



FABER-CASTELL

since 1761



SUSTAINABILITY REPORT 2011



Count Anton-Wolfgang von Faber-Castell,
Chairman and CEO of Faber-Castell AG

The values of any well-managed family business must include sustainability, social and environmental responsibility, and human virtues such as tolerance, humbleness and honesty.

My great-great-grandfather, Lothar von Faber, was a businessman of great social dedication, and his descendants have followed his example as a matter of duty. The Social Charter signed in 2000 prohibits discrimination and child labour and protects our employees against exploitation. The agreements of the International Labour Organization (ILO), to which the Charter commits us, are for me no more than natural standards for anyone engaged in business.

In order to achieve long-term success, you have to think in terms of the future. For me as a businessman it is extremely important not to make profit at the cost of future generations. Amongst other things, I am creating sustainable sources of wood, our most valuable raw material, which do not have a negative impact on either people or the environment. It was for the same reason that, some 30 years ago, Faber-Castell set up a forestry project in Brazil which was certified by the Forest Stewardship Council® (FSC®) as being „environmentally sound, socially responsible and economically sustainable“.

I am not interested in short-term profit-seeking. For a business that wants to be successful in the long term, the ability to generate sustained profit is absolutely vital. For me, business and integrity go hand in hand. The kind of integrity that embodies values such as social and ecological responsibility, trust, honesty and fairness is fully compatible with profitability. After all, only profitable businesses can devote themselves to social and ecological issues. Our healthy financial situation and the respect of our business partners gives me all the assurance I need that our chosen path is the right one.

A handwritten signature in black ink that reads "Anton W. Faber-Castell". The signature is fluid and cursive, with the first name "Anton" and the last name "Faber-Castell" clearly legible.

INFORMATION ABOUT THE SUSTAINABILITY REPORT 2011

The content of the Sustainability Report 2011 reflect the challenges facing Faber-Castell in its endeavours to achieve sustainable development. At Faber-Castell, sustainability encompasses not only economic, environmental and social principles, but also product quality. Economy, environment, social affairs and quality are therefore given equal importance in this report. Faber-Castell sets itself strategic objectives in these four areas, each of which presents its own challenges.

This is the second Sustainability Report published by Faber-Castell AG. The data quoted here relates to the 2009/10 and 2010/11 financial years (1 April 2009 - 31 March 2011). The range of topics covered was chosen after analysing the strengths and weaknesses of the

previous report (published in January 2009), in response to internal and external dialogue, particularly with regard to the significance and up-to-dateness of the data, and with reference to the guidelines of the Global Reporting Initiative (GRI) (third edition). The inclusion of the GRI guidelines also represents the major difference between this report and the previous one.

The data provided in the Sustainability Report relates to all Faber-Castell production companies. The data quoted in this report has been carefully collected and processed with the help of central retrieval systems and statistics. However, it is not possible to guarantee that it is completely free of errors.

PUBLICATION OF NEXT REPORT AND REGULAR UPDATES

We intend to publish the next detailed printed report in 2014, covering the 2011, 2012 and 2013 financial years.

Regular updates of this report will be published on www.faber-castell.com.

1.	COMPANY	4
1.1	Milestones in the company's history	5
1.2	Faber-Castell today	8
1.3	Faber-Castell Cosmetics	14
1.4	The Faber-Castell product range	16
1.5	The Faber-Castell production sites	22
2.	THE PRINCIPLES OF SUSTAINABILITY	38
2.1	Sustainable management	39
2.2	Strategic guidelines and planning	40
2.3	The FABIQUS management system	47
2.4	External audits	49
3.	QUALITY	50
3.1	The quality of the brand	51
3.2	Quality standards	53
3.3	Challenges in relation to quality	56
4.	ENVIRONMENT	57
4.1	Environmental protection – a long-term strategy	58
4.2	Integrated environmental protection	62
4.3	Faber-Castell's positive carbon footprint	68
4.4	Environmental challenges	72
4.5	Input/output balance sheet of production sites	73
5.	SOCIAL AFFAIRS	74
5.1	The Faber-Castell Social Charter	75
5.2	Commitment to employees	78
5.3	The Graf von Faber-Castell Children's Foundation	80
5.4	Social challenges	81
5.5	Facts and figures relating to social issues	82
	ANNEX	
	Awards	83
	GRI index	86
	The Faber-Castell AG Sustainability Programme	90
	Publication details	92

1. COMPANY

„WHAT MATTERS TO ME
AS A BUSINESSMAN
IS NOT SHORT-TERM PROFIT,
BUT SECURING A LONG-TERM
FUTURE FOR THE COMPANY.“

COUNT ANTON-WOLFGANG VON FABER-CASTELL

1869

The founding date of the company (1761)
is used as evidence of quality and reliability.

1.1 MILESTONES IN THE COMPANY'S HISTORY

1761 Kaspar Faber (1730-1784) starts manufacturing pencils in his carpentry workshop.

1784 His son, Anton Wilhelm Faber (1758-1819) in second and since

1810 Georg Leonhard Faber (1788-1839) in third generation expands the artisan pencil-making business in Stein, near Nuremberg.

1839 After serving his apprenticeship in Paris between 1836 and 1839, Lothar von Faber (1817-1896) takes over the family business from his parents in fourth generation, improves the quality of the products and modernises the factory.

1843 A. W. Faber branded pencils are sold in the United States through an agency in New York.

1844 A. W. Faber establishes one of the first company health insurance funds in Germany.

1849 The company sets up its first overseas office in New York, which is managed by Lothar's youngest brother, Eberhard Faber (1822-1879).

1851 The company opens the first kindergarten in Stein.

1861 In the company's 100th anniversary year, a new factory is built in Geroldsgrün, Upper Franconia, to manufacture slates and slate pencils.

1865 New houses are built for workers in Stein.

1869 Lothar von Faber helps to establish the Bavarian Trades Museum (1869) (now Bavarian Trade Institute), Union Bank of Nuremberg (1871) and Nuremberg Life Assurance company (1884) (now Nuremberg Insurance Group).



1839

1849



1861



1884





1874

1870 A. W. Faber becomes the fifth trademark to be registered in the United States. As the other four companies no longer exist, A. W. Faber is the oldest trademark in the U.S.

1874 Lothar von Faber petitions the German Reichstag to introduce new legislation to protect trademarks, paving the way to the Trademark Protection Act passed in 1875.

1896 Death of Baron Lothar von Faber. With no male heir, his wife takes over the running of the firm.

1898 Lothar von Faber's granddaughter and designated heir, Baroness Ottilie von Faber, marries Count Alexander zu Castell-Rüdenhausen (1866-1928) and the new family name of Faber-Castell is created.

1905 The green "Castell 9000" pencil is launched; the PITT pastels appears on the market.



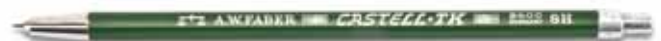
1908 Polychromos coloured pencils are introduced.

1911 In a second phase of building during the 1920s, large new factory buildings are constructed at the Stein headquarters to allow modern, industrialised mass production.

1928 Following the death of Count Alexander, his son Roland (1905-1978) takes over the family business.

1932 The firm enters into a cooperative agreement with the Johann Faber company and acquires a share in the "Lapis Johann Faber" factory in São Carlos, Brazil.

1948 The TK pencil, a mechanical pencil for technical drawing, is an international success.



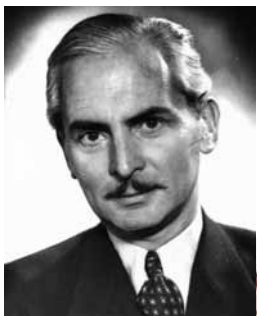
1956 A water turbine supply an early form of "green" energy, providing 30% of the power consumed by the factory in Stein.

1961 200th anniversary; secural bonding is introduced.



1898

1911



1928



1961

1978 Following the death of Count Roland, his son Anton-Wolfgang takes over the reins in eighth generation.

1978 Faber-Castell starts manufacturing wood-cased cosmetic pencils for firms selling under their own labels.

1984 Beginning of the sustainable forestry project in Brazil.

1990 The factories in Germany are redesigned in line with a colour concept developed by artist Werner Knaupp.

1992 Environment-friendly water-based paint technology is introduced on the pencil production line in Stein.

1993 Reorganisation of the product range strategy; the launch of the Graf von Faber-Castell Collection introduces a new generation of exclusive writing utensils and accessories.

1978



1984



1998 Introduction of “FABIQUUS”, the management system for quality, the environment and social affairs.

2000 Grip 2001, the ergonomic triangular pencil with raised dots, made with environment-friendly water-based paint, makes its market debut.

2000 Introduction of the Faber-Castell global Social Charter.

2001 The Graf von Faber-Castell Children’s Foundation is set up.

2001 A range of environmental programmes – Arboris, Animalis and ECommunitY – is established to protect forests and biodiversity in Brazil.

2003 Faber-Castell joins the UN Global Compact.

2004 Faber-Castell joins the Bavarian Environmental Pact.

2006 Introduction of the Brand Essentials – the core values of the Faber-Castell brand.

2009 Faber-Castell’s environmental and social standards are extended to the company’s suppliers.

1990



2001



2001

1.2 FABER-CASTELL TODAY

The Faber-Castell Group is one of the oldest industrial companies and family-owned businesses in the world. Now under the management of Count Anton-Wolfgang von Faber-Castell, it has been a family firm for eight generations and is one of the ever diminishing number of long-established companies not only to remain in family ownership, but to be managed by a member of the family. The story began in 1761, when cabinetmaker Kaspar Faber started manufacturing pencils at Stein near Nuremberg, and in so doing laid the foundations for the company of today.

In 2000, Faber-Castell became a non-listed joint-stock company with a corresponding management structure. Worldwide, the group has 15 production sites and 24 sales companies, which are centrally managed in strategically important areas. This includes uniform international standards in quality, the environment and social affairs, global brand management, a uniform human resources policy, and clear financial controlling standards based on a corresponding reporting system. Internal and external audits are performed at regular intervals to ensure that these guidelines are upheld to the same standard all over the world.

While the key principles are laid down by the management team at head office, Faber-Castell maintains decentralised structures in the three marketing units, Europe/North America, Latin America and Asia/Pacific. The company's international activities are controlled through regular marketing meetings, the meetings of worldwide Workshop Teams and Group Management Committees, where the essential decisions on the make-up of the product range and product developments are made. Faber-Castell employs approximately 7,000 people around the globe.

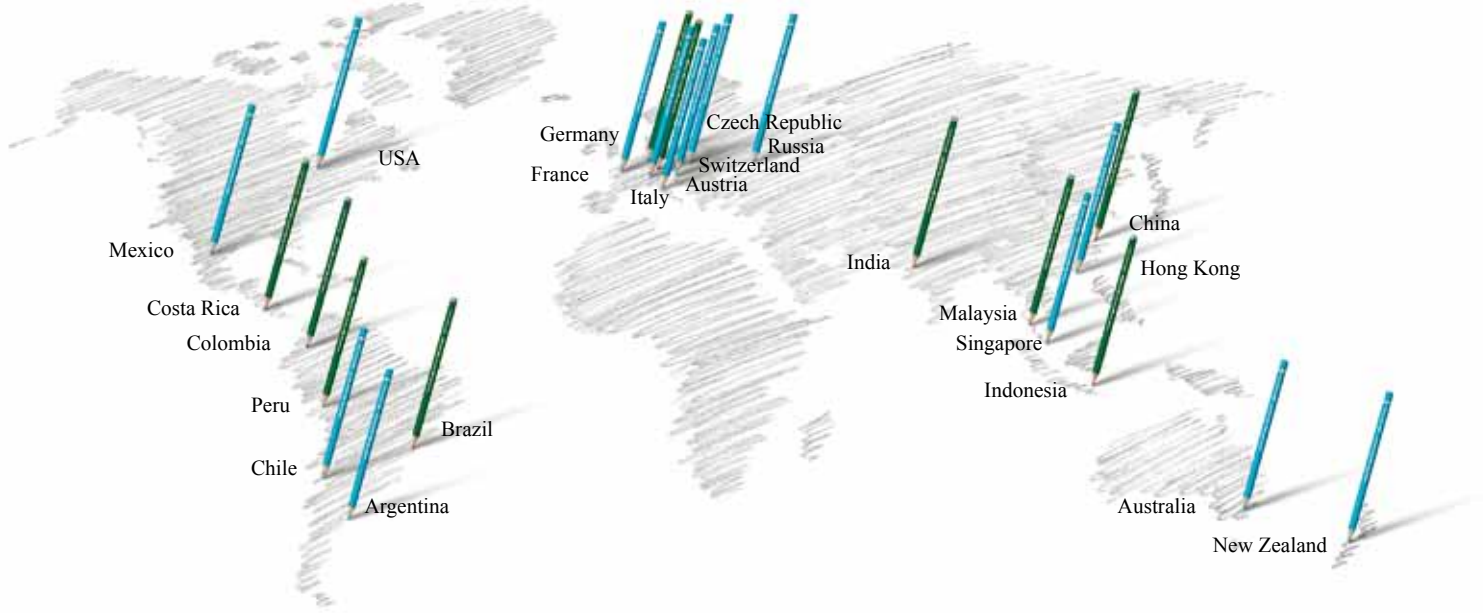
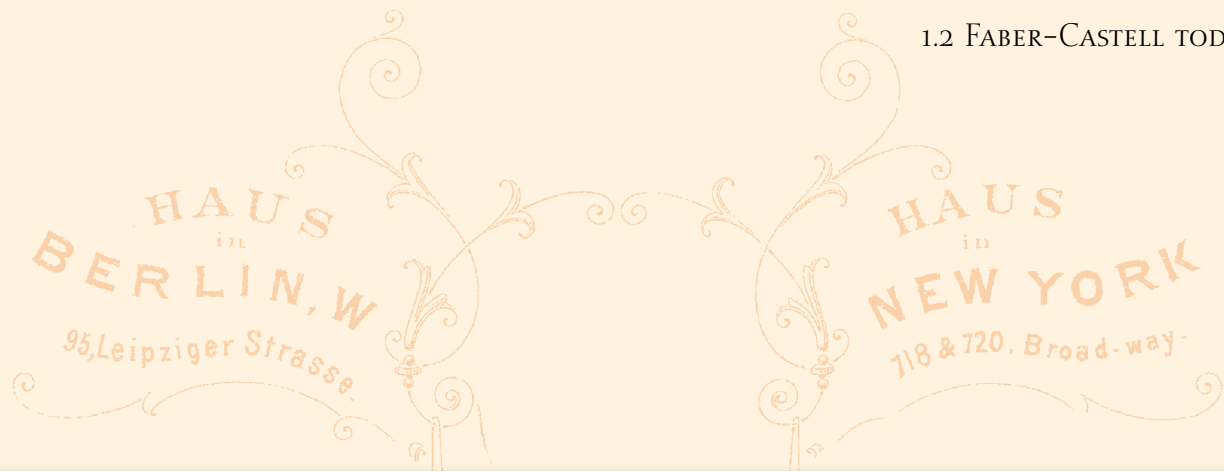
In 2010, the Eberhard Faber brand was added to the Faber-Castell portfolio. As a pure sales company, Eberhard Faber will complement the Faber-Castell Group product range as a specialised, independent creative brand.

THE FABER-CASTELL SALES COMPANIES

Faber-Castell products are marketed in over 120 countries by a network of 24 sales companies. These decentralised structures permit flexible adaptation to regional market circumstances. In this Sustainability Report, the sales organisations are not covered by the environmental and social analysis. However, it is intended that future reports will have a wider scope.

THE FABER-CASTELL PRODUCTION SITES

Faber-Castell operates 15 production sites in 10 different countries. This structure is in keeping with the corporate policy of manufacturing in the same regions where natural raw materials are found wherever possible. This has the effect of reducing transport costs, minimising the environmental impact of transport activities, and increasing process efficiency. It also makes best use of local knowledge of local resources, a strategy that has proved particularly successful in Brazil and Malaysia. The availability of local wood and rubber yields significant additional benefits.



PRODUCTION
SITES



SALES
COMPANIES

Faber-Castell operates 15 production sites in 10 countries, markets its products through 24 sales organisations, and is represented in over 120 different countries around the world.



CORPORATE FACTS AND FIGURES

Financial holding	Faber-Castell Aktiengesellschaft 90546 Stein Germany
Sole managing partner	Count Anton-Wolfgang von Faber-Castell
Founded	1761
Sales & marketing regions	Europa/North America Asia/Pacific Latin America
Production sites	15
Sales companies	24
Sales agents	in more than 120 countries
Employees	approximately 7,000 worldwide
Group revenues 2010/11	538.0 million Euro (<i>consolidated gross sales</i>)
Certificates	ISO 9001 ISO 14001 FSC-FM FSC-CoC PEFC Ecocert
Commitments	Faber-Castell Social Charter Faber-Castell Sustainable Forest Project Brazil UN Global Compact WWF Wood Group Biodiversity in Good Company Initiative B.A.U.M. Bavarian Environmental Pact VNU
Charitable foundation	Graf von Faber-Castell Children's Foundation

FINANCIAL DATA AT A GLANCE

Indicator	FY 2009/10	FY 2010/11	Percentage change
Gross sales	450.8 million Euro	538.0 million Euro	+ 19.3 %
- Europe/North America	168.1 million Euro	190.1 million Euro	+ 13.1 %
- Latin America	208.4 million Euro	251.1 million Euro	+ 20.5 %
- Asia/Pacific	74.3 million Euro	96.8 million Euro	+ 30.3 %
Operating result (before exceptional items)	28.4 million Euro	42.2 million Euro	+ 48.6 %
Investments	19.5 million Euro	25.4 million Euro	+ 30.3 %
Equity ratio	41.7 %	37.1 %	- 4.6 %

FINANCIAL TRENDS

Sales trend

For the Faber-Castell Group, the past business year 2010/11¹ has brought pleasing results. In the prelude to the 250th anniversary of the company, the corporate group was able to post sales of 538.0 million Euros (last year: 450.8 million Euros), a gain of 19% over the previous year and significantly above the target mark of 500 million Euros.

Within the Writing and Drawing Instruments division, the high-revenue fields of competence “Playing & Learning” for the 3-12 year age group and “General Writing” achieved strong growth worldwide with increased sales of 19% (last year: + 13%) and 18% respectively.

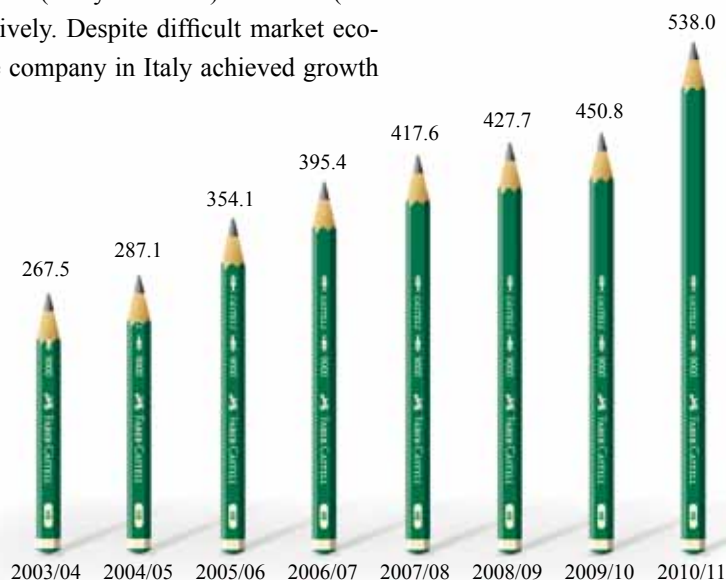
Europe/North America

While the domestic German business was able to maintain its good position with growth of 6%, the reduced revenue of the previous year in the export and promotional materials/special-order business was compensated by growth rates of 12% (last year: - 7%) and 26% (last year: - 16%) respectively. Despite difficult market economy conditions, the company in Italy achieved growth

of 6%. And following on from its strong performance in the previous year (+ 32%), the US company also showed growth from 8%. The overall increase in sales for the Europe/North America region was + 10% (compared with + 7% in 2009/10).

Latin America

In overall business in local currency, Faber-Castell Brazil achieved a growth in sales of 6% over the previous year (- 7%). Argentina (business year 2009/10: + 17%; 2010/11: + 34% in local currency) and Chile (2009/10: + 19%; 2010/11: 16% in local currency) recorded the strongest growth figures in South America. Peru and Colombia were more than able to compensate for the drop in sales of the previous year (- 4% and - 3% respectively), by posting increases of 10% and 9% respective (in local currency). The overall sales increase for Latin America was + 20% (compared with + 4% last year).

**FABER-CASTELL GENERATES SUSTAINED GROWTH**

Development of global sales since 2003/04 (figures in millions of Euros).
Sales have doubled in the past seven years.

¹ End of business year: 31 March 2011

To mark the firm's 250th anniversary, delegations from all companies in the Faber-Castell Group came together to celebrate in style at Stein.



Asia/Pacific

The Asia/Pacific region once again achieved above average growth from + 30 % (business year 2009/10: + 9 %). It was possible to expand business in China by 33 % in local currency (compared with a decline of 26 % last year), due in particular to the expansion of distribution in the south of the country. Sales in Malaysia grew by 23 % (compared with a 7 % decrease last year) in local currency. While India (business year 2009/10: + 22 %; 2010/11: + 20 %) and Indonesia (2009/10: + 21 %; 2010/11: + 12 %) also achieved good growth rates in local currency, sales in Australia fell by 4 % (in local currency) as a direct result of the floods (last year: + 10 %).

Cosmetics segment

Thanks to the launch of new products and the acquisition of new customers, the Cosmetics segment achieved higher revenues in the past year of 26 % (business year 2009/10: + 2 %) overall, with Germany adding 23 % and Brazil 18 % in local currency (34 % in Euros).

IN FOCUS: RISK MANAGEMENT

A standard risk management system is in place across all companies in the Faber-Castell Group. Risk managers compile, consolidate and evaluate the annual risk inventory. The necessary data is supplied by the individual companies, who identify the risk type, estimated risk level and probability of occurrence.

All risks are continuously monitored so that any necessary steps can be taken at the appropriate time. Budget deviations are also analysed at regular management review meetings. Regular audits demonstrate that risks in the Faber-Castell Group do not threaten the company as a going concern, either individually or collectively.



Profit situation

Good progress was made regarding the earning position in the past business year. Operating earnings were raised by 48.6% to 42.2 million Euros (previous year: 28.4 million Euros). However, whereas positive one-off effects in Brazil (reversal of risk provisions, refund of overpaid contributions) led to profits before tax of 46.5 million Euros in 2009/10, higher pension and tax provisions to a level of 2.7 million Euros were accumulated in 2010/11 due to new accounting rules (BilMoG), resulting in profit before tax of 39.5 million Euros.

Investment projects, especially in the core competence sector of wood-cased pencils, were expanded significantly and amounted to 25.4 million Euros worldwide. Due to dividend payments and the new accounting rules, the equity ratio dipped slightly to 37.1%.

Sustainable investments secure earning power – outlook for business year 2010/11

The growth in sales has continued in the current business year. After five months, gross sales stand at 189.1 million Euro (5.1% above previous year). Europe/North America are adding 5.6%, Latin America and Asia/Pacific are growing at rates of 4.5% and 4.9% respectively.

For the current business year the group is aiming at a growth in sales of at least 5% in the current business conditions with stable exchange rates, with slightly rising profit margins (without special factors) as well as a structural improvement of key figures from the balance sheet.

By implementing a consistent brand strategy incorporating its “point of difference” and a clear retail marketing concept, the Group intends to both increase market share in developed markets and leverage potential in growth markets. The focus is not, however, on short-term profit but on healthy, sustained growth. Carefully chosen investments will also help to secure the position of Faber-Castell’s global sites.

1.3 FABER-CASTELL COSMETICS



Global production sites,  sales offices  and agents  for Faber-Castell Cosmetics



FSC
Use of wood from sustainable, FSC certified forests.



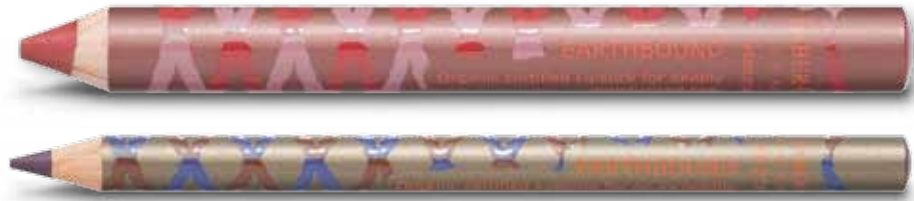
ECOCERT
Internationally recognised certificate for the ecological and biological quality of cosmetic products.



NATRUE (product-specific)
The NATRUE label guarantees that a product contains natural and organic ingredients and was manufactured using low-impact processes and environment-friendly practices.

ISO 9001
ISO 14001

The Earthbound natural make-up concept was the winner at the Packaging Design Beauty Awards at Cosmoprof 2011



Faber-Castell Cosmetics is one of the leading private label manufacturers of cosmetic products, working in partnership with all major international cosmetic brands. With production sites in Germany and Brazil and sales agents in 14 countries, the cosmetics division has become a truly global enterprise.

Utilising custom developments and innovative technologies, Faber-Castell Cosmetics produces state-of-the-art products for the face, eye, lip and nail categories that can be tailored to the individual customer's requirements. Carefully selected ingredients make the products easy to apply and a pleasure to wear.

The extensive Faber-Castell Cosmetics product range is an intelligent modular system of formulations, packaging and accessories – a unique concept that meets and exceeds the highest quality standards and ever growing customer demands.

Products are manufactured in accordance with international cosmetics regulations and good manufacturing practice, which sets out mandatory guidelines for all stages of production. Faber-Castell Cosmetics is also audited and certified by Ecocert and the Forest Stewardship Council (FSC).

Sustainability management and ecological responsibility have always been part of the company's core values. Faber-Castell Cosmetics upholds these principles while responding to the demands of a dynamic cosmetics industry and develops natural cosmetic products made of FSC certified wood and carrying the internationally recognized Ecocert, NATRUE and FSC labels.

Faber-Castell Cosmetics is a pioneer in environmentally responsible cosmetic products. The *Truly Natural* make-up concept, first introduced in 2008, uses renewable natural resources – hence the motto *It's our Nature®* – and was adapted by a number of cosmetic and nail care brands.

This year, Faber-Castell Cosmetics has launched the latest generation of high-quality, natural cosmetics, with organic certification from Ecocert: *Earthbound*, a sustainable cosmetics range based on high-quality organic waxes and oils, and *Nude Power Lipstick* with active moisturizing properties that have been substantiated by efficacy tests.



1.4 THE PRODUCT RANGE ...



The Faber-Castell range, comprising over 2,000 products, is divided into five core areas.



FSC
More than 95% of the wood used around the world to produce pencils for the Faber-Castell Group comes from FSC certified plantations and sustainable sources.



Water-based paint
Virtually all the pencils produced at the main factory in Stein are coated with an environmentally friendly water-based paint. This is even used for the raised dots on the GRIP pencils.



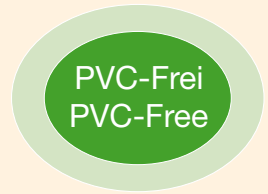
EcoPencil
Wood from sustainably managed forests.



Secural bonding
The patented secural bonding method makes the wood-cased pencils extremely resilient and gives them a longer life-time.



Polypropylene
The shafts and caps of Faber-Castell markers and fibre-tip pens are made of polypropylene (PP) to protect them from drying out quickly. Their ink will last for years. The product also has a minimal environmental impact after use, because PP burns like candle wax.



PVC-free
As a world leader in the production of erasers, Faber-Castell avoids the use of harmful softeners. Most erasers are made from PVC-free plastic.

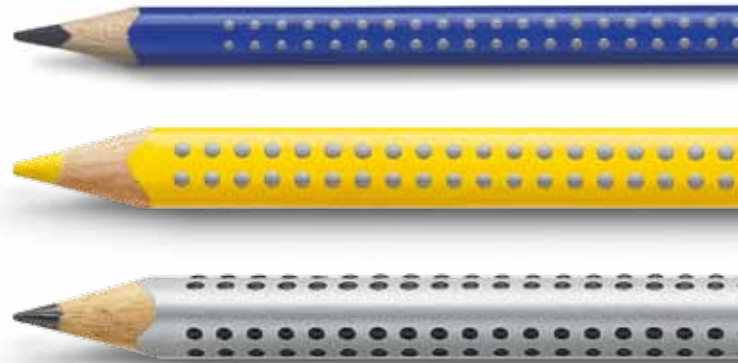
1894

Even in the early days, the A.W. Faber price list included 170 different product groups.

... PLAYING & LEARNING

The “Playing & Learning” range in its red packaging supports and encourages the child’s natural desire to draw, paint and write. Faber-Castell develops and manufactures crayons, pencils and paints geared towards different stages of learning and skills development. We work closely with external child development experts, educators, market researchers, and designers who specialise in products for children.

The result is a diverse and innovative product range that offers children and their parents paedagogical, ergonomic and ecological added value while meeting the highest quality and safety standards.





To mark its 250th anniversary in 2011, Faber-Castell presented an exclusive, limited edition Art & Graphic case.

... ART & GRAPHIC

“Art & Graphic”, which is held in high esteem by hobby painters and professionals alike, combines the best from 250 years of experience in developing and manufacturing exclusive artists’ products.

The brand has been prized by eminent personalities from Vincent van Gogh and Paul Klee to Neo Rauch and Karl Lagerfeld. The use of high-quality artists’ pigments guarantees lightfastness and thus a brilliance and colour intensity that lasts for decades, helping artists to create timeless works of art.



AMBITION fountain pen with coconut wood shaft

... PREMIUM

The “Design” series, with its purist and functional language of form, has become an elementary building block in the Faber-Castell range. The series is aimed at satisfying the needs of demanding consumers, and the elegant products are particularly suitable as presents. The unmistakable visual feature, recurring like a common thread, is wood: it symbolises the company’s world-wide core competence.



GRAF VON FABER-CASTELL



The “Perfect Pencil”, platinum-plated with integrated sharpener and eraser



Taking his inspiration from selected writing instruments created by his ancestor, Baron Lothar von Faber, Count Anton-Wolfgang von Faber-Castell takes delight in re-discovering products from the past and recreating them for our times with timeless design and modern technology. These ideas resulted in the “Graf von Faber-Castell Collection”. The core product of the range, complementing the refined writing instruments made of precious woods and the elegant desktop and leather accessories, is the “Perfect Pencil”.



Pocket pencil, 1885





... GENERAL WRITING

Faber-Castell's "General Writing" field of competence complements the modern office or study in the form of functional writing implements for taking notes, sketching, and correcting texts. Besides function and attractive design, Faber-Castell also sees its strength in focusing

on intelligent additional benefits for the consumer: for example, the non-slip grip zone on the "GRIP 2001" pencils. This unique position is the reason why the company is leading the field in many markets.





... MARKING

The logical extension of the market position in the “Marking” field of competence is backed up by a wide range of products. For example, the versatile MULTIMARK pens write reliably on CDs, plastic document sleeves and overhead transparencies, glass, aluminium, or wood. Thanks to the built-in eraser, corrections can be made at any time. The colourful Textliner highlighters

keep going for miles and miles. They can be very simply refilled with environment-friendly water-based ink. The new GRIP MARKER range offers unique design, ergonomics and environmental thinking. The ergonomic triangular shape allows to work for extended periods without fatigue while the grip zone with raised dots ensures a secure hold and grip.



1.5 THE FABER-CASTELL PRODUCTION SITES

EUROPE

Germany	Stein, Geroldsgrün
Austria	Engelhartszell

LATIN AMERICA

Brazil	São Carlos, Prata, Manaus
Costa Rica	Neily
Peru	Lima
Colombia	Bogotá

ASIA

Indonesia	Bekasi, Jakarta
India	Goa, Daman
Malaysia	Kuala Lumpur
China	Guangzhou

The employee numbers given on the following pages refer to the business year 2010/11.

1849

Establishment of the
New York office



STEIN, GERMANY HEAD OFFICE | FOUNDED 1761 | WORKFORCE 860

PROCESSES: RESEARCH & DEVELOPMENT | PRODUCTION | SALES & MARKETING

PRODUCTS: WOOD-CASED GRAPHITE AND COLOURED PENCILS, INCLUDING PENCIL LEAD
PRODUCTION | HIGH-QUALITY ARTISTS' PENCILS AND PASTELS | COSMETIC PRODUCTS

CERTIFICATES: ISO 9001 | ISO 14001 | FSC | PEFC | ECOCERT

The site first purchased by the son of the founder Kaspar Faber in 1783 has, over the centuries, developed into a historically significant industrial complex. It is the headquarters of the international group of companies. On the right bank of the Rednitz, the site comprises administrative buildings, production facilities for wooden and cosmetic pencils, the chateau which was the former family residence, and adjoining villas. On the other side of the river is the lead production facility, the hydroelectric turbine and the “Alte Mine” industrial museum.

The factory originally erected by Count Alexander von Faber-Castell in 1926 is a listed building and now houses a modern automated production facility, which manufactures approximately 500,000 pencils every day. The stringent quality controls are still performed primarily by hand. The company’s headquarters are also home to all the testing and laboratory facilities needed for product development and quality assessment. Adjacent to the production building are the international sales, marketing and logistics departments, which take Faber-Castell products to market all over the world.

The factory is open to the public and there are plans to build a new and improved visitor experience. The factory, chateau, shop and museum already welcome almost 20,000 visitors a year, including a large number of school groups. Designed on the basis of a unique colour concept, the factory, together with the chateau, villas and extensive grounds, provides a unique attraction for young and old and creates an emotional connection with the brand.



ENVIRONMENT MATTERS

- Use of environment-friendly water-based paint;
- site generates its own electricity through a hydroelectric turbine and wood pellet combustion plant;
- ongoing refurbishment of the historical buildings to reduce energy consumption.



GEROLDSGRÜN, GERMANY FOUNDED 1861 | WORKFORCE 260

PROCESSES: RESEARCH & DEVELOPMENT | PRODUCTION

PRODUCTS: INJECTION-MOULDED PARTS ARE PRODUCED AND ASSEMBLED TO MAKE COSMETIC APPLICATORS | WRITING AND DRAWING INSTRUMENTS ARE MANUFACTURED AND FILLED WITH INKS OR PASTES

CERTIFICATES: ISO 9001 | ISO 14001

The Geroldsgrün site was first established in 1861, 100 years after the company was founded, and is now the competence centre for plastic parts and writing and drawing instruments, with a large-scale injection-moulding plant and toolmaking facility.

The products manufactured at this former slate factory includes modern, high-tech fineliner and rollerball pens, non-permanent markers, fibre-tip pens, and a range of technical drawing instruments. The development, assembly and filling of cosmetic applicators has a long tradition.

The production site has undergone extensive modernisation and restructuring over the last ten years, with an attractive new colour concept and a complete technical upgrade of the production area. Geroldsgrün is the Faber-Castell Group's competence centre for plastic technology and development centre for mechanical products. The large injection-moulding facility with expert operators, modern CAD management and further production automation has produced numerous innovative new products in recent years, in both the writing and drawing and cosmetics lines. The highly efficient production lines at Geroldsgrün are set to continue playing a vital role in the international Faber-Castell corporate family.



ENVIRONMENT MATTERS

- Responsible handling of materials and waste water, as the factory is located in a popular tourist region and the River Ölsnitz flows through the site;
- the injection-moulding machines are operated in a closed circuit, with a new energy-saving water cooling system for process water introduced in 2010;
- ongoing refurbishment to reduce energy consumption.

ENGELHARTSZELL, AUSTRIA

FOUNDED 1963 | WORKFORCE 45

PROCESSES: PRODUCTION

PRODUCTS: INKS | HIGHLIGHTER PENS | INJECTION-MOULDED PARTS

CERTIFICATES: ISO 9001 | ISO 14001

Engelhartszell is a small but highly efficient factory near the Austrian-German border with many years of experience in ink and highlighter production. It is here that liquid inks are manufactured for all the Faber-Castell factories worldwide. In addition to liquid inks, the factory makes fluorescent inks for Faber-Castell highlighters.

The world-famous “Textliner 48” is produced exclusively at Engelhartszell and shipped all over the globe. The plant makes use of highly automated processes to facilitate the production and assembly of injection-moulded parts. Because of the similarities in the plastic processing methods employed, the Geroldsgrün and Engelhartszell plants collaborate on design and toolmaking.



ENVIRONMENT MATTERS

- Responsible handling of materials and waste water, as the factory is located near the banks of the Danube;
- in-house waste water control for ink production;
- injection-moulding systems use a closed cooling circuit with heat recovery, significantly reducing fuel oil consumption.



SÃO CARLOS, BRAZIL FOUNDED 1930 | WORKFORCE 1,709

PROCESSES: RESEARCH & DEVELOPMENT | PRODUCTION | DISTRIBUTION CENTRE |
SALES & MARKETING

PRODUCTS: WOOD-CASED GRAPHITE AND COLOURED PENCILS, INCLUDING PENCIL LEADS |
WAX CRAYONS | WRITING ACCESSORIES | COSMETIC PRODUCTS

CERTIFICATES: ISO 9001 | ISO 14001 | FSC

São Carlos, the largest factory in the Faber-Castell Group, produces close to two billions wood-cased pencils every year, making it one of the biggest manufacturers in this segment. Most of the writing instruments made here are sold on the Latin American and North American markets. In addition to wood-cased graphite and coloured pencils, São Carlos is home to a modern cosmetics production facility. Products and processes are defined by group headquarters at Stein, in order to ensure compliance with the regulations and requirements of the cosmetic industry.

São Carlos is involved in various environmental programmes and operates an exemplary human resources policy. Employees take part in daily exercise sessions and regular training programmes and are encouraged to get involved in social projects.



ENVIRONMENT MATTERS

- Use of wood from sustainable forestry, mostly FSC certified;
- extensive use of renewable and carbon-neutral energy sources, including the factory's own wood chip combustion plant;
- modern waste water treatment system;
- responsible handling of materials, especially for cosmetic products.



PRATA, BRAZIL FOUNDED 1989 | WORKFORCE 446

PROCESSES: FORESTS | SAWMILL

PRODUCTS: RAISING PINE SEEDLINGS | WOODEN SLATS FOR COLOURED, GRAPHITE AND COSMETIC PENCILS

CERTIFICATES: ISO 9001 | ISO 14001 | FSC-Forest Management

Prata is located over 2,500 kilometres away from the Amazon rainforest, in southeastern Brazil. Pine seedlings (*Pinus caribaea hondurensis*) began to be planted in the dry savannah region in the mid-1980s. This project was initiated to reduce dependence on suppliers, provide Faber-Castell with its own source of this valuable material, and ensure consistently high quality. The forests now cover an area of 10,000 hectares, including around 2,700 hectares which are left in their natural state. Thanks to a biodiversity programme unique to the industry, the managed forests provide a habitat for numerous animal and plant species. 13 of the 504 species recorded in the area are threatened with extinction. Harvested areas are continually replanted in accordance with the strict requirements of FSC certification, creating a continuous ecological cycle. A sawmill situated near the plantations, established in 1989, converts the harvested wood into slats. The slats must be dried for several months before they can be sent to São Carlos, where they are further processed into pencils.



ENVIRONMENT MATTERS

- Use of renewable energy to power the sawmill and wood drying facility;
- ecological forestry programme including measures to protect biodiversity;
- FSC-Forest Management certification (FSC-FM).

MANAUS, BRAZIL FOUNDED 2006 | WORKFORCE 201

PROCESSES: PRODUCTION

PRODUCTS: MARKERS | BALLPOINT PENS | SHARPENERS

CERTIFICATES: ISO 9001 | ISO 14001

Manaus, in the state of Amazonas, specialises in the production of plastic products. The factory manufactures ballpoint pens, markers and sharpeners for the Latin American market. Modern equipment guarantees compliance with clearly defined processes as well as high product quality. Processes and requirements, including the comprehensive social and environmental standards, are controlled by the main plant at São Carlos.

ENVIRONMENT MATTERS

- Use of renewable energy to manufacture plastic products.





LIMA, PERU FOUNDED 1965 | WORKFORCE 950

PROCESSES: RESEARCH & DEVELOPMENT | PRODUCTION | SALES & MARKETING

PRODUCTS: BALLPOINT PENS | FIBRE-TIP PENS | MARKERS

CERTIFICATES: ISO 9001 | ISO 14001

The Lima factory was founded in 1965. It is the Faber-Castell Group's specialist in all types of markers and ballpoint pens. The factory is equipped with modern injection-moulding machines and assembly lines to ensure the high quality of the products. In recent years, significant investments were made in new technologies, buildings and product design software. The highly trained technical team are able to design their own machines, a capacity which certainly pays for itself, because Lima is currently one of the most efficient production facilities in the Faber-Castell Group.

The team at Lima has developed new processes for modelling clays and wax crayons. Through continuous process improvements, the reject rate has been reduced by around 40% over the past two years. The company also invested in extensive laboratory and analysis equipment to satisfy the stringent requirements and standards of the European market and maintain the quality of raw materials and end products.

At Lima, particular attention is given to the responsible use of resources, the reduction of carbon emissions and the optimisation of working conditions. The use of building insulation, an improved ventilation system and a new canteen building all help to provide a pleasant working environment. A modern waste water treatment plant ensures that the required water quality is maintained.

ENVIRONMENT MATTERS

- Optimised building insulation;
- environment-friendly washing system for metal parts;
- in-house carbon dioxide study and monitoring programme;
- use of a modern waste water treatment system.





BOGOTÁ, COLOMBIA FOUNDED 1976 | WORKFORCE 180

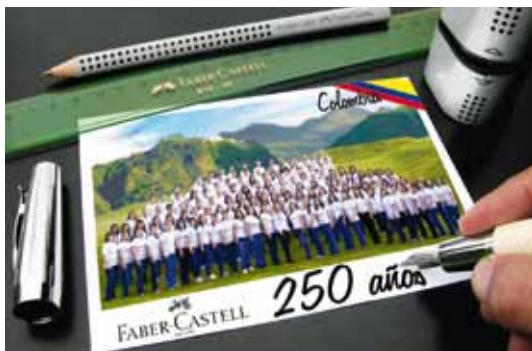
PROCESSES: PRODUCTION | SALES & MARKETING

PRODUCTS: WAX CRAYONS | MODELLING CLAYS | COLOURS | DRAWING ACCESSORIES

CERTIFICATES: ISO 9001 | ISO 14001

The Faber-Castell factory in Bogotá, founded in 1976, is one of the biggest suppliers of drawing implements (rulers) and school supplies in Colombia. Faber-Castell is the only writing materials manufacturer in the country to use a certified quality and environmental management system and to be externally audited, in this case through the Faber-Castell global Social Charter.

By running workshops in schools and presenting films about environmental issues, Faber-Castell aims to educate children about conservation through a fun approach. The company is involved in various social projects in Colombia, for example regular donations and fundraising campaigns in aid of children with disabilities and support for the children's charity "Fundación Pies Descalzos", which was set up by pop star Shakira.



ENVIRONMENT MATTERS

- Raising awareness of environmental issues among schoolchildren;
- dedicated waste water treatment plant.



NEILY, COSTA RICA FOUNDED 1996 | WORKFORCE 152

PROCESSES: SAWMILL | PRODUCTION

PRODUCTS: WOODEN SLATS | WOOD-CASED COLOURED PENCILS

CERTIFICATES: ISO 9001 | ISO 14001 | FSC

The Maderin Eco company, a small sawmill in southern Costa Rica, was founded in 1996. In 2001 it began producing coloured pencils in addition to slats.

The workforce of around 150 employees ensures a high standard of quality, producing approximately 249 million wood-cased pencils per year. Slats manufactured in Costa Rica are also used to make pencils in São Carlos.

ENVIRONMENT MATTERS

- Use of renewable energy to power the sawmill, wood drying facility and pencil production;
- wood chips are used to generate power for the factory's own use and feed-in to the electricity grid.





BEKASI, INDONESIA FOUNDED 1990 | WORKFORCE 783

PROCESSES: PRODUCTION | SALES & MARKETING

PRODUCTS: WOOD-CASED GRAPHITE AND COLOURED PENCILS | WRITING ACCESSORIES

CERTIFICATES: ISO 9001 | ISO 14001 | FSC | PEFC

Faber-Castell Indonesia is the fourth production plant for graphite and coloured pencils, the others being Brazil, Germany and Costa Rica. Around 360 million pencils are produced here annually, a figure which is increasing rapidly in response to the growing demand for Faber-Castell pencils in Indonesia.

To cope with future demand, the Bekasi factory has been extensively modernised in recent years. The company has invested in new equipment and refurbished entire production buildings. Facilities such as break rooms, the canteen and employee car parks were also improved to create a pleasant working environment. Modern health and safety measures have been put in place, for example in the pencil processing and painting areas, to comply with Faber-Castell's uniform factory standards.

Faber-Castell Indonesia supports its local community through donations and fundraising campaigns. The company organises social activities such as participation in Children's Day, donates to charitable causes, and takes an active interest in the health and well-being of its workforce. For example, employees and their families receive free medical treatment through contracts with three local hospitals.

Today, Faber-Castell Indonesia is an efficient operation within the corporate group and its social and environmental commitment has been recognised through numerous awards, such as the Indonesian "Green Factory Award".

ENVIRONMENT MATTERS

- Use of wood from sustainable forestry, mostly FSC certified;
- use of renewable energy, mostly from the factory's own wood pellet combustion plant, but also from the grid;
- modern waste water treatment system.





JAKARTA, INDONESIA FOUNDED 2008 | WORKFORCE 560

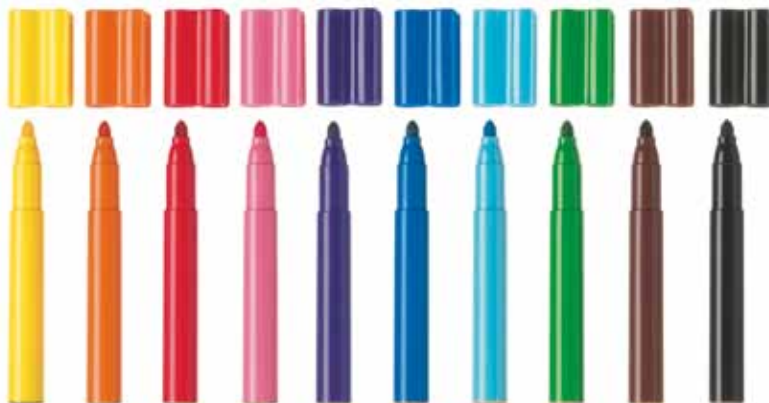
PROCESSES: PRODUCTION | ASSEMBLY OF WRITING INSTRUMENTS |
 WAREHOUSE AND TRANSSHIPMENT CENTRE FOR FABER-CASTELL PRODUCTS | SALES
 PRODUCTS: HIGHLIGHTER PENS | FIBRE-TIP PENS | MARKERS
 CERTIFICATES: ISO 9001 | ISO 14001

The production plant of Faber-Castell International Indonesia was built in 2008 in a modern industrial park near Jakarta. One of the most technologically advanced factories operated by Faber-Castell, it produces fibre-tip, marker and highlighter pens. It also manufactures its own ink. The large storage capacity at the site guarantees high product availability on the fast-growing Indonesian market.

The production and warehouse buildings are designed to be as spacious as possible, and to improve the indoor climate, a water-humidified air cooling system developed in-house is used in place of power-hungry electrical air conditioning. The ink production facility is equipped with a modern waste water treatment system.

The site includes several hectares of as yet unused land, providing scope for future expansion. There are plans to build an ecologically designed office complex with alternative air conditioning technology and areas planted with trees. To make immediate ecological use of the land, two hectares have been planted with jabon trees.

In 2010, the production plant received ISO certification for its quality and environmental management processes. In spring 2011, an external social audit was carried out in accordance with the Faber-Castell Social Charter.



ENVIRONMENT MATTERS

- In-house ink production facility with waste water treatment system;
- alternative air conditioning technology with water-humidified air cooling;
- two hectares planted with trees.



GOA, INDIA

FOUNDED 1998 | WORKFORCE 40

PROCESSES: PRODUCTION

PRODUCTS: WAX CRAYONS | ERASERS |

HIGHLIGHTER PENS | CHILDREN'S MARKERS | INK WRITING IMPLEMENTS

CERTIFICATES: ISO 9001 | ISO 14001



Faber-Castell's Indian plant was built in 1998 at an industrial park in Goa and mainly produces wax crayons, highlighters and ink writing implements. A rented office building in the city of Mumbai is used for administrative purposes. Mumbai is also home to a development centre for the creation of new Faber-Castell products. Faber-Castell India exports its products to over 40 countries and is directly responsible for sales and marketing in the SAARC region (South Asian Association for Regional Cooperation). A fire in autumn 2010 did substantial damage to the Goa factory and called a temporary halt to production.

ENVIRONMENT MATTERS

- Environment-friendly refurbishment of the site following fire damage;
- planning of new production buildings in line with modern environmental considerations.



As the Indian market and the products manufactured here are strategically important to the Faber-Castell Group, there are plans to construct a new, more modern production facility. This will help to ensure that Faber-Castell India – a centre of competence, primarily for wax crayons and oil pastels – continues to play a vital role in the corporate group. The new concept will incorporate progressive environmental and social standards, and trade unions and employee representatives will be actively involved in the redesign of the factory.



DAMAN, INDIA FOUNDED 2009 | WORKFORCE 50

PROCESSES: PRODUCTION

PRODUCTS: WAX CRAYONS | MODELLING CLAY | HIGHLIGHTER PENS | FIBRE-TIP PENS | MARKERS

CERTIFICATES: ISO 9001 | ISO 14001

The Faber-Castell factory in Daman specialises in the production of markers, fibre-tip pens, oil pastels and wax crayons. The rented buildings are situated in an industrial zone of the Daman district near the city of Mumbai.

After the temporary shutdown of the Goa factory, in addition to implementing the increased use of suppliers, key processes had to be relocated to the Daman plant.

All processes at Faber-Castell India are ISO certified and integrated in the unified global management system FABIQUS.

Particularly in developing economies, findings from quality, environmental and social audits play a crucial role in sustaining and improving structures and processes. The importance attached to these audits at Faber-Castell is witnessed by the fact that, in 2011, they made a key contribution to the creation of a pioneering strategy for the future production of Faber-Castell products in India.

ENVIRONMENT MATTERS

- Use of renewable energy.





KUALA LUMPUR, MALAYSIA FOUNDED 1978 | WORKFORCE 450

PROCESSES: RESEARCH & DEVELOPMENT | PRODUCTION | SALES & MARKETING

PRODUCTS: ERASERS | HIGHLIGHTER PENS | WRITING ACCESSORIES

CERTIFICATES: ISO 9001 | ISO 14001

Faber-Castell Malaysia was founded as a sales organisation in 1978 and began manufacturing erasers in 1980. With an annual output of approximately 500 million erasers, it is the largest such manufacturer in the world. Malaysia has its own plentiful sources of rubber, the most important material in eraser production. This has the advantage of reducing the amount of transport required, which in turn reduces pollution. The factory is designed along modern lines. In recent years both equipment and processes have been optimised, making Faber-Castell Malaysia one of the most advanced and efficient factories in the Faber-Castell Group. Systems such as 5S and Kaizen not only improve tidiness and cleanliness, but also increase employee motivation by directly involving employees in improvement processes.

The excellent innovation of Faber-Castell Malaysia in product development has won the company the Super Brand Award, the ISPA Award 2007 and the iF Design and Promotional Gifts Award 2008. The company also won the PBS Award 2008 for its Kosmo eraser. The Malaysian factory is also home to a 19.75-metre-tall pencil, which in 2002 made it into the Guinness Book of Records as the world's biggest pencil.

ENVIRONMENT MATTERS

- Use of natural rubber and PVC-free materials in eraser production;
- dedicated waste water treatment plant.





GUANGZHOU, CHINA FOUNDED 2000 | WORKFORCE 520

PROCESSES: PRODUCTION | SALES

PRODUCTS: SHARPENERS | ERASERS | PLASTIC WRITING INSTRUMENTS

CERTIFICATES: ISO 9001 | ISO 14001

The factory at Guangzhou was set up in 2000, making it the youngest Faber-Castell site in the world. Employing 520 people, it is a highly efficient factory producing plastic writing instruments, sharpeners and erasers.

Environmental protection and social commitment are important components of the company's philosophy and are integrated in its business processes. In 2011, the Guangzhou factory was also certified in line with international quality and environmental standards and incorporated in the integrated management system FABIQUS. These certified standards are supplemented by independent social audits with the involvement of trade unions.

Dialogue with the unions forms the focus of Faber-Castell's social commitment in China. All employees are members of the employees' organisation, partly due to the fact that, in China, various social benefits are assured through union membership. Employees also enjoy benefits such as organised outings, recreation rooms with table tennis and a library. Among other activities, the workforce raised money to support the victims of the 2008 Sichuan earthquake.

ENVIRONMENT MATTERS

- Recycling of plastic waste for production;
- establishment of a modern waste sorting and disposal system.



2. THE PRINCIPLES OF SUSTAINABILITY

“ULTIMATELY, TRADITION
IS WHAT RESULTS FROM
MAKING THE GREATEST
POSSIBLE SUCCESS OF THE
PRESENT.”

COUNT ANTON-WOLFGANG VON FABER-CASTELL



1905

Count Alexander introduces the jousting motif, representing the chivalrous virtues of the medieval age, as the company's trademark.

1993

As part of the redesign by Count Anton-Wolfgang von Faber-Castell, the motif is modified and incorporated into the new company logo.

2.1 SUSTAINABLE MANAGEMENT



Faber-Castell holds itself to a high standard of sustainable management. Successful strategic management is a constant process of learning and adaptation in response to the sometimes surprising developments on international markets. As a general rule, increasing brand value is a guarantee of long-term profitability.

For Faber-Castell, the size of the concern is not therefore a goal in itself, but increasing earning power certainly is. The aim to be “best in class”, to be unique, and to offer the customer additional benefits is the driving force behind the development of new Faber-Castell products.

“Tradition means, keeping the glow, not the ashes, alive. The success of Faber-Castell throughout the centuries is a result of valuing years of experience, striving to make the ordinary extraordinarily good, being open to new ideas and acting responsibly with entrepreneurial spirit. These Values apply not only to the brand but to the entire company as well and form the basis of both our identity and our long term success.”

Count Anton-Wolfgang von Faber-Castell

2.2 STRATEGIC GUIDELINES AND PLANNING

Faber-Castell's core strategies are defined by its board of directors and implemented by all worldwide subsidiaries.

The values by which all decisions and targets are ultimately governed are the "10 GUIDING PRINCIPLES". These guidelines are designed to make the company an innovative, competitive and profitable brand in the global writing, drawing and creative design market.



At the ceremony marking the company's 250th anniversary, Count Anton-Wolfgang von Faber-Castell set out the company's goals and strategies.



In 1965, Count Roland von Faber-Castell created the Faber-Castell ring as a means of recognising particularly excellent employees and as testament to the link between the company's directors and the recipients. Count Anton-Wolfgang von Faber-Castell (third from left) used the 250th anniversary celebrations to continue this tradition, presenting the Faber-Castell ring to five employees.

THE 10 GUIDING PRINCIPLES OF FABER-CASTELL – THE SUPREME VALUES FOR ALL ASPECTS OF THE COMPANY

1. Tradition & Heritage

Faber-Castell was founded in 1761 and is in the hands of the 8th generation successors to the founder of the firm. Therefore Faber-Castell is the oldest manufacturer of writing instruments in the world. The company is also set to be managed as an independent family firm in the future.

2. Staff

Our employees and our brand are our most important assets. We encourage and demand innovative and enterprising thought and action as well as international expertise. We deal openly with one another and resolve conflicts in a manner which is practical and appropriate in an organisation of trust. We feel duty bound to our traditions and our social responsibility. Faber-Castell had already established Germany's second oldest company health insurance fund and Bavaria's oldest kindergarten by 1844.

3. Our Brand

Our main focus is on a stringent brand management from product design to adequate communication. An unmistakable, timeless design is a constituent part of our brand philosophy. We are fully focused on strengthening our brand, as this substantially contributes to securing Faber-Castell's profitability in the long term.

4. Products

In 1839 Faber-Castell created the first brand lead pencil in the world and did so with outstanding quality. Pencil writing also remains a core area of expertise of the company today. In clearly defined fields of competence Faber-Castell develops, produces and markets products of excellent quality for writing, drawing, painting and the creative arts as well as decorative cosmetic products. We set ourselves the benchmark of providing a product which is the "best of its class" for all products offered. Our products should be a lifelong companion for people, and in this regard we feel we have a special duty to children as a target group.

5. Innovation

Faber-Castell innovation is not pursued for innovation's sake, but as the means to securing our own future and providing added value for our customers. We stimulate creativity through an open working atmosphere and we attain synergies by means of interdisciplinary, international creative teams. It is Faber-Castell's objective to also apply its innovative power and existing know-how to new areas of business. This applies particularly to the Faber-Castell Cosmetics and Eberhard Faber brands.

6. Globalisation

Faber-Castell opened its first branch office in New York in 1849 and thus laid the foundation for a worldwide business. Today we manufacture in 15 plants and market our products through 24 sales organisations in over 120 countries. We regard the world as our global market, while taking into consideration the different needs in the regions. Our objective is to utilise the opportunities of globalisation to develop Faber-Castell into a global brand.

7. Customer Benefits

Faber-Castell products perfectly meet the needs of our customers. The opinion of the users of our products is the focal point of our approach. It is our primary objective to increase the benefits for our customers by constantly improving existing products and developing new ones, and at the same time to set ourselves apart from the competition through a “point of difference” in order to offer our customers noticeable added value in terms of product performance.

8. Environment & Social Responsibility

Faber-Castell feels a particular obligation and commitment towards our environment. Our products are produced from ecologically sound raw materials, some even cultivated by ourselves, and by using environmentally friendly processes. Faber-Castell is also committed to traditional social and ethical values. The Faber-Castell Social Charter applies to all our employees and regular independent audits are carried out to ensure that it is put into practice.

9. Organisation

To assure strict customer focus, Faber-Castell is a company which has been decentralised according to regional responsibility with a non-hierarchic, non-bureaucratic structure and short decision-making processes based on confidence in the expertise of its responsible regional and local management. Faber-Castell is a company for entrepreneurs, in which a cooperative management style and teamwork are both promoted and demanded in the interest of overall performance.

10. Future

As a medium-sized company active worldwide, we wish to strengthen our profitability and retain our independence by the following success factors, to which we are committed:

- global action, but decentralised entrepreneurial management;
- employees who act efficiently and responsibly;
- stringent brand management;
- innovative quality products responsive to market needs;
- aim towards cost leadership within defined quality parameters;
- purposefully conducted, consistent market orientations and customer focus;
- international growth through a presence in all significant markets.

THE "BRAND ESSENTIALS" – CORE VALUES OF AN UNMISTAKABLE BRAND

On the basis of the "10 GUIDING PRINCIPLES", four core values were identified for the consistent management of the Faber-Castell brand, values that give the brand and thus the company its identity.

These core values are known as the "BRAND ESSENTIALS", and they set out clear guidelines as to how things are done both within the company and in our dealings with customers, business partners, the wider community and environment.

However, simply defining and publicising a set of values is not enough to ensure that these values are implemented. Instead, they must be rooted in our everyday activities and actively encouraged.

Employees at all levels throughout the Group therefore receive training in the core brand values. For each aspect there are DO's and DON'Ts that govern how employees should act both within and between different areas of the company.

COMPETENCE & TRADITION



We use our competence based on our roots, our history, our experience and constant learning to shape our own future with entrepreneurial spirit. This guarantees a sound know-how to maintain or build a solid leadership, high degree of credibility and a strong global communication and distribution network based on fair partnership.

OUTSTANDING QUALITY



We are determined to be the best in all product categories and services. We respect the needs of regional, always considering global requirements. We understand quality as ensuring:

- clear point of difference, perceived and relevant added value;
- outstanding performance;
- characteristic and timeless design.

On the basis of the “10 GUIDING PRINCIPLES” and the “BRAND ESSENTIALS”, short-term and medium-term objectives are regularly defined in consultation with management and the various departments. In keeping with Faber-Castell’s commitment to people and the environment, the agreed objectives embody not only economic targets but also social and ecological goals. Specific action plans and modern reporting systems are used to ensure the effective implementation of the chosen objectives.

There are various programmes to encourage employee suggestions, which contribute to the long-term development of Faber-Castell.

The integrated management system “FABIQUS” ensures, by means of standardisation and unified guidelines, the efficient and uniform implementation of the corporate strategy worldwide.

INNOVATION & CREATIVITY



We strive to continuously improve our products and processes and are always open to new and creative ideas. We surprise our customers with unique and innovative solutions.

Acting in the best interests of our customers, we see mistakes as an opportunity for further improvement.

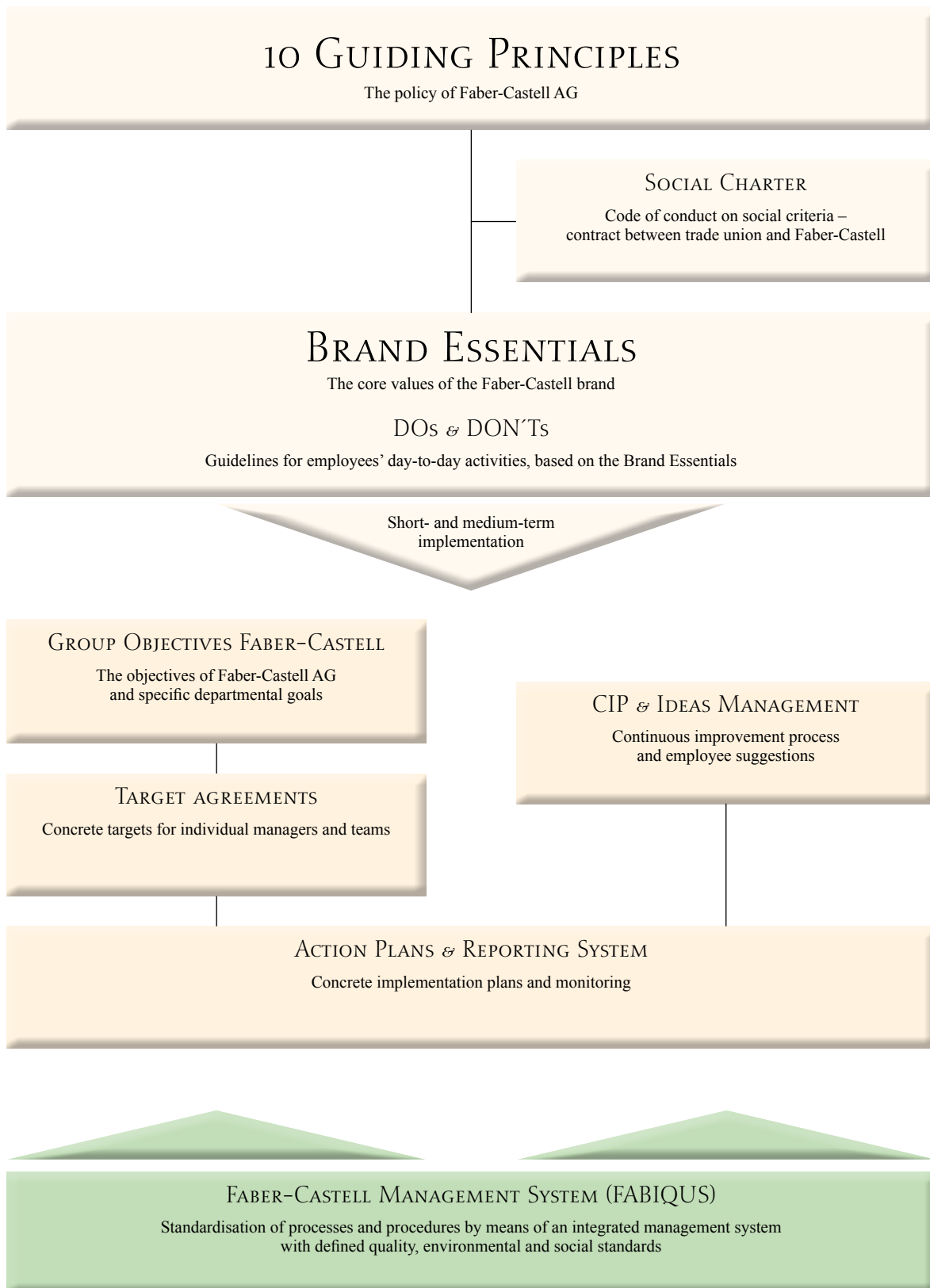
We promote creativity and personal dedication on the part of our employees through an open working atmosphere and international interdisciplinary project groups.

SOCIAL & ENVIRONMENTAL RESPONSIBILITY

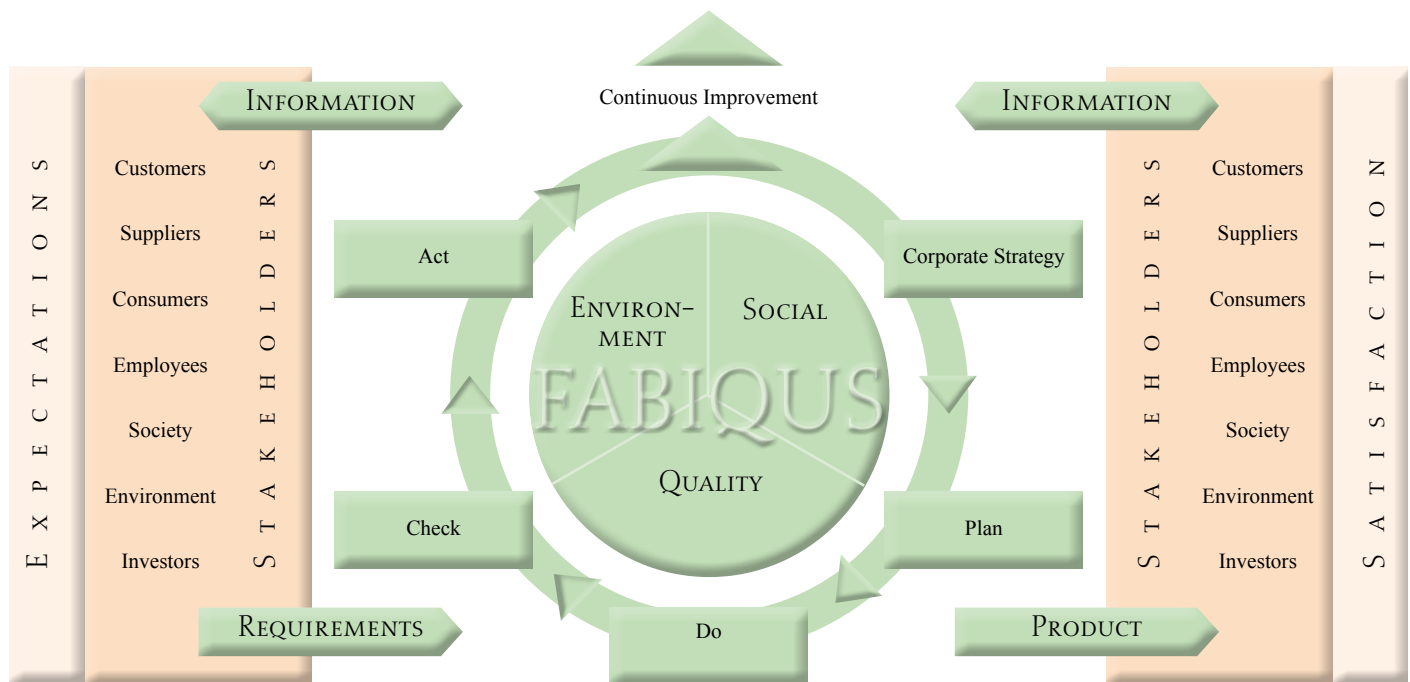


We feel a consistent obligation and commitment towards people and environment. We practice our social responsibility within the company, with business partners and in the community.

We are particularly committed to environmental responsibility as a contribution to our long-term success. We aim to play a leading role in the development of sustainable technologies.



2.3 THE FABIQUS MANAGEMENT SYSTEM



The integrated management system FABIQUS was first introduced in 1998. The name FABIQUS stands, in German, for “Faber-Castell integrated management system for quality, environment and social affairs”. The reason for introducing a system of this type was to develop a sustainable corporate policy on a shared foundation through globally unified processes and standardised documents.

The purpose of FABIQUS is not only to reduce environmental impact and uphold a high quality standard, but also to implement long-term process optimisations and thus reduce costs. Core processes at Faber-Castell are described in process instructions, which allow new employees to align quickly with the way the company operates. The entire FABIQUS system is examined in regular internal and external audits. An internal suggestion system encourages employees to be part of the opti-

misation effort. The continuous improvement process is also supported by a global customer service system and regular customer satisfaction surveys.

The regular analysis of quality, environmental and social data has proved to be a very useful tool. The internal information system FIS (FABIQUS Information System) enables the company to measure positive effects such as cost savings and also identify and exploit potential for improvement at an early stage. The information system is designed in accordance with the guidelines of the Global Reporting Initiative and, among other uses, serves as the basis for the Sustainability Report.

FABIQUS is a flexible system, designed to take into account the interests of different stakeholders. A “PDCA” cycle (Plan, Do, Check, Act) based on the Faber-Castell corporate strategy delivers continuous improvement in individual processes.

Plan

After performing a sustainability analysis, Faber-Castell defines achievable goals and identifies the measures needed to implement the strategy.

Do

The implementation of the plan requires defined processes and systems. The implementation phase is covered by the FABIQUUS international management system, which contains all the key documents and requirements.

Check

Faber-Castell gauges the extent to which it has achieved its goals through regular audits. In addition to internal factory, process and product audits, this includes audits by external experts in line with ISO 9001 (quality management), ISO 14001 (environmental management), and FSC and PEFC (sustainable forestry) standards, and audits of the Faber-Castell Social Charter. The FABIQUUS Information System (FIS) serves as a complete monitoring tool. By identifying errors through these various audits and the comprehensive reporting system, it is possible to pinpoint the causes and necessary measures and then gauge their effectiveness.

Act

The top management of Faber-Castell receive regular progress reports in the form of the Management Review Report. Their appraisal is then used to update the corporate strategy and objectives.

THE BENEFITS OF FABIQUUS AT A GLANCE:

Better efficiency and quality

- Transparent and efficient processes (saving time and money)
- Continuous process improvements (systematic identification and resolution of problems)
- Globally consistent high product quality thanks to international standards
- Globally consistent processes thanks to international standards
- Efficient achievement of objectives

Transparency and credibility

- Internal and external communication of the integrated management system
- Active involvement of suppliers and raising their awareness

Sustainability

- Reduced resource consumption
- Reduced energy consumption
- Active involvement of suppliers and raising their awareness of environmental, quality and social criteria
- Long-term planning and process implementation
- Raising employee awareness of quality, environmental and social issues

2.4 EXTERNAL AUDITS

Maintaining uniform standards across all the company's sites throughout the world is an essential requirement for good quality and smooth processes. The certification of all Faber-Castell factories worldwide in line with ISO 9001 (quality management) and ISO 14001 (environmental management) therefore began in 1997. This was followed by FSC and PEFC certification for sustainable forest management and external auditing of the Social Charter.

Regular audits performed internally and by external auditors allow any problems to be pinpointed early on, so that solutions can be identified.

The worldwide certification of all Faber-Castell factories to the ISO 9001 and ISO 14001 standards began in 1997 and was completed in 2011 with the successful certification of the factory at Guangzhou, China. Faber-Castell is also regularly audited by customers to monitor compliance with international codes of conduct.

CERTIFICATION OF FABER-CASTELL SITES

Country Site	ISO 9001	ISO 14001	FSC	PEFC	Social Charter
BRAZIL São Carlos	Yes	Yes	Yes	N/A	Yes
BRAZIL Prata	Yes	Yes	Yes	N/A	Yes
BRAZIL Manaus	Yes	Yes	N/A	N/A	Yes
CHINA Guangzhou	Yes	Yes	N/A	N/A	Yes
COLOMBIA Bogotá	Yes	Yes	N/A	N/A	Yes
COSTA RICA Neily	Yes	Yes	Yes	N/A	Yes
INDIA Goa	Yes	Yes	N/A	N/A	Yes
INDIA Daman	Yes	Yes	N/A	N/A	Yes
INDONESIA Bekasi	Yes	Yes	Yes	Yes	Yes
INDONESIA Jakarta	Yes	Yes	N/A	N/A	Yes
MALAYSIA Kuala Lumpur	Yes	Yes	N/A	N/A	Yes
PERU Lima	Yes	Yes	N/A	N/A	Yes
AUSTRIA Engelhartzell	Yes	Yes	N/A	N/A	Yes
GERMANY Stein	Yes	Yes	Yes	Yes	Yes
GERMANY Geroldsgrün	Yes	Yes	N/A	N/A	Yes

N/A = Not applicable because no wood products are processed or only FSC certified wood is used

3. QUALITY

"FROM THE VERY
BEGINNING, I STROVE
TO RISE TO THE FIRST RANK
BY MAKING THE BEST
THAT CAN BE MADE IN
THE WHOLE WORLD."

BARON LOTHAR VON FABER IN A LETTER
TO HIS BROTHER EBERHARD, 31 MAY 1869

1851

A. W. Faber products are presented with great success at national and international exhibitions, winning medals along the way. The coveted trophies, which bear witness to the international competitiveness of the products of the Stein factory, are proudly illustrated on pencil cases, notepaper and price lists.

3.1 THE QUALITY OF THE BRAND



As part of the reorganisation of the business in the early 1990s, the Faber-Castell brand was defined as a mark of quality for hand-held writing, drawing and creative art products, characterised by expertise, tradition, high quality, progressiveness and environmental responsibility.

Quality, in particular, is given high priority at Faber-Castell. The company's foremost aim is to offer the quality that consumers expect at an affordable price. The consistent implementation of the Brand Essentials reinforces the quality of the brand.

The Pen of the Year edition underlines the high quality standard of the Graf von Faber-Castell Collection. Exclusive materials are expertly crafted to create luxurious limited-edition writing instruments, which are sold for a limited period only.





IN FOCUS:

IMPLEMENTATION OF THE BRAND ESSENTIALS –
“OUTSTANDING QUALITY”



Point of difference:

Faber-Castell effectively increases the functional and emotional added value of its products through continual optimisation and the development of intelligent solutions, thus creating additional benefits for the consumer. The GRIP 2001 has an ergonomic triangular shape and raised dots, which as well as creating a striking look also form a non-slip grip zone to encourage a correct grip.

Outstanding product performance:

Every category in the Faber-Castell product range boasts outstanding product performance, for example the high-quality pigments in the Art & Graphic range. They are guaranteed to remain lightfast for years and therefore offer lasting brilliance and colour intensity.



Characteristic and timeless design

The Graf von Faber-Castell Collection was inspired by the elegant writing instruments of the era of Baron Lothar von Faber.

The typical green CASTELL 9000 was first developed by Count Alexander von Faber-Castell in 1905, and today, over a century later, it is still prized by Faber-Castell customers. This continuity is thanks to the high quality of the original product and the almost unchanged design.

CASTELL 9000



1905



2011

3.2 QUALITY STANDARDS

PROCESS AND MANAGEMENT STANDARDS

The quality of Faber-Castell products is defined by internal process and management standards set out in the FABIQUS management system. In addition to the relevant production, development and sales processes, these standards also incorporate requirements for product quality.

Processes are reviewed as part of the annual external ISO audit to ensure that they are relevant, complied with

and correctly documented. To optimise product, process and service quality, Faber-Castell factories use Kaizen, a continuous improvement process that achieves continual, gradual and long-term optimisation.

Employees work in task forces to generate suggestions for improvements, thus improving organisation, processes and products one step at a time.

IN FOCUS:

5S+ WORKPLACE ORGANISATION AND TIDINESS

The 5S methodology, which originated in Japan, is currently being rolled out at all Faber-Castell sites worldwide. This methodology is based on the idea that tidiness and cleanliness are essential requirements for improving work processes. The objective is to organise the workplace in such a way as to make day-to-day tasks as smooth as possible and eliminate interruptions caused by the need to find things or carry them long distances. Faber-Castell intends to use the 5S method for both production and administrative workplaces.

The name “5S” derives from the first letters of the Japanese words Seiri (sorting), Seiton (setting in order), Seiso (cleanliness), Seiketsu (standardising) and Shitsuke (self-discipline). The factories are also incorporating the additional goal of long-term continuous improvement (5S+). Regular audits will be carried out to monitor compliance with the 5S+ methodology and resulting progress. The situation with regard to each aspect of 5S will be analysed so that any necessary improvements can be identified.



SORTING



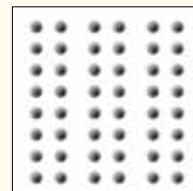
SETTING
IN ORDER



CLEANLINESS



STAND-
ARDISING



SELF-
DISCIPLINE



IMPROVEMENT



The “Perfect Pencil” with integrated sharpener, eraser and extender

STANDARDS IN PRODUCT SAFETY

Much of the product range is aimed at preschool and school-age children. This calls for particularly high standards of safety with regard to products and packaging.

Faber-Castell upholds these high standards by using carefully selected raw materials and expert workmanship and performing extensive chemical and physical tests.

In-process control as global standard

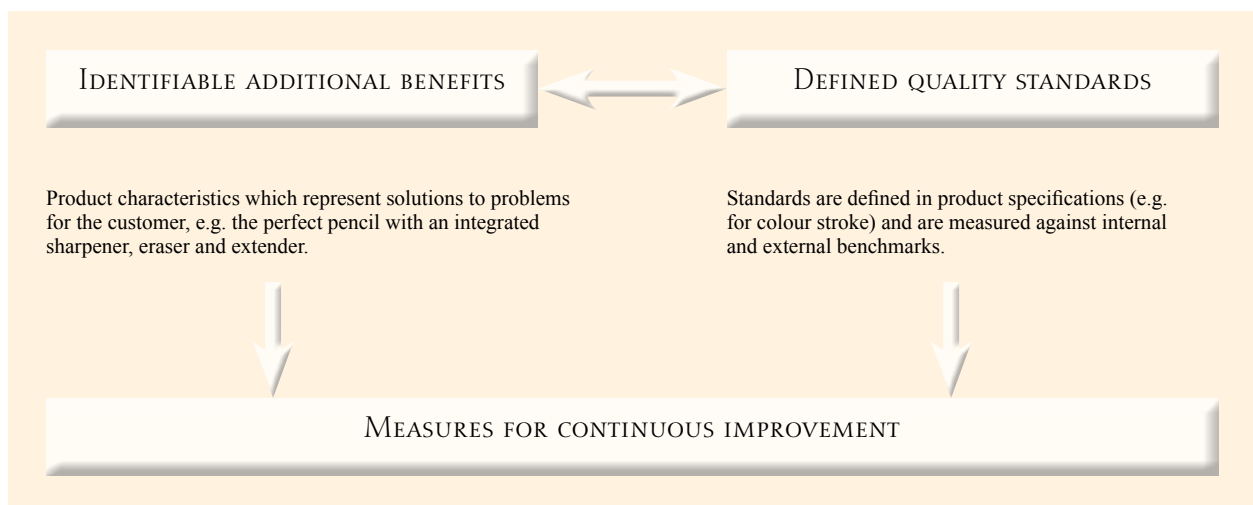
To ensure consistently high quality standards, manufacturing processes in all Faber-Castell factories are continually monitored through in-process control (IPC). These controls ensure that the products comply with the relevant specifications.

If any deviations are detected, the cause can be remedied at the production stage before the defective prod-

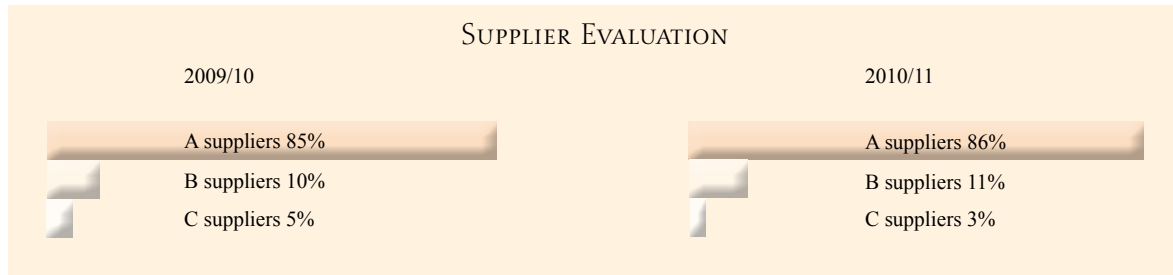
ucts enter subsequent processes. This avoids a situation where the products are not checked until the end of the process chain. In 2010/11, this control system was applied to 89 % of all processes at Faber-Castell (compared with 84 % in 2009/10). A final quality check is then performed before the end product is shipped to the customer.

Test support from the “Centres of Competences”

The whole product portfolio is subject to uniform world-wide quality standards, which are measured with defined test methods. At Faber-Castell, quality is defined as writing comfort, reliability, additional benefits and product safety. Innovative products are developed by interdisciplinary teams of people with expertise ranging from research to production.



Continuous improvement in quality standards of Faber-Castell products.



The Faber-Castell Group's testing system is divided among various competence centres, which means that the core competency teams from each plant are integrated in the testing system. Faber-Castell performs most tests in its own laboratories, to a strict set of specifications, to ensure compliance with all legal requirements. In some cases the company's internal standards actually exceed the standards required by law.

Regular comparison tests and product audits are also performed throughout the Faber-Castell Group to monitor products that are already on the market. This is part of the company's goal of creating products that are the best in their class.

SUPPLY CHAIN MANAGEMENT

The quality of a brand is also measured by the manufacturer's ability to supply customers and end consumers on time with the quality and quantity they expect and to provide excellent customer service. Faber-Castell's supply chain management system has been redesigned to achieve delivery reliability of over 98% through an integrated approach to the complete supply chain. Suppliers are a vital link in the value-added chain, which is why Faber-Castell endeavours to build long-term partnerships with a view to continually improving delivery performance.

Raw materials, components and finished products must all satisfy stringent quality requirements. Regular supplier evaluations, including visits to suppliers' production sites, allow Faber-Castell to build positive partnerships with its suppliers while ensuring conformity with quality, delivery, environmental and social

requirements. Suppliers are assigned a category from A (excellent) to C (unsatisfactory). This classification indicates the supplier's current quality level and makes it possible to identify any necessary improvements.

Actively working with suppliers to maintain and improve quality, environmental and social standards and delivery reliability is a crucial of every internationally active company.



IN FOCUS:

FABER-CASTELL CUSTOMER SERVICE

Faber-Castell operates 20 customer service centres around the world, which guarantee to respond to complaints within two weeks and offer a free repair service. Regular training and personal contact with customers allow Faber-Castell employees to respond quickly to customer needs, initiate product optimisations, and offer complete service and high quality.

3.3 CHALLENGES IN RELATION TO QUALITY

At Faber-Castell, outstanding quality is and always will be of fundamental importance.

DENSE REGULATORY FRAMEWORK

The growing number of international regulations is constantly increasing the burden on Faber-Castell's testing processes. The introduction of new laws such as the European Toy Safety Directive, combined with variations in legal requirements between different countries, demands not only complex testing processes but also highly trained employees.

INTERNATIONALITY AND GLOBAL NETWORKING

The international expansion of Faber-Castell factories and their supply chains is creating a greater demand for quality assurance and the procurement of raw materials and commodities.

COMPETITIVENESS

In spite of its high quality standards, Faber-Castell must remain competitive. Growing competition, rapidly evolving markets and competition from low-wage countries present constant, major challenges.

4. ENVIRONMENT

"YOU DO NOT HAVE TO BE A VISIONARY TO UNDERSTAND THAT IT IS OF THE UTMOST IMPORTANCE FOR FUTURE GENERATIONS TO ASSURE THE RESOURCES FOR THEIR LIVING."

COUNT ANTON-WOLFGANG VON FABER-CASTELL

1855

A. W. Faber buys forests in the Cedar Keys, off the west coast of Florida, securing a vital source of raw material. The logs are split into slats at the company's own sawmills and shipped to Europe, where they are made into pencils at the Stein factory.

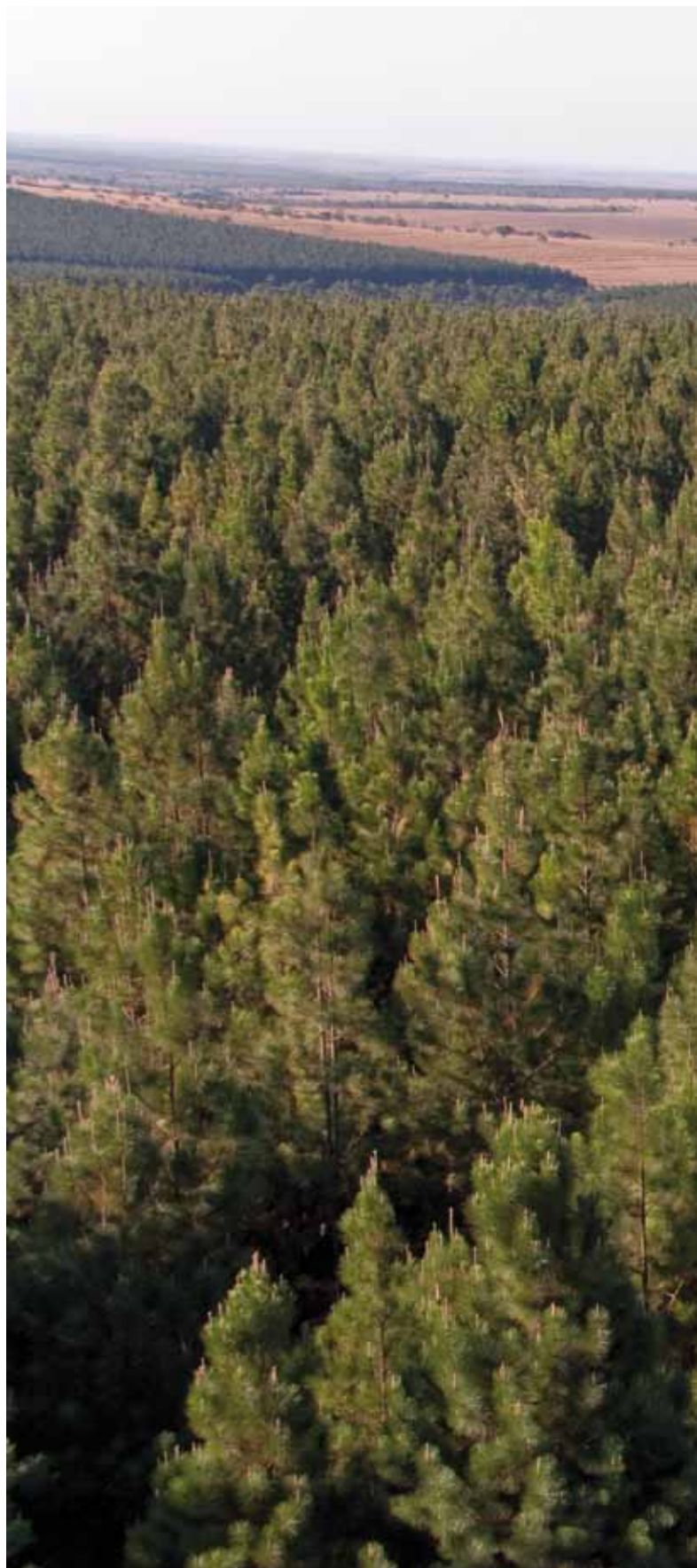
4.1 ENVIRONMENTAL PROTECTION – A LONG-TERM STRATEGY

FORESTRY PROJECT IN BRAZIL

According to the WWF Living Forests Report, published in 2011, just under a third of the Earth's land mass is covered by forests. These regions are home to around two thirds of the 1.3 million described animal and plant species in the world, making them the most species-rich habitats on Earth. Forests also store about half of the Earth's bound carbon, which means they play a vital role in protecting our climate. Sadly, around 13 million hectares of forest are still being destroyed every year (by comparison, the area of Germany is about 11 million hectares). That means the equivalent of 35 football pitches every minute. Wood plantations, when responsibly managed with due consideration for ecological factors, reduce the pressure on natural forests and drive economic development in the countries in which they are situated.

Wood is a vitally important resource for Faber-Castell. As the world's biggest single producer of wood-cased pencils, Faber-Castell needs up to 150,000 tonnes of wood every year. Ensuring a secure and planet-friendly supply of this resource is a strategically important objective and one of the biggest future challenges facing the company. It was for this reason that, almost three decades ago, Faber-Castell initiated a unique wood supply programme in Prata, in the state of Minas Gerais in south-eastern Brazil.

Approximately 10,000 hectares of wasteland, over 2,000 km away from the Amazonian rainforest, were planted with millions of seedlings of *Pinus caribaea* – a tree species that flourishes in the dry, sandy soil of the Brazilian savannah. In this way, Faber-Castell grows about 20 cubic metres of wood every hour.





PROTECTING BIODIVERSITY

The 10,000 hectares of forest not only supply wood, they also help to protect ecosystems and biodiversity. Within the plantations, about 2,700 hectares are left wild to provide habitats for a large number of animal and plant species, many of which are threatened with extinction.

In May 2008, Faber-Castell joined the Business and Biodiversity initiative – the only stationary manufacturer to do so – to find further ways of protecting biodiversity. The project, set in motion by former German environment minister Sigmar Gabriel, commits the member companies to wide-ranging measures within the framework of their corporate policy. The signatories – leading companies from a wide range of industries – signed a leadership declaration at the 9th UN Conference on Biodiversity. The member companies undertook to evaluate their impact on biodiversity and adapt their environmental management systems accordingly. In Brazil, this has been a reality since 2001 with the introduction of Faber-Castell's environment programmes Arobis and Animalis.

CERTIFIED SUSTAINABLE FORESTRY

In 1999, the Forest Stewardship Council awarded Faber-Castell's wood plantations the FSC-Forest Management certificate for environmental, socially responsible and economically sustainable forest management. To ensure complete traceability from seedling to the packaged pencil, all Faber-Castell sawmills, production sites and sales organisations hold FSC-Chain of Custody certification.

When Faber-Castell joined the WWF Global Forest & Trade Network in 2008, the company committed to increase the proportion of its FSC certified wood resources



2,700 hectares of forest left wild in 1993...



...and in 2010

from the current level of 82 % to 90 % by 2012. This goal was in fact surpassed in mid-2010, and 95 % of all wood used by the Faber-Castell Group is now certified in line with the stringent requirements of the FSC. The remainder is also sourced from sustainable plantations, mostly certified to the respected PEFC standard. This is how Faber-Castell guarantees an environmentally sound, economically sustainable and socially responsible supply of wood.

"The dedication and speed shown by Faber-Castell in implementing the jointly agreed targets relating to wood is impressive. It seems all the more appropriate that in 2011, the United Nations International Year of Forests, Faber-Castell should set such an excellent example." (Johannes Zahnen, Forest Policy / Corporate Partnership and forestry expert, WWF Germany)



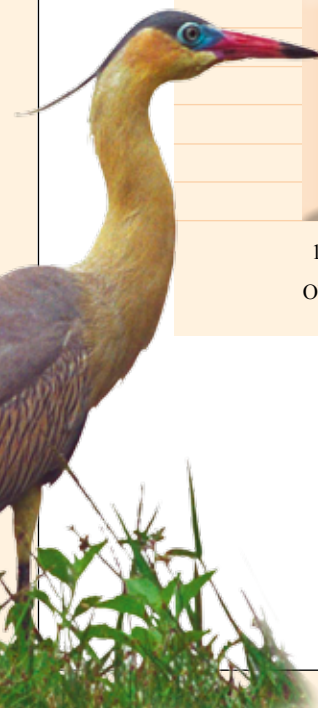
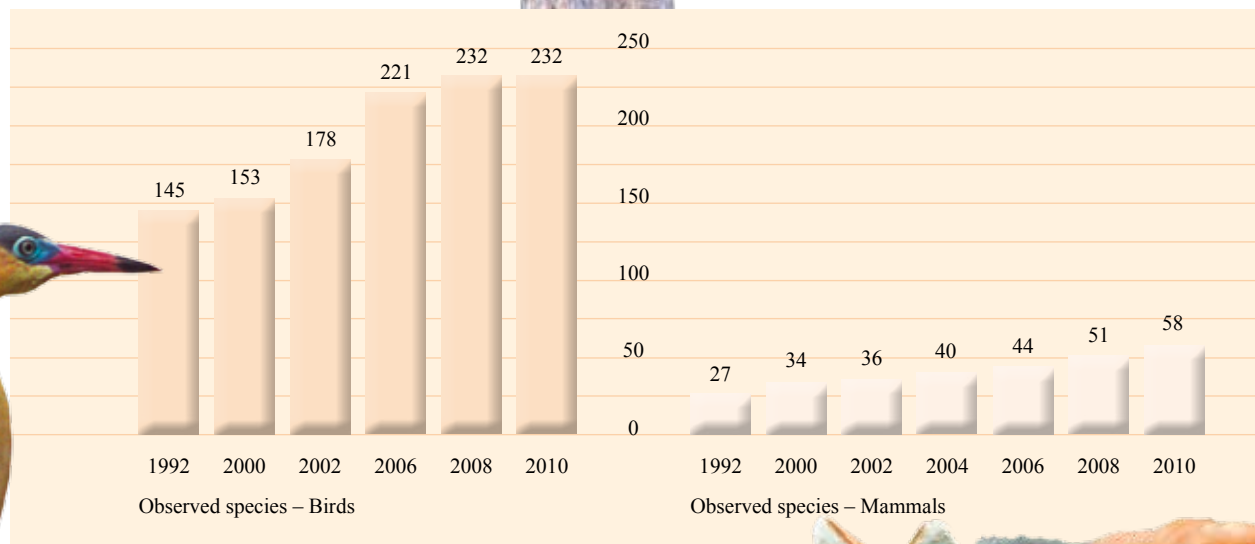
IN FOCUS: THE „ANIMALIS“ PROJECT IN BRAZIL

The “Animalis” project is a partnership with respected universities that involves documenting, protecting and diversifying the range of species living in the Brazilian forests. To perform the annual survey, researchers record observations, footprints and droppings. Video footage

also reveals that the 2,700 hectares left wild are home to about 232 bird species and 58 types of mammal, and that biodiversity has increased continuously since records began in 1992. 13 of the 504 recorded species are threatened with extinction – a discovery that makes the project one of national importance.



DEVELOPMENT OF SPECIES



4.2 INTEGRATED ENVIRONMENTAL PROTECTION

As a founding member of a German working group within the Bavarian Environmental Pact, Faber-Castell helped to develop an Integrated Product Policy which was rolled out across the company worldwide in 2004. The environmental impact of a product is analysed in a fully integrated manner, from the choice of material to the disposal of the product, in a product life-cycle analysis. Faber-Castell uses these critical analyses to reduce resource consumption, energy consumption and environmental pollution.

DEVELOPMENT

The analysis of a product's ecological impact starts during the development phase. This makes it possible to manufacture high-quality, sustainable products in accordance with objective criteria. Both the materials used and the manufacturing processes are evaluated.

Currently, a number of modern coating technologies are being considered as a way of further reducing the use of solvents. Ecological assessments are also being performed on bioplastics. It is essential to analyse the complete product life-cycle. It is important, for example, that

Faber-Castell writing instruments be durable and refillable. This is at least as important as the use of sustainable materials.

MATERIALS

Whether wood-cased or plastic, the materials used to make Faber-Castell products must satisfy environmental criteria throughout the entire product life-cycle.

Wood

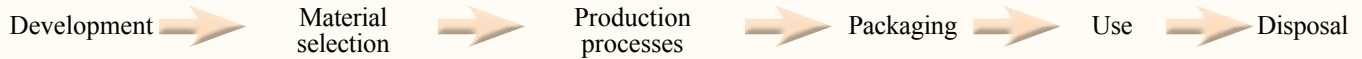
All wood used by the Faber-Castell Group is sourced from its own FSC certified forests in Brazil. Additional wood sourced from suppliers also originates from sustainably managed and certified sources in accordance with Faber-Castell's specifications. The wood must meet certain quality standards in order to be suitable for pencil production, the most important factor being good sharpenability. This requires low, even density, minimal branches, and a straight grain. The sawdust created during wood cutting and pencil production is used as an energy source for the factories and as mulch for tree-planted areas.



Plastics

The use of high-quality plastics makes a product extremely durable. Plastic waste is fed back into the production process wherever possible, but this recycling can only take place to a certain extent before quality is affected.

INTEGRATED PRODUCT POLICY (IPP)



One of Faber-Castell's objectives is to use non-crude-oil-based plastics in its high-quality writing instruments. Various project teams and working groups are already exploring this possibility.

Paint

Graphite and coloured pencils are painted to give them a protective barrier. Without this coating, perspiration from the hand or chewing on the pencil could result in a build-up of bacteria. Artists' pencils are also painted to make the subtle colour shades easier to tell apart.

All wood-cased graphite and coloured pencils manufactured in Europe are coated with an environment-friendly water-based paint. Faber-Castell chooses to use a water-based formula rather than the more conventional paints based on organic solvents. This technology, introduced in 1993, was developed in-house and set new standards in pencil coating. Other Faber-Castell factories use a combination of water-based paint and paints based on organic solvents, partly because of local climate conditions. Faber-Castell is striving to further reduce the use of organic solvents and optimise finishing technologies as a matter of priority.

Rubber

There are two basic materials used to make erasers: rubber and plastic. All rubber erasers and many of the plastic erasers made by Faber-Castell are PVC-free. A rubber eraser contains about 15% natural rubber and 40% to 50% calcium carbonate as well as pigments, plant oils, process oils and sulphur.

All these ingredients are combined in a kneader and then mixed in a cold rolling mill. The mixture is shaped, vulcanised to make it stronger, and cut into eraser-sized pieces. The finished erasers are then printed and packaged.



Raw materials for pencil leads

The main components of a graphite pencil lead are two natural materials, graphite and clay. The graphite provides the black colour while the clay acts as a binder and gives the lead shape and strength. Both materials are mixed in precise ratios to create different hardnesses. The higher the graphite content, the softer the lead. The mixture is extruded under high pressure through a nozzle to form strings. The soft strings are automatically cut to pencil length, and once they are dry, they are baked and dipped in an oil bath to give a smooth stroke.

Coloured leads are made of pigments, greases, waxes, a binding agent and mineral fillers. The quality of the lead is affected by the fineness of the ground material and the number of pigments. Unlike graphite leads, coloured leads are not baked after extrusion. They are dried in drying ovens and immersed in a grease bath to give them a smoother texture. Both graphite and coloured leads contain mostly natural substances.



PRODUCTION PROCESSES

As part of the Integrated Product Policy, all production processes are analysed in terms of their environmental impact and engineered in accordance with ecological principles. Faber-Castell pays particular attention to the following areas:

Water

Faber-Castell primarily uses water for its various production processes, principally ink production but also the coating of wood-cased pencils with water-based paint. Water is also used for cooling - in closed circuits wherever possible - and for cleaning.

Water is sourced solely from local water companies or own wells. It is never drawn from bodies of water that merit special protection. In 2010/11, Faber-Castell consumed 384,842 m³ of water (2009/10: 291,617 m³). The

increased use of production capacities in 2010/11 had the effect of increasing the demand for water within the Faber-Castell Group.

Energy

Faber-Castell covers a large share of its energy requirements by generating heat from wood waste and using hydroelectricity. Renewable energies provide 40% of the energy consumed at the headquarters in Stein and over 90% of the energy used in Brazil. More than 60% of the electricity used by the Faber-Castell Group comes from renewable sources. At the Stein factory, Faber-Castell runs its own hydroelectric plant capable of generating up to 1.45 million kWh per year. The electricity is either used for the factory's own purposes or sold as green energy, depending on the current price of electricity. The company also operates a pelletising plant at the Stein site to heat the buildings.

IN FOCUS: PELLETISING PLANT IN STEIN



At the Stein factory, Faber-Castell operates its own pelletising plant in which wood production waste is compacted and stored for heat generation. This sustainable process begins with the recycling of the wood shavings, which are transported from their silos to a moulding press where they are compressed into pellets. The pellets are then taken to the former coal bunkers, where they are stored for the winter.

During the summer the oven may be unused for around four months, so not until winter are the pellets removed from the bunkers and burned. The environment-friendly modern pellet heating system supplies 25% of the required heating energy.



Wastewater treatment plant at the Faber-Castell site in Lima, Peru

Noise

Faber-Castell takes consistent measures to reduce noise where it is produced, for example on wood processing machinery. The noise level of machinery is reduced as far as possible and machines are also encapsulated. Where the noise level exceeds 80 dBA, employees are obliged to wear ear protectors. Noise levels are regularly measured both inside and outside production buildings, and the relevant employees receive regular hearing checks from the company medical officer. External noise limits are the same throughout the Faber-Castell Group. During the daytime, noise levels at the boundaries of company premises must not exceed 70 dBA, and at night they must be below 60 dBA. Where stricter local regulations are

in place, these always take precedence. In 2010/11 there were no complaints from local residents or the public relating to noise.

Waste water

Waste water produced by Faber-Castell is subject to regular internal and external monitoring to ensure compliance with prescribed limits. In most cases it is discharged indirectly to local sewers and treatment systems. At some sites, including the factories in Peru, Indonesia and Brazil, Faber-Castell operates its own modern waste water treatment systems. In 2009/10 and 2010/11, no instances of reportable limit violations were recorded.



IN FOCUS: ECOLOGICAL SUPPLIER EVALUATION

Suppliers play a considerable role in achieving Faber-Castell's environmental objectives. In 2010, the supplier evaluation system was revised and updated. On a supplier portal, regular online surveys are used to obtain a picture of suppliers' ecological and social commitment. These surveys cover issues such as the use of raw materials, production, waste, discharged air, packaging, biodiversity and environmental certification. In addition to the online surveys, Faber-Castell performs regular on-site audits of its key suppliers.

The results are assessed and the supplier categorised as A, B or C, this classification serving as the starting point for any measures that need to be taken. This system ensures that raw materials and semi-finished products supplied by subcontractors are manufactured in line with ecological and social principles.

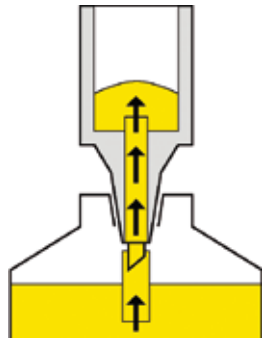
Faber-Castell aims to implement the online supplier evaluation system uniformly at all of its worldwide sites and increase the number of audits performed. Its purpose is firstly to ensure that its own high environmental and social standards are upheld in the supplier chain, and secondly to support suppliers in their efforts to improve. After all, only business relationships based on a spirit of partnership will be successful in the long term.

PACKAGING

Product and sales packaging represent a crucial part of the Faber-Castell marketing strategy. Packaging provides information about the product, conveys a positive image and helps the customer make a purchase decision. Environmental considerations are an important criterion with regard to packaging. For this reason, Faber-Castell predominantly uses monomaterials such as cardboard and plastics.

For school supplies and artists' products, Faber-Castell uses durable tins that last longer and protect the products during transit. However, the majority of packaging – 69% – is made of cardboard. Plastics are mainly used for blister packaging, which protects the product in the store while allowing the customer to see it. The use of PVC is avoided wherever possible in plastic packaging. All Faber-Castell packaging can be recycled by the consumer. Environmental considerations also take precedence in the transportation of goods between factories. In most cases cardboard boxes are still used, but growing use is also being made of reusable transport packaging. 80% of our paper and cardboard packaging is recycled material.





PRODUCTS IN USE

The high quality of Faber-Castell products means that they last longer than comparable products. All Faber-Castell wood-cased pencils feature the patented secural bonding (SV) technology, which makes the leads more resistant to breakage and thus increases the lifetime of the pencil.

Faber-Castell markers and fibre-tip pens are made of polypropylene (PP) to protect them from drying out quickly. Their ink will last for years. These products also have a minimal environmental impact after use, because polypropylene burns like candle wax. Ultimately, polypropylene poses much less concern in terms of toxicology and pollution than other plastics such as PVC or polystyrene, whether in production, combustion or landfill. As well as having a neutral taste and smell, it is highly transparent, easy to process, easy to weld, durable, strong, food-safe and recyclable. Faber-Castell Textliners can also be cleanly and easily topped up using the Automatic Refill System, making them the market leader in terms of environmental impact. A wide range of refills for ballpoint pens, rollerball pens and mechanical pencils means that Faber-Castell products have a very long lifetime.

RECYCLING AND WASTE MANAGEMENT

In keeping with the Integrated Product Policy, Faber-Castell products and packaging are designed to minimise waste and be as recyclable as possible. After use, Faber-Castell products can be sorted and recycled according to the type of material or disposed of along with residual waste in line with local waste regulations.

The CO₂ produced by burning wood does not exceed the amount absorbed when the tree was growing. CO₂ is stored throughout the lifetime of the pencil. The use of wood from certified sustainable sources therefore contributes to climate protection.

Waste management at all Faber-Castell factories is regulated and documented by the FABIQUS management system. Priority is given to avoiding waste in the first place, but if this is not possible, Faber-Castell look at ways of reusing or recycling waste. Only when these possibilities have been exhausted is waste disposed of by certified disposal companies. All waste disposal companies and methods are carefully selected by Faber-Castell. Service providers are regularly audited and must hold special certifications.

TRANSPORT

Transport activities at Faber-Castell result from the transportation of goods from suppliers, between factories and to the customer. Employees of course have to travel to work and there is a certain amount of international travel. Because most raw materials, components and packaging are from local sources, the emissions produced by transport activities are comparatively low.

For some years now the company has adhered to a transport policy that takes both economic and ecological considerations into account. For example, in recent years the fleet used by Faber-Castell Brazil, the largest company in the group, was converted from conventional fuel or diesel to alcohol derived from renewable resources. Videoconferencing and teleconferencing are used wherever possible to reduce travel.

4.3 FABER-CASTELL'S POSITIVE CARBON FOOTPRINT

The Faber-Castell Group systematically records greenhouse gas emissions in order to identify potential areas of optimisation. These records are especially important as a means of increasing the use of renewable energy and objectively measuring the positive impact of the company's tree plantations. In 2010/11, Faber-Castell decided to engage the help of external experts to measure climate-relevant data at all its production sites worldwide. In collaboration with an external institute, the company measured its overall carbon footprint in accordance with the latest standards and scientific insights.

Emissions were analysed and calculated in accordance with the Corporate Accounting and Reporting Standard of the Greenhouse Gas Protocol Initiative, otherwise known as the GHG Protocol. This internationally recognised protocol defines three different scopes for greenhouse gas emissions. Scope 1 covers all emis-

sions produced directly by a company, such as carbon emissions from the combustion of stationary or mobile sources or process emissions. Scope 2 includes indirect emissions from the generation of electricity purchased by the company. Scope 3 covers all other indirect emissions that are a consequence of the activities of the company.

The new climate study, calculating the greenhouse gas emissions of the Faber-Castell Group, was carried out for the years 2009/10 and 2010/11. All relevant emissions produced by the production sites within Scope 1 and Scope 2 were documented in accordance with the guidelines for calculating a carbon footprint. In terms of Scope 3, emissions produced by goods transport and business travel were also measured. Owing to the complexity involved, a more comprehensive study will be carried out in future reporting cycles.



The Faber-Castell plantations in Prata, Brazil are helping to combat climate change.

Year [t CO ₂ e]	09/10 10/11 Scope 1	09/10 10/11 Scope 2	09/10 10/11 Scope 3*	09/10 10/11 All scopes	09/10 10/11 All scopes (%)
Faber-Castell Group	3,415 3,528	11,898 13,565	2,506 2,869	17,819 19,962	100 100
Germany	2,752 2,785	3,939 4,354	0 0	6,692 7,139	37.6 35.8
Austria	50 528	0 0	2 4	52 53	0.3 0.3
Brazil	320 317	0 0	2,233 1,867	2,552 2,184	14.3 10.9
Costa Rica	41 41	0 0	8 8	49 50	0.3 0.3
Peru	93 90	1,031 1,251	0 541	1,124 1,882	6.3 9.4
Colombia	17 19	37 37	162 411	216 468	1.2 2.3
Indonesia	3 63	2,042 2,795	0 38	2,045 2,896	11.5 14.5
India	6 19	1,295 900	103 0	1,403 919	7.9 4.6
Malaysia	133 144	2,601 3,139	0 0	2,734 3,283	15.4 16.5
China	0 0	952 1,089	0 0	952 1,089	5.3 5.5

* Data incomplete; complete analysis is planned.

Greenhouse gas emissions per country in figures and as percentage of total emissions.

GREENHOUSE GAS EMISSIONS PRODUCED BY THE FABER-CASTELL GROUP

The total greenhouse gas emissions produced by the Faber-Castell Group in Scopes 1, 2 and 3 amounted to 17,819 CO₂ equivalents¹ in 2009/10 and 19,962 CO₂ equivalents in 2010/11. The increase is a result of the international growth in demand for Faber-Castell products and the associated increase in production output.

Thanks to carbon minimisation programmes, CO₂ emissions increased by just 12% despite a 20% increase in sales and an expansion of production amounting to around 371 million wood-cased pencils. Faber-Castell's largest production facility in Brazil reduced its diesel consumption by over 50% while increasing the use of bioethanol by around 40%. In Brazil, heat is gener-

ated from the factory's own CO₂-neutral wood pellets and 100% of its electricity comes from renewable sources.

A comparison of the individual countries shows that the German factories produced around one third of the reported total emissions of the Faber-Castell Group, followed by Malaysia and Brazil with 15% each and the Indonesian sites with approximately 11%. Although the Brazilian factories make up one third of the Faber-Castell Group in terms of workforce and production volume, due to the extensive use of renewable energy they accounted for just 14% of total emissions in 2010/11 and 10% in 2009/10.

¹ In the Kyoto Protocol, greenhouse gases are defined as being carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), sulphur hexafluoride (SF₆) and perfluorocarbons (PFCs). One CO₂ equivalent (CO₂e) is a standard unit of measurement of the global warming potential of other gases in relation to that of CO₂.

The use of renewable energy sources such as wood and water power enables the Faber-Castell Group to reduce its Scope 1 and Scope 2 carbon emissions by around 80%.

While Scope 1 emissions remained relatively stable between 2009/10 and 2010/11 (with an increase of 3.3%), Scope 2 emissions increased by 14%, primarily as a result of higher production output and thus higher electricity purchasing. The Scope 3 emissions considered included business travel by air and with company vehicles and the national and international transport of goods. In 2010/11, the total emissions in this area amounted to 2,869 tonnes of CO₂. This represents an increase of 14% on the previous year. Goods transport accounted for more than business travel, and Faber-Castell intends to counter this by making more use of video- and teleconferencing.

CARBON ABSORPTION IN FABER-CASTELL PLANTATIONS IN BRAZIL

Faber-Castell's wood plantations in Brazil, originally planted almost 30 years ago, make a positive contribution to climate protection. As they grow, the pine trees and untouched areas of forest (about a third of the total area) capture and store carbon from the atmosphere. In 2010/11, this increase in biomass absorbed 123,989 tonnes of CO₂e (2009/10: 121,659 t CO₂e). The purchase of wood, for example cedar wood from certified sustainable sources, is not taken into account, but this process appears to be virtually carbon-neutral throughout the life-cycle of wood-cased pencils, including production, use and disposal.



• Carbon Footprint
verified

VERIFIED CARBON FOOTPRINT

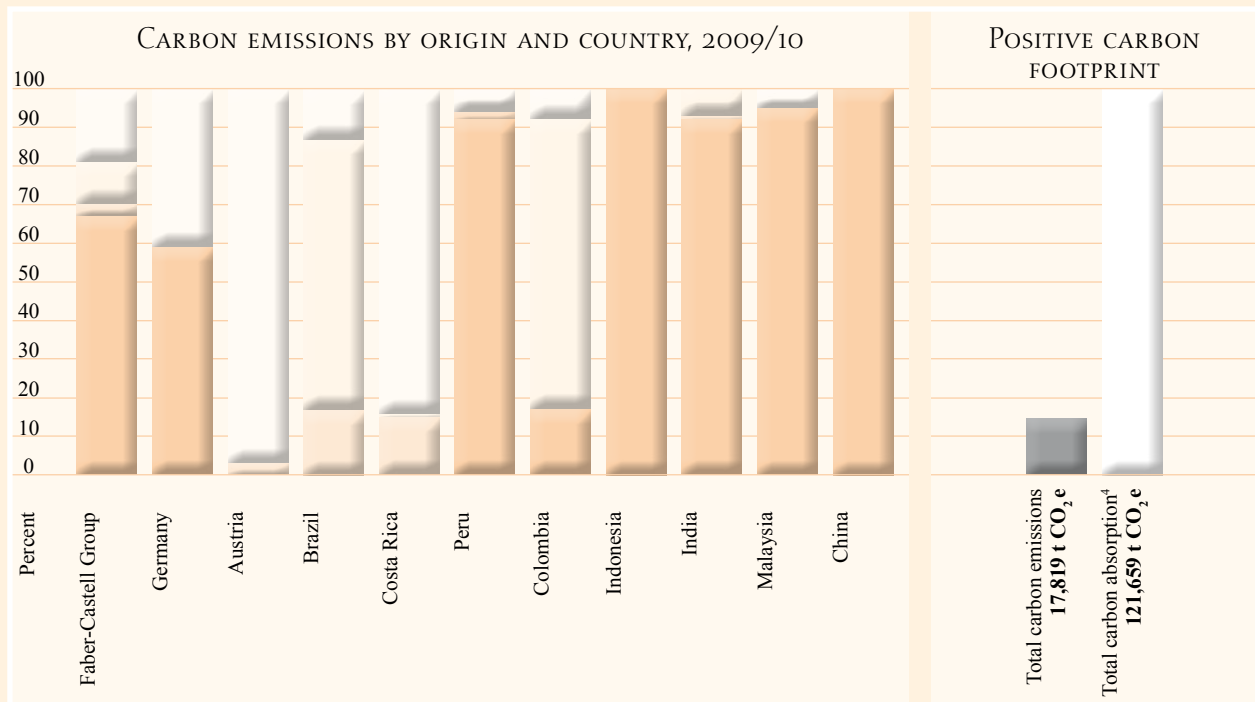
In July 2011, the carbon footprint of the Faber-Castell Group was assessed by TÜV Rheinland and certified in line with the international ISO 14064 standard. The report given of the carbon footprint, including the annual emissions produced by the various production sites, was judged to be a detailed and precise account.

FURTHERING OUR CLIMATE COMMITMENT AT FABER-CASTELL

As a global concern, Faber-Castell will continue to work to prevent climate change not only by optimising production and logistics processes and using sustainable energy, but also through active involvement in climate protection organisations. International corporate groups like Faber-Castell have a special responsibility to promote environmental issues in economic policy.

Although its wood plantations already capture a large amount of CO₂, Faber-Castell has set itself the goal of further optimising its carbon footprint by expanding its own wood production capacity.

Climate protection targets are thus of paramount ecological and economic importance to the long-term development of the Faber-Castell Group.

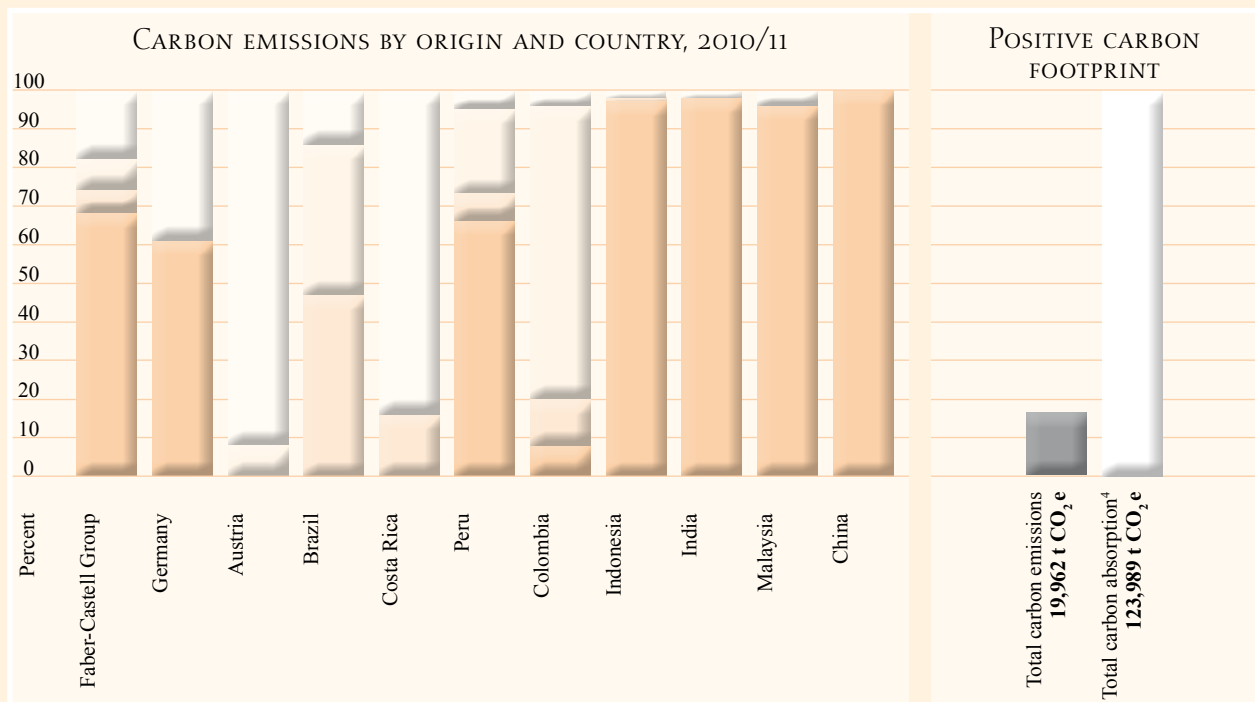


¹ Primary energy sources are those which can be utilised without conversion, e.g. coal.

² Process emissions are produced during chemical reactions other than combustion.

³ Energy purchased from an energy company, or solar energy.

⁴ Own calculations, not within the scope of the Kyoto Protocol.



4.4 ENVIRONMENTAL CHALLENGES



Faber-Castell is keenly aware of the environmental challenges of the future. The biggest challenges have been identified and analysed for the purposes of risk minimisation and response planning. These are:

WATER SHORTAGES

Clean drinking water is one of the most vital commodities on Earth for humans and animals. For manufacturing companies, access to water is also an important economic factor. Faber-Castell therefore intends to further reduce water consumption and the use of drinking water at its worldwide production sites.

CLIMATE CHANGE

The potential consequences of global climate change, such as the increasing scarcity and rising costs of raw

materials, changes in climate conditions for the company's wood resources, and even health implications for employees due to altered living conditions, may all have a significant impact on the development of Faber-Castell. By regularly analysing the company's global carbon footprint, it is possible to identify potential for reducing greenhouse gas emissions and define targets accordingly. This might include the energy optimisation of buildings and production processes or the optimisation of logistics processes, for example.

GROWTH AND AVAILABILITY OF WOOD

The world's forests play a vital role in the global climate by capturing carbon. For Faber-Castell, increasing global wood reserves would also represent an important economic safeguard. Through its continued involvement in forestry projects, Faber-Castell aims to promote reforestation and help halt the decimation of the world's forests.

4.5 INPUT/OUTPUT BALANCE SHEET OF PRODUCTION SITES

INPUT	FY 2009/10	FY 2010/11
Wood (slats)	122,126 t	155,038 t
Plastics	5,178 t	5,678 t
Clay	327 t	330 t
Kaolin	2,834 t	3,802 t
Graphite	390 t	484 t
Water-based paint	82 t	102 t
Paint with organic solvents	724 t	1,076 t
Water (total)	291,617 m ³	384,842 m ³
of which		
- Groundwater (e.g. wells)	204,268 m ³	227,742 m ³
- Water from water companies	87,349 m ³	157,100 m ³
Non-renewable energy		
Natural gas	761,821 m ³	1,461,877 m ³
Liquid gas	121 m ³	222 m ³
Diesel	113 t	100 t
Heating oil	515 m ³	26 m ³
Electricity (grid mix)	19,667 MWh	23,182 MWh
Renewable energy		
Purchased electricity from renewable sources	33,900 MWh	36,054 MWh
Wood pellets and chips	30,587 t	31,489 t
Hydroelectricity	1,061 MWh	1,072 MWh
OUTPUT	FY 2009/10	FY 2010/11
Products		
Wood-cased pencils	1,969,923,324 units	2,341,026,233 units
Ink writing implements, markers, erasers and writing accessories	ca 500,000,000 units	ca 595,000,000 units
Waste water		
Discharged indirectly to sewer system	59,478 m ³	50,309 m ³
Discharged directly to environment	3,471 m ³	1,763 m ³
Emissions		
CO ₂ equivalent (Scopes 1, 2, and in part 3)	17,819 t	19,962 t
VOC emissions from paint coating	423 t	632 t
Daytime noise level at site's border (average)	64 dB(A)	63 dB(A)
Night-time noise level at site's border (average)	48 dB(A)	56 dB(A)
Waste		
Hazardous waste	847 t	1108 t
Non-hazardous waste	4,003 t	4,184 t

5. SOCIAL AFFAIRS

1839

In his first year in charge of the family business, Lothar von Faber modernised the factory *“to make them roomy and well-lit and to serve the interests of the workers’ health”*.

“IN OUR MODERN TIMES
IT IS PARTICULARLY
IMPORTANT TO MAINTAIN
ONE’S HUMANITY AND
UPHOLD THE VALUES FIRST
ESTABLISHED BY LOTHAR
VON FABER ALL THOSE YEARS
AGO, BECAUSE THESE VALUES
ARE THE STRENGTHS OF OUR
FAMILY BUSINESS.”

COUNT ANTON-WOLFGANG VON FABER-CASTELL



5.1 THE FABER-CASTELL SOCIAL CHARTER

In March 2000, Faber-Castell and trade union IG Metall signed the globally valid Faber-Castell Social Charter. The charter sets out Faber-Castell's commitment to uphold, throughout the international group of companies, the employment and working conditions recommended by the International Labour Organization (ILO). Through the charter, the same social and labour standards are applied worldwide, including a ban on child labour, equal opportunities and equal treatment regardless of race, religion, gender or nationality, safe and hygienic working conditions, fair pay and humane working conditions. In terms of its scope, it is the first agreement of its kind.

Regular audits are performed to make sure the standards set out in the Social Charter are adhered to. A three-level control mechanism was put in place involving both internal and external auditors. The first level involves the completion of a set of checklists by the factories themselves. These checklists are centrally evaluated to appraise the current situation.

The second level involves regular audits by internal auditors at the individual sites. Finally, every two years verification audits are carried out by an external monitoring committee. This independent panel is made up of senior representatives of IG-Metall and the international trade union BWI, a management representative of Faber-Castell AG and representatives of the factories, works councils and local labour unions.

Managers and employees receive regular training in the eight items of the international agreement to make sure the Social Charter is present in all Faber-Castell factories worldwide.

OUR SUPPLIERS'

SOCIAL COMMITMENT

As a long-term goal and as agreed with the trade unions in the Social Charter, Faber-Castell aims to work only with suppliers who fully accept the standards of the Faber-Castell Social Charter and who themselves aim to fulfil ILO requirements.

The first steps have already been taken to commit suppliers to Faber-Castell's social and environmental standards through voluntary disclosure and selected suppliers have also been audited. After assimilating further practical experience at selected sites, Faber-Castell plans to implement a standard worldwide online questionnaire supported by supplier audits.



Employment is voluntary and can be chosen freely

Forced labour or compulsory labour must not be practised. (ILO Conventions nos. 29 and 105). No employees must be forced to furnish a “deposit” or to hand in his/her identity papers with their employer.

No discrimination in employment

Equal opportunities and equal treatment regardless of the ethnic origin, colour, gender, religion, political opinion, nationality, social background or any other special characteristics shall be provided (ILO Conventions nos. 100 and 111). All employees shall receive the same pay for an activity ranking on the same level. Physical abuse, threats of physical abuses, unusual punishments or disciplinary measures, sexual or other forms of harassment and intimidations by the employer are strictly prohibited.

No Child Labour

Child labour must not be practised. Only employees aged over 15, or over the age of compulsory education, may be employed (ILO Convention no. 138). Children under 18 years are not permitted to execute a job that might endanger their health, safety or moral principles (ILO Convention no. 182) because of its nature or the conditions under which it is performed.

Respect for the right to freedom of association and free collective bargaining

The right of all employees to form and join trade unions shall be recognised (ILO Conventions nos. 87 and 98). Employees’ representatives must not be discriminated against and must be granted access to all the work places as required for exercising their duties as trade union representatives (ILO Convention 135 and Recommendation 143). The employers shall have a positive attitude towards the activities of the trade unions and be open to their employees being organized in a trade union.

Decent wages

Wages and benefits for a standard working week must at least meet the legal standards or the minimum standards valid for the industry. Wage deductions without the express consent of the employees concerned are not permitted, except when they are founded by national laws. All employees shall be handed out written, understandable information on their wages in their own language before taking up work and they shall receive a detailed breakdown of their wage upon every payment.

No excessive working hours

The working time is to be defined in line with the valid laws or national collective bargaining agreements for every trade. All employers must be granted at least one day off per week for their own recreation.

Safety at work and decent working conditions

A safe and hygienic working environment shall be guaranteed and implemented by an inhouse work protection organisation („Health and Safety Committee“). Optimum health and safety measures are supported in consideration of the current state of knowledge of the industry and of any given specific dangers.



Signing of the Social Charter on 3 March 2000 by Faber-Castell and IG-Metall

Conditions of employment are defined

The obligations of the employer towards the employees regarding the national labour laws and the regulations on social protection based on a regular employment relationship are observed. The employment relationship is to be fixed in a written agreement.

A handwritten signature in black ink, appearing to read 'A.W. Faber-Castell'.

A.W. Faber-Castell Unternehmensverwaltung GmbH & Co

A handwritten signature in black ink, appearing to read 'Reth. Weber'.

Industriegewerkschaft Metall, Vorstand

ADDITION TO THE SOCIAL CHARTER ON 1 OCTOBER 2008:

Contractors, subcontractors and suppliers

It is the objective of Faber-Castell to only co-operate with contractors, sub-contractors and suppliers who themselves recognise and implement the standards and recommendations. When drawing up a contract with a supplier, Faber-Castell shall include a self-assessment made up by the supplier in the supplier rating. In addition, the responsible staff of the purchasing department shall undergo further advanced training in this respect. On a long-term basis, it is our intention to also apply our internal, multistage monitoring procedure to the suppliers.

5.2 COMMITMENT TO EMPLOYEES

Dedicated, motivated and highly trained employees are vital to the success of the business. So Faber-Castell offers its global workforce of 7,000 people employment and training opportunities that suit their individual requirements.

TRAINING AND DEVELOPMENT PROGRAMMES

Employees' skills and knowledge are an essential ingredient of the company's success. For this reason, Faber-Castell encourages lifelong learning through a range of training and development opportunities. Both internal and external training courses are available. Know-how is also shared between the different factories to enhance the expertise of the workforce. Regular evaluation meetings promote a culture of openness and transparency between employees and supervisors.

FAMILY-FRIENDLY POLICY

A sympathetic family policy can play its part in helping employees to combine work with family responsibilities. By way of example, a "Family and Career" committee, composed of employees, was set up at the headquarters in Stein to generate practical ideas for a family-friendly Human Resources policy. This includes providing information material to support regional initiatives, funding for childcare during school holidays, help for employees who care for a family member, and flexible contact arrangements if an employee's child is suddenly taken ill. There is an annual Children's Day where the children of Faber-Castell employees are looked after for a whole day.



English classes for employees in São Carlos



Children's Day at Geroldsgrün

SUGGESTION SYSTEM AND EMPLOYEE REPRESENTATIVE COMMITTEES

Faber-Castell's top management team cooperates constructively with the works councils and employee representative committees. The chosen representatives in each factory serve as the point of contact for employees on a wide range of issues. Each factory operates an employee suggestion system which is promoted by the management team and the employee representative committees. The employees who are involved in a given process on a day-to-day basis are often in the best position to know where improvements are needed. By sharing their suggestions, they actively help to enhance the efficiency of the company.



The „Voluntários da Faber-Castell“ help their fellow men.

IN FOCUS:

SOCIAL COMMITMENT IN BRAZIL

In 2001, a volunteers' programme called *Programa Voluntários* was set up at Faber-Castell's Brazilian factories. The programme encourages and supports participation by employees in charitable projects in nearby communities. Participants help local people primarily by sharing their skills and knowledge. Faber-Castell supports the programme by providing funding and giving employees time off work to take part in these community activities.

As well as building schools and providing educational materials, employees take part in regular themed days and courses and fundraising activities. They can attend talks about social and ecological problems and discuss possible solutions with members of the community. Faber-Castell also devotes a lot of energy to in-house training and health promotion. Employees can take advantage of free literacy, language and computer classes and even preparation for university and MBA courses, all provided by qualified teachers in specially equipped classrooms. There are addiction prevention and hygiene courses and also leisure activities such as crafts and music lessons.

Daily exercise sessions during working hours help to improve ergonomics in the workplace. The Faber-Castell Club provides free sports and leisure facilities and a swimming pool for employees and their family members. Through all these measures, Faber-Castell actively helps to improve employees' quality of life and build a relationship of trust and respect.



Computer classes in São Carlos



Street dance project



Children in the daycare centre

5.3 THE GRAF VON FABER-CASTELL CHILDREN'S FOUNDATION



Count Anton-Wolfgang von Faber-Castell surrounded by children from Chernobyl who spend an eventful day in Stein each year

At the heart of Faber-Castell's social commitment are projects that help charities, hospitals, schools, kindergartens and other community initiatives. The company provides material, financial and personal support at both local and national level. In 2001, the Graf von Faber-Castell Children's Foundation was founded in Germany with the aim of supporting children's development through international projects.

5.4 SOCIAL CHALLENGES

Social responsibility has been an integral part of Faber-Castell's policy for generations. As the company's international operations continue to grow, a range of different social requirements emerge depending on regional circumstances.

Faber-Castell's internationally valid Social Charter ensures that social standards are the same all over the world. Concrete goals and measures are defined on the basis of these standards. Faber-Castell has identified the following areas as key social challenges for the future:

EMPLOYEE LOYALTY AND LONG-TERM EMPLOYMENT RELATIONS

Employee turnover tends to be higher outside Europe, particularly in Asia and Latin America. Recognising potential early on and encouraging this potential through training and good personnel management is vital to long-term employee loyalty and economic success. Long-term employment relations serve to continually increase the level of production expertise.

DEMOGRAPHIC TRENDS

Low birth rates and growing life expectancy are dramatically increasing the average age of the population, particularly in Europe. Demographic change is forcing Faber-Castell to reorientate its working conditions and approach to personnel development. The company is therefore developing strategies to adapt to a new age demographic in the workplace.

COMMITMENT TO EUROPEAN FACTORIES

Higher wage costs in Europe and increasing pressure from consumers and competitors to keep prices as low as possible make maintaining production capacities in Europe a challenging task. Faber-Castell's strategy is to exploit the strengths of each of its worldwide sites, their proximity to local markets and their potential - which naturally includes the headquarters in Stein and the factories at Geroldsgrün and Engelhartszell. Faber-Castell is an international concern that makes best use of regional opportunities. In recent years, and especially during the international financial crisis, the European sites have demonstrated with their high-quality output that they are both highly productive and competitive. In keeping with Faber-Castell's motto, "Guard the embers, not the ashes", our task now must be to continue supporting our traditional production sites in Europe.

PUTTING THE SOCIAL CHARTER INTO PRACTICE

The Social Charter is based on criteria defined by the ILO, and therefore represents a centrally developed code with no cultural, social or legal variations between different countries. Accordingly, it is important to maintain a dialogue with subsidiaries and suppliers and be sensitive to regional differences.

5.5 FACTS AND FIGURES RELATING TO SOCIAL ISSUES

	FY 2009/10	FY 2010/11
EMPLOYEES		
Number of employees worldwide	ca 7,000	ca 7,000
Proportion of women	44%	44%
Proportion of employees with a disability	2.57%	2.23%
FULL-TIME AND PART-TIME EMPLOYMENT		
Full-time employees (100%)	89.38%	97.29%
Part-time employees (<100%)	10.62%	2.71%
EMPLOYEE TURNOVER		
Turnover rate	11.87%	14.86%
SICKNESS, INJURIES, DEATHS		
Reported accidents per 100,000 working hours (Accidents × 100,000 ÷ total working hours)	1.87	1.15
Reported occupational accidents	250	208
Cases of occupational illness	0	0
Number of deaths	0	0
EMPLOYEE TRAINING AND DEVELOPMENT		
Training and development for managers as proportion of total working hours	2.01%	1.55%
Training and development for administrative employees as proportion of total working hours	0.83%	0.68%
Training and development for production workers as proportion of total working hours	0.57%	0.68%
PERFORMANCE EVALUATION		
Proportion of employees who have had a performance evaluation	37.84%	51.06%
STANDARD ENTRY-LEVEL PAY AND MINIMUM WAGE		
Ratio of entry-level pay to minimum wage	123.96%	114.55%

AWARDS

A SELECTION OF THE AWARDS PRESENTED TO FABER-CASTELL



German Order of Merit (1st Class) for services to the Bavarian economy, for achievements in business and for commitment to environmental protection, awarded to Count Anton-Wolfgang von Faber-Castell, September 2010



German Fairness Award 2007 for services to fair corporate and personnel management



Award-winning location in „Land of Ideas“ 2006, presented by Land der Ideen e.V.



Count Anton-Wolfgang von Faber-Castell is named Eco Manager of the Year 2008 by Capital magazine and the WWF



Preis der Arbeit (Ethical Business Award) 2006, presented by Forum Zukunftsökonomie



B.A.U.M. Environment Award 2007 for preventive and total environmental management



German Business Ethics Award 2004, presented by German Business Ethics Network (DNWE)

OTHER AWARDS

Marketing Award for Faber-Castell Indonesia, 2008, 2009, 2010 | German-Brazilian Personality of the Year, presented by the German-Brazilian Chamber of Industry and Commerce | Heritage Award of the Hypo Cultural Foundation, 2008 | BRAMEX Environment Award (Fauna), 2006 | Green Factory Award for Faber-Castell Indonesia, 2006 | OPI Environment Award, in recognition of ecological production and forest management, 2006 | Special Award in the BMZ/Invent Federal Competition, 2004 | Sustainability Award of the City of Nuremberg, 2003 | German Entrepreneurial Award, 2003 | Child-Friendly Company, ABRINQ, 2002 | “Company that Educates” awarded by SENAC Brazil, 2000

A SELECTION OF PRODUCT AWARDS PRESENTED TO FABER-CASTELL



Adopted in the list of
“Best Products of 2000”,
BusinessWeek GRIP 2001



**Design Center
Stuttgart**



Baden-Württemberg International Design Award 2000
GRIP 2001



Parents' Choice Award 2002
Parents' Choice Foundation
USA Jumbo GRIP



Best New Writing Implement
2005 at Russian office
supplies expo KantsExpo-
Autumn Moscow, GRIP 2011



Ergonomie Hit 2005, writing
implements, awarded by “büro
special” GRIP 2011



spiel gut, awarded by
Arbeitsausschuss Kinderspiel
+ Spielzeug e.V.

2000 Erasable colour pencils
2002 Jumbo GRIP colour pencils
2002 Colour GRIP colour pencils
2005 Jumbo Wax Crayons
2005 Triangular Oil Pastels



GOOD DESIGN Award 2007
Chicago Athenaeum:
Museum of Architecture
and Design Ambition Cocos
Series



Product of the Year 2008,
awarded by iF International
Forum Design Sleeve Eraser



Promotional Gift Award 2008
(Communicative Product)
Perfect Pencil Design

MEMBERSHIPS:

WWF Wood Group | UN Global Compact | Biodiversity in Good Company Initiative | B.A.U.M. | Bavarian Environmental Pact | German Business Ethics Network (DNWE) | PEFC | German Association for Environmental Management | ACMI AP | FSC

A SELECTION OF PRODUCT AWARDS PRESENTED TO FABER-CASTELL



PBS Product of the Year,
awarded by Paper, Office Sup-
plies and Stationery Associa-
tion 2002 Jumbo GRIP
2008 KOSMOS Eraser



ISPA Award, presented by the
International Stationery Press
Association
2000 Product of the Year
GRIP 2001
2007 Product of the Year
(Back to School), Sleeve Eraser
2009 Combined Eraser-
Sharpener
2010 Combined Eraser-
Sharpener



iF product design award 2011,
iF International Forum Design
LOOM Metallic



reddot design award

red dot award, presented
by Design Zentrum NRW
2000 GRIP 2001
2003 e-motion
Metal/Soft Varnish
2006 e-motion
Resin Ballpoint Pen and
Mechanical Pencil
2008 DESIGN Pencils
with hollow microsphere
micropearl varnish
(white, silver and black)
2010 Intuition
Fountain Pen
2010 Children's Scissors
2010 Mechanical Pencil for
learning to write
2011 Water Container foldable
2011 Connector Paint Box



B.A.U.M.
Bundesdeutscher Arbeitskreis
für Umweltbewusstes
Management e.V.



DEUTSCHES
NETZWERK
WIRTSCHAFTS-
ETHIK

EUROPEAN
BUSINESS ETHICS
NETWORK
DEUTSCHLAND E.V.



GRI INDEX

GRI INDEX (G3 KEY INDICATORS)

1 Strategy and analysis

- | | | |
|-----|---|-----------------------------|
| 1.1 | Statement from the Chairman or CEO | page 1 |
| 1.2 | Key sustainability impacts, risks and opportunities | pages 65, 72, 81, 90 and 91 |

2 Organisational profile

- | | | |
|------|---|-------------------------|
| 2.1 | Company name | page 10 |
| 2.2 | Primary brands, products and/or services | pages 16 - 21 |
| 2.3 | Operational structure | page 8 |
| 2.4 | Location of headquarters | pages 10 and 23 |
| 2.5 | Number of countries where organisation operates | pages 9, 14 and 22 - 37 |
| 2.6 | Nature of ownership and legal form | page 8 |
| 2.7 | Markets served | pages 8, 9 and 10 |
| 2.8 | Scale of the organisation | page 10 |
| 2.9 | Significant changes in the reporting period | pages 8 and 34 |
| 2.10 | Awards received in the reporting period | pages 83 - 85 |

3 Report parameters

- | | | |
|------|--|-------------------|
| 3.1 | Reporting period | page 2 |
| 3.2 | Date of previous report | page 2 |
| 3.3 | Reporting cycle | page 2 |
| 3.4 | Contact person | page 92 |
| 3.5 | Process for defining report content | page 2 |
| 3.6 | Boundary of the report | pages 2, 8 and 22 |
| 3.7 | Limitations on report scope | page 8 |
| 3.9 | Data measurement techniques | page 47 |
| 3.10 | Explanation of the effect of any restatements of information provided in earlier reports | page 2 |
| 3.11 | Significant changes from previous reports in scope, boundary or measurement | page 2 |
| 3.12 | GRI index – table with page numbers | pages 86 - 89 |
| 3.13 | Assurance – external assurance of statements | pages 49 and 70 |

GRI INDEX (G3 KEY INDICATORS)

4 Governance, commitments and engagement

4.1	Governance structure	page 8
4.2	Independence of the Chairman of the Supervisory Board	CEO is the owner.
4.8	Mission, values and codes of conduct	pages 39 - 46
4.9	Board process for identification and management of economic, environmental and social performance	pages 46 - 49
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	pages 12 and 58 - 67
4.12	Support of external initiatives	pages 84 and 85
4.13	Memberships in associations and/or advocacy organisations	pages 84 and 85
4.14	List of stakeholder groups engaged by the organisation	pages 2, 47, 84 and 85

5 Performance indicators*Environmental*

EN1	Materials used by weight or volume	page 73
EN3	Direct energy use	pages 64 and 73
EN4	Indirect energy use	pages 64 and 73
EN5	Energy saved	pages 69 and 73
EN8	Total water withdrawal	pages 64 and 73
EN9	Water sources significantly affected by withdrawal of water	page 64
EN11	Land in protected areas	none
EN12	Impacts on biodiversity	pages 58 - 61
EN13	Habitats protected or restored	pages 58 - 61
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	pages 58 - 61 and 91
EN15	Number of IUCN Red List species	no endangered species acc. to FIS reporting system
EN16	Greenhouse gas emissions	pages 68 - 71 and 73
EN17	Other greenhouse gas emissions	pages 68 - 71 and 73
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	pages 58, 70 and 91

GRI INDEX (G3 KEY INDICATORS)

EN19 Emissions of ozone-depleting substances	page 73
EN20 Significant air emissions	pages 68 - 71 and 73
EN21 Total water discharge	pages 65 and 73
EN22 Total weight of waste by type	page 73
EN23 Total number and volume of significant spills	pages 68 - 71 and 73
EN26 Initiatives to mitigate environmental impacts of products/services and extent of impact mitigation	pages 58 - 73
EN28 Fines/sanctions for non-compliance with environmental laws/regulations	no fines or sanctions acc. to FIS reporting system
EN29 Environmental impacts of transport	page 67
<i>Labour Practices and Decent Work</i>	
LA 1 Total workforce by employment type	page 82
LA 2 Employee turnover	page 82
LA 5 Notice period regarding operational changes	3 weeks on average
LA 7 Rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	page 82
LA 9 Health and safety topics covered in formal agreements with trade unions	pages 75 - 77
LA 10 Training by employee category	page 82
LA 12 Regular performance reviews	page 82
LA 13 Breakdown of employees according to gender	page 82
<i>Human Rights</i>	
HR 1 Investment agreements that include human rights clauses or that have undergone human rights screening	100% since covered by corporate policy and Social Charter
HR 2 Percentage of suppliers and contractors that have undergone screening on human rights and action taken	page 75
HR 4 Total number of incidents of discrimination and actions taken	no accidents acc. to FIS reporting system; covered by Social Charter
HR 5 Freedom of association and collective bargaining	pages 76 - 77
HR 6 Child labour	pages 76 - 77
HR 7 Forced or compulsory labour	pages 76 - 77
HR 9 Violations involving rights of indigenous people	no incidents acc. to FIS reporting system

GRI INDEX (G3 KEY INDICATORS)

Society

SO 4	Actions taken in response to incidents of corruption	no incidents acc. to FIS reporting system
SO 7	Legal actions for anticompetitive behaviour	no incidents acc. to FIS reporting system
SO 8	Fines and sanctions for non-compliance with laws and regulations	no incidents acc. to FIS reporting system

Customer Health and Safety

PR 1	Analysis of life cycle stages with regard to health/safety impacts of products	pages 54, 55 and 62 - 67
PR 2	Incidents of non-compliance with regulations and voluntary codes concerning health and safety	no incidents acc. to FIS reporting system
PR 5	Customer satisfaction	page 55
PR 6	Voluntary codes related to marketing communications	Code of conduct for stationery industry
PR 7	Incidents of non-compliance with voluntary codes concerning marketing communications	no incidents acc. to FIS reporting system
PR 8	Complaints regarding breaches of customer privacy and losses of customer data	no incidents acc. to FIS reporting system
PR 9	Fines for non-compliance with laws on use of products/services	no incidents acc. to FIS reporting system

THE FABER-CASTELL AG

SUSTAINABILITY PROGRAMME

KEY SUSTAINABILITY OBJECTIVES AND BENEFITS FOR THE COMPANY

OBJECTIVE	TARGET DEADLINE
<p>To build on Faber-Castell's position as a global brand and assure long-term healthy growth and profitability for all areas of the company.</p> <p>To increase brand value and revenue, enable long-term investments, secure production sites and jobs, and create new employment.</p>	Ongoing
<p>To anchor our ambition to be the "best in class" by introducing more innovative and high-quality products and upholding current quality standards.</p> <p>To maintain customer satisfaction and secure the company's long-term future.</p>	Ongoing
<p>To optimise supplier management in terms of quality, environmental and social affairs and reliability.</p> <p>To ensure compliance with Faber-Castell's stringent requirements in the supplier chain and optimise supplier processes and product quality.</p>	FY 2011/12, ongoing
<p>To implement CIP (Kaizen) and 5S programmes.</p> <p>To achieve safe, clean and organised workplaces, optimise internal processes and increase employee engagement and motivation.</p>	Ongoing
<p>To support international projects relating to children and education.</p> <p>To further increase our social commitment and support for local communities.</p>	Ongoing
<p>To expand the company's sustainable forest resources.</p> <p>To assure a long-term secure supply of wood from sustainably managed forests, protect biodiversity and help prevent climate change.</p>	FY 2012/13

OBJECTIVE	TARGET DEADLINE
To implement online updates to the integrated management and reporting system FABIQUS. To optimise processes and enhance employee acceptance.	FY 2012/13
To include additional Scope 3 emissions (indirect emissions) in the carbon footprint as defined in the Greenhouse Gas Protocol. To optimise carbon data and define concrete targets for action.	FY 2012/13
To analyse the carbon footprint of selected products. To generate better data relating to CO ₂ emissions during product development and identify potential for optimisation.	FY 2012/13
To examine the applicability of the new sustainability standard ISO 26000 (CSR). To define further optimisations in order to fulfil our social responsibility.	FY 2012/13
To implement a programme on the issue of biodiversity in the supplier chain. To identify biodiversity issues and define optimisation measures.	FY 2013/14
To perform an employee satisfaction survey for the whole of the Faber-Castell Group. To analyse the results in order to identify areas where improvements are needed and define any measures needed.	FY 2013/14
To present a Faber-Castell Sustainability Award for our employees. To recognise ideas generated by employees to promote sustainability.	FY 2013/14

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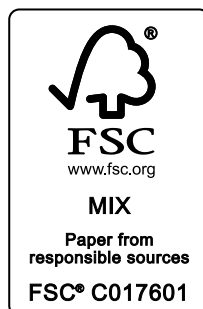
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SUSTAINABILITY FOR EIGHT GENERATIONS

1ST GENERATION 1761 – 1784
KASPAR FABER

2ND GENERATION 1784 – 1810
ANTON WILHELM FABER

3RD GENERATION 1810 – 1839
GEORG LEONHARD FABER

4TH GENERATION 1839 – 1896
BARON LOTHAR VON FABER

5TH GENERATION 1877 – 1893
BARON WILHELM VON FABER

6TH GENERATION 1900 – 1928
COUNT ALEXANDER VON FABER-CASTELL

7TH GENERATION 1928 – 1978
COUNT ROLAND VON FABER-CASTELL

8TH GENERATION 1978 – PRESENT
COUNT ANTON-WOLFGANG VON FABER-CASTELL

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