environment. Especially not in Faller's case. Since the company was founded in 1882, fostering social and cultural projects has been part of Faller's ethos.

TALKING ABOUT HEALTH

In the last sustainability report we reported on the introduction of return-to-work interviews in the PSC Leaflets. Further education and ongoing coaching of management have had a positive effect. The initial scepticism of employees has changed into a feeling that they are seen as people in the interviews and, if necessary, receive support. A separate in-house works agreement provides the framework for this.

Working groups at each site have taken up the cause of health promotion. By offering programs on healthy eating, sports courses such as Pilates, back training, massage and also events in co-operation with health funds they wish to motivate their colleagues to actively do something for their health. Faller subsidises the programs and employees pay only a small share of the costs. We still need to get the message across to those who are less interested.

SUPPORTING PERCEPTIONS

Each year the trainees organise a joint social services project. From the selection of the project through the organisation of the team, calculations and work planning the trainees take responsibility for realising their chosen task. When it comes to obtaining sponsors for the work packages, things usually get interesting. Internal sponsors are needed, but also tradespeople and other businesses in the region that provide donations in kind. The trainees approach them of their own accord and ask them to support the project. They are mentored by the responsible trainers and on the project day by the contact person on site. There they constructed two raised beds (photo 2) that also allows wheelchair users to work on the garden bed. The roofs of two sheds in the gardens were given a weatherproof seal, a number of common rooms received a fresh coat of paint (photo 3), and the external stairs were given a special finish with fluorescent paint (photos 1 and 4).



FOSTERING CAREER PATHS

Faller is addressing the looming shortage of qualified staff in the packaging sector with special support for the vocational qualification of young people. As well as our own on-the-job training we have been supporting the Waldkirch employment initiative (WABE) since 1999. Its training network has enabled more than 120 young people to participate in training across companies since 2006.

In 2010 a total of 120 young people found employment in this way.

Together with other sponsors Faller bears the costs of a training network that enables young people who haven't found a training position to receive training across companies in four different jobs.

The results of the WABE work are excellent, and the concept has become a role model: the close co-operation between businesses, the municipal authorities and the employment agency secures the financial basis as well as the social focus of the initiative and its ongoing further development. In 2011 WABE received the European Enterprise Award in Prague for responsible and inclusive entrepreneurship and was in addition recognised in the „Vocational Training Ace“ competition.

Faller is also working together with three other sponsors on the new WABE „Vocational Training Pilot“ project. The concept was developed in 2011 and started in schools in March 2012. It is directed at school students in need of support, to whom vocational training pilots will offer help in choosing a vocation.

SCHOOLS AND INITIATIVES

As early as 2006 Faller began to foster learning partnerships with schools in Waldkirch, followed by Kollnau, Gutach, Winden, Elzach and Binzen. In December 2011, after three years of learning partnership, Faller and the Vorderes Kandertal primary and technical school in Binzen entered into an official co-operation agreement for a training partnership, „Choosing a Vocation“, as part of the Training Partnerships campaign run by IHK Hochrhein-Bodensee.

In October 2011 Faller was main sponsor of the second Plant-for-the-Planet academy in Waldkirch together with Wasserkraft Folk AG, Gutach. In an „academy“ 9–12 year old school students are introduced to the topics of climate change and climate justice in

a fun way. They learn to make a speech about climate justice and together they plant trees in the town’s forest. The seedlings were donated by the municipal forest administration (photo 5, page 21). Many clubs and initiatives at our sites are sponsored by Faller with donations in kind or financial contributions. For years now we have made rooms available to a Waldkirch theatre group free of charge, and a music group uses a rehearsal room gratis.

SOCIAL INDICATORS

Explanations on the modifications to the employee surveys can be found in the chapter “Economy”, “Working for Faller”. Likewise on “Investments” in further education.

SOCIAL INDICATORS

	2011	2010	2009	2008
Total number of employees	852	842	822	816
Of which part-time workers	41	40	38	39
Trainees	43	47	49	46
Fluctuation rate in %	8,2	7,3	7,4	7,4
Sick leave (100% - x)	93,9	94,0	93,8	94,6
Number of women in middle and upper management	8	8	5	6
Number of women in middle and upper management as %	19	19	12	–
Accident rate per 1,000 employees	25	17	26	22
Personnel costs for external training programs as %	0,9	0,7	0,6	1,2
Satisfaction from employee survey (scale: 1=really great, 7= poor)	n.a.	3,27	n.a.	n.a.

BECOMING BETTER

LATEST NEWS

PROCESS IMPROVEMENTS

Along with product innovations, more efficient work processes also help us to become better. It is also important to us that we acknowledge special achievements in all processes – in production and in administration. The specialists in lean management and the Continuous Improvement Process (CIP) are working together with the responsible managers in all departments on the ideas management concept implemented in June 2011. Lean management draws employees from all hierarchical levels into workshops where improvements for particular work processes are worked out.

Ideas management is led by a lean management specialist who has trained 22 ideas co-ordinators in all areas and stands ready with practical and moral support in the implementation of the suggestions submitted. With success: Over 170 ideas implemented from June to December 2011 have achieved improvements large and small in the work areas of the proposers. In June 2011 „Ideefix“ made its debut into the work lives of Faller employees. Small, nimble and approachable – a likeable figure that wants to win everyone over to the newly implemented ideas management concept. And it has worked.

Ideas management is a subsection in the Integrated Management Systems section, which is also responsible for quality assurance, lean management and CIP. Next to adherence to delivery deadlines and price, quality is the most important important criterion for our customers in the pharmaceuticals industry. Hence it’s natural for the management of improvement processes to be „housed“ in the competent department.



“WE DELIVER QUALITY” PROJECT

Inter-company workshops with colleagues from Karl Knauer AG took place for the first time in 2010 and were continued in 2011 under the motto „We deliver quality“. Mutual exchanges across works and company boundaries are intended to help management find long term solutions to problems and thus further improve our quality. Using the methodology of problem analysis, concrete case studies are worked on in order to solve recurring problems.

SOLUTIONS ACROSS BORDERS

In our 2010 report we described the beginnings of the inter-company lean management workshops. In 2011 CIP projects were launched in the most important parts of the supply chain, from raw materials suppliers through the internal process chain to the customers’ unpacking processes. The method proved itself extremely effective and efficient for working together consistently on shared quality issues. In one customer project the efficiency of its plant was doubled.



Photos: 12 of the 22 ideas co-ordinators

From upper left Lutz Benz (Team leader, Ideas Management), Verena Burger, Nicole Dörflinger, Richard Disch, Marco Beier, Hannes Allgaier, Bianca Vozar, Heidi Kammerer, Achim Eble, Jürgen Kleile, Walter Ziegenbein, Wolfram Vogel

STRONG VALUES

The foundation of our actions is our value-based corporate culture. All employees are required to base their everyday activities on these basic values:

- Customer focus and entrepreneurship
- Performance orientation and cooperation
- Sustainability and personal responsibility
- Trust and credibility

The corporate values are also described in the chapter on „Economy“.

A number of employees have explained the values with examples from their everyday work. They show that everyone in the workplace can make their own contribution to achieving the corporate values in all areas and at all levels. This brochure was distributed to all employees and is part of the starter kit for new employees along with a comprehensive „Handbook for Newcomers“.

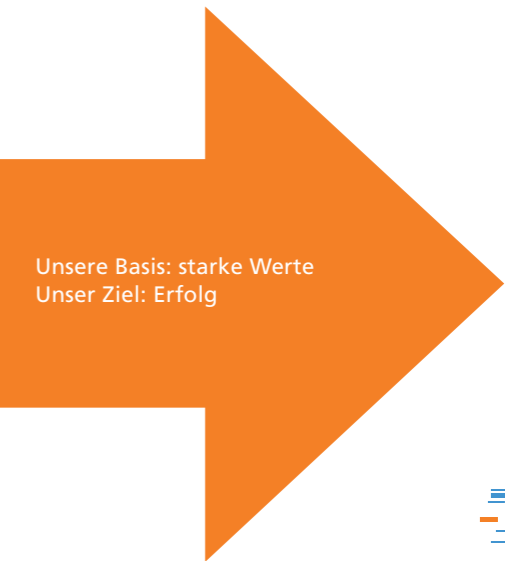
FSC-CERTIFIED CARDBOARD FOR NATURAL COSMETICS

The demand for certified types of cardboard produced in accordance with FSC or PEFC guidelines remains very restrained for pharmaceuticals packaging. So we are very happy that our customer SPEICK Naturkosmetik was awarded the silver medal as „Sustainable manufacturer for 2011“. With its FSC-certified material for cardboard packaging, Faller did its bit for the long-established Speick brand. The fact that this was one of the first orders that Faller filled after successful certification for FSC materials, made this all the more exciting.

IN DIALOGUE

Whether it be clubs or political parties: Faller is open to dialogue with people who are actively engaged in the shaping and development of our society.

DAMIT GESUNDHEIT BESSER ANKOMMT



DELIVERING BETTER HEALTH

We are working together to „deliver better health“ This challenge to ourselves is also a promise to our customers. In 2011 we gave a lot of attention to „delivering better“ in order to concentrate on the goal and purpose of our work and to inspire ourselves: to achieve developments that help patients to take medications reliably („compliance“) and to create new ways of protecting medications from counterfeiting by intelligent packaging. Patients need packaging that ensures the simple removal of the medicine as well as its secure storage, as well as preventing its counterfeiting. Our development experts offer our customers such designs for innovative applications and better processing. There is more information on our product innovations in the chapter headed “Products and Services“.

IN THE MIDDLE OF THE ACTION



Faller's trainees are really on top of it – and underneath it and in the midst of it. That's obvious from the diverse subjects of the new Faller Trainee Calendar in the style of the popular visual world of our corporate communications. A note of caution, however: Appearances can be deceptive. Our trainees lent a huge helping hand in using computers to give life to these folding cartons, leaflets and adhesive labels. Well done!



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Contact person:

Dirk Wisser | Designated officer for Occupational Safety and Environmental Protection
Ursula Kühn | Designated officer for Corporate Communication

August Faller KG
Freiburger Strasse 25
79183 Waldkirch

Phone +49 7681 405-0
Fax +49 7681 405-110
info@august-faller.de
www.august-faller.de

