



# New values for a successful collaboration

Sustainability Report 2019



**Faller**  
PACKAGING

Dr Michael Faller and Dr Daniel Keesman,  
Managing Partners of Faller Packaging



Simply better. Always ahead. Together.

## Dear Readers,

The past year saw ground-breaking achievements in the sustainable development of our company. We broke yet another sales record in 2019 and we have now become even more internationally oriented thanks to our new Hungarian site. We have consistently focused on digitalisation, concentrated on creating innovations together and blazed a pioneering trail with our subsidiary PackEx. Amidst these achievements, however, we have always succeeded in reconciling economic success with our social attitude and ecological responsibility.

For us, practising sustainable entrepreneurship means orienting ourselves on the future to ensure the competitiveness – and consequently the sustainability – of our company in the long term. To achieve this, we fundamentally repositioned our company in 2019 – and August Faller became Faller Packaging. With this completely new brand image, we intend to strengthen our position as the market leader and hone our profile as a solution provider for all issues relating to secondary pharmaceutical packaging. Faller Packaging is a significant player when it comes to supplying drugs and health care for our society. This would be impossible without packaging and its wide range of functions.

Our products and ideas set standards for the industry. We inspire customers with our innovations and new service offerings for the pharmaceutical and healthcare industries, consistently extending our lead over our competitors. In these times of social and economic upheaval, it is our goal re-defining and managing healthcare supply digitally. We want to be „simply better“ and „always ahead“. Our employees have also played a massive part in our achievements. In our 138-year history, we have continually dared to break new ground by leaving our comfort zone. In doing so, we have always continued to push the envelope of our knowledge and experience, fuelled by our desire to explore new concepts and approaches. In this uncertain, volatile and increasingly complex world, it is this approach that helps us to unerringly find the path to economic success and continued entrepreneurial independence.


We also want to offer our employees the security and stability of a sustainable company. However, to achieve this goal, every individual must be willing to change – and we foster this attitude through training and further education, ultimately enabling us all to try out what we have learned together. The essential pillars of our corporate culture are trust, sincerity, personal responsibility, the sharing of knowledge and experience, working together as a team and a willingness to assume social and ecological responsibility.

We contribute to social interaction by supporting regional associations and organisations through a wide range of sponsorship and donation activities as well as voluntary work in many areas.

We have created a whole bundle of measures to fulfil our ecological responsibility. For example, we rely as much as possible on renewable raw materials from sustainable forestry for our paper and cardboard. Since a smoothly functioning recycling system is already in place, we recycle both of these renewable materials at the end of their product lives. We also avoid wasting valuable resources through material efficiency – and last but not least, we use 100 percent green electricity at our German locations to protect our environment.

At Faller Packaging, sustainable management is the keynote in a thriving industrial company. Every employee contributes to this concept in his or her own way, actively helping to create a future that will make all of our combined efforts worthwhile.

  
Dr Michael Faller

  
Dr Daniel Keesman

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# The WIN Charter and Sustainable Development Goals (SDGs): acting in an economically, ecologically and socially responsible manner



In 2014, the state government of Baden-Wuerttemberg launched the WIN Charter as part of its Sustainability Business Initiative. The aim of the charter was to honour sustainable management and make it visible to the general public. As one of the original signatories of the Charter, Faller Packaging is committed to a total of twelve guiding principles – always with the aim of acting in an ecologically and socially responsible manner. Like the twelve guiding principles, the 17 Sustainable Development Goals (SDGs) of the UN are based on the three pillars of sustainability. They aim to tackle global challenges such as poverty, hunger, climate change and the loss of biodiversity and to bring about sustainable and positive change. The guiding principles of the WIN Charter are either strongly or potentially associated with the SDGs.

## Our priorities in 2019

Since we are aware of our social and ecological responsibility as a company, the WIN Charter and the SDGs are always at the forefront of our actions. The companies set new priority goals for themselves each year. Our focus in 2019 was on Guiding Principle 04, Resources (Improving resource efficiency), and Guiding Principle 02, Employee welfare.

### WIN Charter Guiding Principle 02 – Employee welfare:

Our employees are the guarantors of our economic success and their welfare is very important to us. This is why Faller Packaging has put several preventive measures in place to maintain their health – and the ergonomic workstations, subsidised massages, the varied sports and nutritional offerings and the meditation group are well received by the employees. This guiding principle corresponds to SDG #1 No Poverty, #3 Good Health and Well-Being, #4 Quality Education and #8 Decent Work and Economic Growth.

### WIN Charter Guiding Principle 04 – Resources (improving resource efficiency):

For the paper and cardboard we use, we rely as much as possible on renewable raw materials from sustainable forestry. We trust in smoothly functioning recycling systems and use all materials efficiently and in a resource-saving manner. We do not use any energy from fossil fuels for our production – our subsidiaries in Germany are supplied with 100% green electricity. SDG #2 Zero Hunger, #3 Good Health and Well-Being, #6 Clean Water and Sanitation, #9 Industry, Innovation and Infrastructure, #11 Sustainable Cities and Communities, #12 Responsible Consumption and Production, #14 Life Below Water and #15 Life On Land are all in line with this guiding principle.



You can find out more about the Win Charta at [www.win-bw.com](http://www.win-bw.com)

# Making the company fit for the future

Practising sustainable entrepreneurship means orienting our company on the future to ensure its competitiveness in the long term – and consequently its sustainability. The world of pharmaceutical packaging is always in motion and the market for pharmaceutical and medical products continues to evince strong growth – in 2018, global pharmaceutical sales amounted to almost €950 billion. The major challenges in the industry are changing business models, the development of new markets, technological change and new, more demanding and increasingly specific customer requirements.

In 2019 we repositioned ourselves to address this challenge with a new brand strategy and a new name – and August Faller became Faller Packaging. With this completely new brand image, we intend to strengthen our position as the market leader and hone our profile as a solution provider for all issues relating to secondary pharmaceutical packaging. Given the increasing individualisation and complexity in the healthcare industry, our new brand positioning under the motto “Moving healthcare. Moving you” represents even better support for our customers with high-quality and tailor-made packaging solutions. We want to make healthcare supply easy, safe and efficient.



The logo of our new brand

## European network expanded

The acquisition of Pharma Print Kft. in Debrecen, Hungary is also helping us to attain our goals in this respect. The company has been producing leaflets for the Eastern European and international pharmaceutical and healthcare markets for many years. Pharma Print is a proven specialist in its sector, a company with a reputation for excellent quality, outstanding delivery performance and a high level of customer acceptance.

As a result of this acquisition, our European network now comprises seven sites and covers the entire value chain for the production of pharmaceutical packaging. Our new location gives us additional expertise and capacity in the manufacture of leaflets and also helps us to serve our customers with even greater speed, reliability and breadth of support.



Satisfied partners (left to right): Dr Michael Faller (Faller Packaging), Dr Janos Karancsi, Dr Lila Karancsi, Dr Erika Karancsi (Pharma Print), Dr Marcus Szukalski (Faller Packaging), Tilmann Wild (Faller Packaging)

## Enabling more efficient processes

As we move steadily towards our future, we are focusing more and more on digitalisation. We enable our customers to achieve significant cost savings and shorter delivery times with the help of digital supply chain solutions, i.e. the digitalisation of the supply chain. A data exchange system that is as comprehensive and consistent as possible creates greater transparency and makes procurement much more efficient, dynamic and fast. It optimally coordinates processes in our company and at the customer's, enabling information to be used at an early stage and capacity and disposition assessments to be made.



PackEx specialises in the efficient production of folding cartons in small and very small batches.

## The trend towards small batch sizes

The demand for small batches in the packaging market is constantly increasing. The procurement of folding cartons through conventional channels can be a very lengthy process – and in the case of small batches, it can also be inordinately expensive. In 2019 Faller addressed this trend towards small quantities by founding PackEx and continuously expanding the new company's services. Customers now benefit from short delivery times, high levels of availability and low costs. Many processes and technologies are also extremely innovative, offering radically new possibilities.

The required packaging can be ordered from PackEx at any time via web-based software. The online portal is both an ordering tool and a virtual storage facility. When packaging is required,



Customers can place their orders at [www.packex.com](http://www.packex.com)

batch sizes tailored to requirements can be delivered to the customer by parcel shipment in up to 72 hours, thanks to state-of-the-art production technologies such as digital printing and laser cutting.

PackEx is now also equipped to print information in Braille. Here too, the company is setting new standards with digital Braille using innovative, tool-free technology – and 100% video quality monitoring is a matter of course.

Customers from the pharmaceutical and healthcare industries can use service packages to order these services directly from PackEx or Faller Packaging.

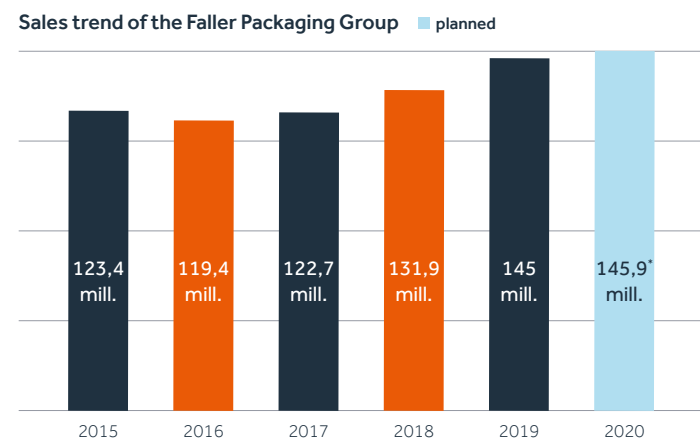
## Everything from a single source

We are solidly positioned for the future thanks to our new brand strategy, our increasingly international and digital orientation and our broad portfolio. Our greatest asset? We offer folding cartons, leaflets, adhesive labels and combination products, all from a single source. Customised, unique packaging designs are also a speciality of ours. Customers benefit from optimised procurement with minimal effort and fast market launch.



# Ready for further growth

Faller Packaging looks back on a very successful year and again reports a record-breaking turnover in 2019. Turnover reported by the entire Group rose by 9.9 % to €145 million. The lion's share of this increase, namely +7.5 %, was generated by production locations in Germany. The Polish company August Faller Sp. z o.o. in Łódź achieved the biggest reported increase in turnover, of 22.8 %. The Danish company August Faller A/S in Hvidovre posted an increase of 9.4 % above the figure for the previous year. The newly acquired Pharma Print Kft. in Debrecen has not yet been included in the turnover figures for 2019.



\* Sales excluding Bellwyck Faller Pharmaceutical Services and August Faller Artwork Solutions.

## Investments in equipment and infrastructure

After record levels of investment in our start-up PackEx of €16.9 million in 2018, we have now returned to our long-term average investment ratio of 6 %. At €5.1 million, the main focus of total investments of €8.7 million was on our plants in Germany, and in printing and finishing in particular. We applied our budget for Hvidovre and Łódź to infrastructure, where roof renovation work, new ventilation systems and parking spaces were scheduled for implementation. Another key package of investments valued at €1.9 million was realised for PackEx in Worms. We expect our investment budget to rise sharply again in 2020 and we have already set aside €14.5 million for this purpose.

## Changes in corporate structure

We are a system supplier for pharmaceutical and healthcare packaging and have stepped up our international focus by purchasing the Hungarian company Pharma Print Kft. This family firm, which is based in Debrecen, has produced high-quality goods and provided outstanding supply performance for many years with leaflets for the pharmaceutical and healthcare markets. This makes Pharma Print an ideal addition for us and will strengthen our market position.

We sold Bellwyck Faller Pharmaceutical Services GmbH, our joint venture with Bellwyck Pharma Services, to the American PCI Pharma Services at the turn of the year 2019/2020. We have also parted with our print data management joint venture with the Irish partner Perigord Life Science Solutions. Nonetheless, we continue to work on other projects with Perigord. The six European locations have now been joined by our subsidiary PackEx GmbH, which began manufacturing folding cartons in Worms in the second half of 2019. PackEx is our specialist for packaging in small series of up to 3,000 low-price pieces with very short delivery times.



PackEx specialises in the production of folding cartons in small and very small batches. The management team of PackEx (left to right): Marco Dembowski (Head of Business Development & Corporate Communications), Julian Erhard (Director Operations & Co-Founder), Nikolaus Reichenbach (Managing Director & Co-Founder) and Arne Rogosch (Head of Business Administration & Quality Management)



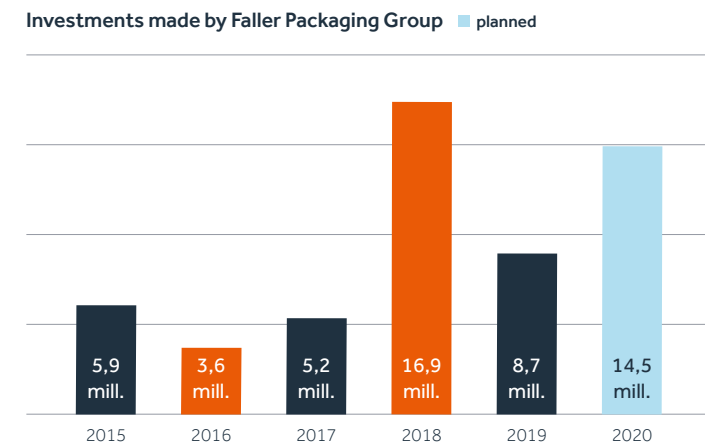
Faller Packaging looks back on a very successful year and again reports record-breaking turnover in 2019.

## Results and equity

Our work to improve efficiency and our cost discipline again resulted in cost savings in 2019 and not only contributed to significant growth in turnover but also led to better than planned earnings. We were able to boost our profits and further increase our reserves. The ratio of liable equity capital is now 33.1 %, which is much the same as in the previous year. The annual recognition of reserves has led to a further increase in equity in absolute terms. The company's economic equity ratio was sustained in 2019 at the previous year's level of 37.5 %. The proportionate reduction in equity ratios compared to 2017 was the result of significantly higher total assets. This is due to higher investments in the last two years of €16.9 million in 2018 and €8.7 million in 2019. The equity ratios are, however, at a healthy level and provide us with a solid capital base from which to master the challenges of the future. We have ambitious plans and aim to stick to our sustainable path of change: Simply better, always ahead and together!

## High delivery reliability and very good quality

Again in 2019, our customers rarely had cause for complaint. The complaint rate of 0.46 % at group level was below the targeted 0.5 %. At 95.1 %, delivery reliability was just under the level for the previous year. In 2020, we aim to meet our target of 98 % to reflect our leading position in the market for delivery performance.





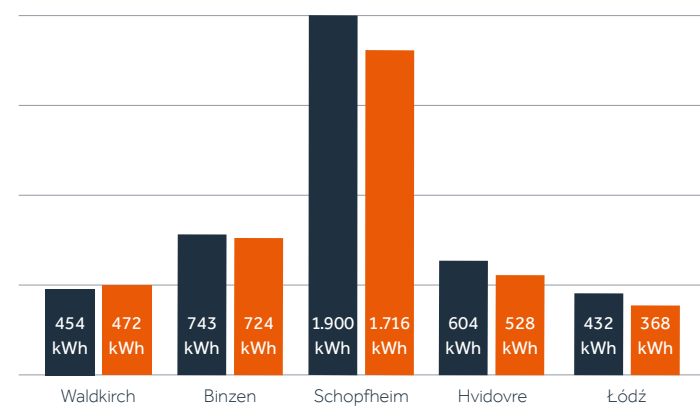
# Faller Packaging – resource-friendly operation

The Faller Packaging Group is traditionally committed to sustainable business practices. In recent years, we have already worked intensively on the waste rate, paper consumption in the offices and the reduction of operating materials and hazardous waste. In 2019, we again reduced material consumption to conserve precious resources. We mostly use renewable raw materials such as paper and cardboard from predominantly sustainable forestry – and we ensure that these materials are used efficiently, giving us a good basis for fulfilling our ecological responsibility. The smoothly functioning recycling system for paper and cardboard in Germany supports us in this respect. Last but not least, we protect our environment by using 100% green electricity at our German sites.

## Savings in energy, paper and hazardous waste

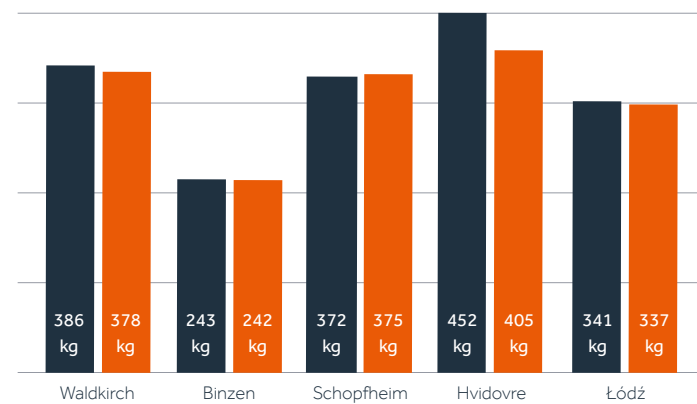
Ecological responsibility also encompasses the efficient use of energy. In 2019, we succeeded in reducing our electricity consumption on our sites in Binzen and Schopfheim – and consequently the CO<sub>2</sub> emissions in relation to the output quantities. In Waldkirch, the additional use of new machines and a few extra shifts resulted in an increase in printing material consumption of almost 4 % per tonne, but by installing a new heating system, we were able to reduce gas consumption in Plant 1 by 21.3 %. A recent development at our Danish site in Hvidovre also proved positive. In recent years, we have implemented a number of energy-saving initiatives in the plant. In 2019, we had large areas of the production hall's roof insulated with an additional 40 centimetres of rock wool. We also installed a new, more energy-efficient ventilation system and equipped the administration

kWh energy consumption per tonne of printing material ■ 2018 ■ 2019



building with LED lighting. These measures enabled us to reduce energy consumption per tonne of printing material by 12.5 %. Our energy-saving measures are also having an impact at our Polish plant in Łódź, where gas consumption has been reduced by more than 10 % and electricity consumption in the plant was also significantly reduced. Overall, energy consumption on the Łódź site was reduced by more than 14 %.

kg waste per tonne of printing material ■ 2018 ■ 2019



In 2019, waste paper was also a high-profile topic in all our subsidiaries. However, we were able to improve material efficiency yet again, by 1.1 % for cardboard and by 0.4 % for paper. Thanks to our "Trim Waste Program", a concept for better utilisation of cardboard sheets, we produced 27 % less edge waste than in the previous year. Although we have seen an increase in the number of smaller folding cartons in Hvidovre, we introduced various measures which reduced the waste rate there by more than 10 % compared to the total output. Waste was also reduced in Łódź and at the Waldkirch folding carton site.

In 2019 we continued the digitalisation of our company. We had planned to save approximately 300,000 sheets of A4 paper through projects such as the digital checklist, digital orders and other sensitisation measures like reverse-side printing. However, we easily exceeded this target. We only had to order 950,000 sheets of A4 paper in Waldkirch in 2019, representing a saving of 40 % compared to 2018, when we bought 1.6 million sheets of A4 paper.



For several years, Faller has been returning part of the resources it has extracted to the environment. More than 40,000 trees have been planted in the region of Kagera since 2015.

Hazardous waste shows two different scenarios at two different sites – at our plant in Schopfheim, we reduced hazardous waste by 1.1 kg per tonne of printing material, but at our Waldkirch and Binzen sites the amount of hazardous waste per tonne of printing material remained constant.

## Environmental protection projects

Environmental protection is an essential part of our sustainable management. Our goal is the development and implementation of environmentally friendly products that have the least possible negative impact on the environment during their manufacture, use and disposal. For several years now, Faller has also been returning part of the resources it has extracted to the environment.

For example, we support the MAVUNO project, through which more than 40,000 trees have been planted in the East African region of Kagera since 2015.

You can find information about the MAVUNO project at: [www.mavunoproject.or.tz/wp/](http://www.mavunoproject.or.tz/wp/)

Our range of measures show that economic success and ecological responsibility go hand in hand at Faller Packaging.



Faller Packaging supports the MAVUNO project in Tanzania.





# Strong together – we take our responsibility to society seriously

For Faller Packaging, sustainability also means assuming its responsibility to society – and this benefits our employees as well as the company's home region.

## Workplace health management system

For many years now, Faller Packaging has been offering its employees preventive measures to maintain their health, from ergonomic workplaces to subsidised massages by qualified physiotherapists. The health groups established in 2018 picked up speed in 2019 and introduced many and varied packages for promoting workplace health. For example, a Health Day covering nutrition and colon cancer prevention, the Healthy Christmas campaign with muesli and smoothies, Ergoscouts and the "Pause Express" project, in which a professional trainer taught employees how to exercise during breaks in a five-week-long course.

However, we also promote the health of our employees away from their workplaces: We introduced the company fitness programme "Hansefit" at our Waldkirch site. One hundred and eighty employees took part in the programme. They can now use 1,600 sports facilities throughout Germany, such as swimming pools, climbing centres and fitness clubs for much less than the standard fees.

However, the spiritual well-being of our employees is also close to our hearts – lectures on resilience, the need for care or meditation, a self-defence course for women and a meditation group that meets regularly all provide a balance.



The trainees had lots of fun getting to know each other at the team event.



The 42 runners in Faller's team at the B2B Run in Freiburg clearly had a good time.

## Training and social responsibility

We are future-oriented and believe that we should train our skilled staff of tomorrow ourselves – and forty young people are currently completing their training courses in commercial or industrial professions and at the Cooperative State University. The students also place particular emphasis on their commitment to society. For ten years now, our trainees have been getting involved with institutions in the region as part of the Social Commitment campaign days. In 2019, twelve trainees supported the St. Nikolai residential and nursing home in Waldkirch, restoring park benches, spending time with the residents, baking cakes and conversing with the senior citizens.



The theme of the trainee's team event in 2019 was "Adventure".



The Health Day focused on healthy nutrition, including delicious smoothies.



Our trainees cooked with the residents of the St. Nikolai residential and nursing home.



Twelve park benches at St. Nikolai were restored by our trainees to their former splendour.





On Girls' Day, we allow schoolgirls to look over the shoulders of our specialists at work.

### Practising equality: Girls' Day at Faller

We actively promote equal opportunities and gender equality, and not just in line with the UN's Sustainable Development Goals – we have now been opening our factory gates on Girls' Day to schoolgirls aged 13 and above for many years now. This event helps young women to find their way into STEM professions later in life, i.e. in the fields of science, technology, engineering and mathematics, and offers the girls (and us) opportunities for the future. On Girls' Day, we allow schoolgirls to look over the shoulders of our specialists at work. The focus here is on industrial training occupations in which women have so far been seldom represented.

### We support the region

Faller Packaging is also a partner in the Waldkirch employment initiative WABE and is committed to integrating long-term and young unemployed persons into the primary labour market. Sponsoring for associations and non-profit initiatives, plus donations to charitable organisations are more examples of how the company has a sustainable and positive influence on its home region.



In 2019, Faller Packaging again opened its factory gates on Girls' Day to schoolgirls aged 13 and above.

## The year 2020 at a glance

Faller Packaging also has some exciting developments in store for 2020. Improving resource efficiency remains a priority. In 2020, we plan to further reduce paper consumption in administration and to optimise our waste rate per tonne of printing material. We have put together a whole package of measures to achieve these goals. For example, we are pushing on with our digitalisation projects, such as the "digital job ticket", which will bring us another step closer to paperless order processing. We are also informing our employees about ways to save paper and recommending double-sided printing as standard in our printer settings. The coming year will also see a continuation of the successful Trim Waste Project, which makes better use of cardboard sheets and produces less edge waste. We will also be using our planning software more intensively to create less setup waste and ensure greater transparency.

Employee welfare – and consequently, health management – will again be Faller Packaging's second key topic this year. The health groups introduced in 2018 gained momentum in 2019. We have also introduced more measures for promoting workplace health, and these will be expanded in 2020, with the ultimate goal of a 96% health rate.

In the future, we want to continue to develop organically together with our employees and meet the challenges of our customers with fresh ideas – simply better, always ahead and together. Specifically, this means that given the significant changes in the market, we will be working closely with our international partners and continuing on the promising path of responsible development; and 2020 will see us continuing to comply with the guidelines of the WIN Charter and the UN Sustainable Development Goals in all our economic activities.

Improving resource efficiency  
 Digital job ticket  
**Trim Waste Project**  
 Employee welfare  
 Goal of a 96% health rate



## Faller Packaging Group

### August Faller GmbH & Co. KG

Freiburger Strasse 25  
79183 Waldkirch  
Germany

Fon +49 7681 405-0  
info@faller-packaging.com  
www.faller-packaging.com

### August Faller GmbH & Co. KG

Meitnerring 6  
79589 Binzen  
Germany

Fon +49 7621 1618-0  
info@faller-packaging.com  
www.faller-packaging.com

### August Faller GmbH & Co. KG

Güнденhausen 22  
79650 Schopfheim  
Germany

Fon +49 7622 666989-0  
info@faller-packaging.com  
www.faller-packaging.com

### August Faller A/S

Hammerholmen 1  
2650 Hvidovre  
Denmark

Fon +45 36 88 07-00  
info.dk@faller-packaging.com  
www.faller-packaging.com

### August Faller Sp. z o.o

ul. Nowy Józefów 64e  
94-406 Łódź  
Poland

Fon +48 42 2078-150  
info.pl@faller-packaging.com  
www.faller-packaging.com

### PackEx GmbH

Mittelrheinstrasse 23a  
67550 Worms  
Germany

Fon +49 6242 83 70-910  
info@packex.com  
www.packex.com

### Pharma Print Kft.

Richter Gedeon utca 7.  
4031 Debrecen  
Hungary

Fon + 36 52 530 036  
info@pharmaprint.hu  
www.pharmaprint.hu

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www.faller-packaging.com

#### Contact persons:

Dr Michael Faller | Managing Partner

Lutz Benz | Sustainability Officer

