

Communication on Progress

of



FABER-CASTELL

since 1761



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1. OUR CONCERN IS GLOBAL RESPONSIBILITY

People sometimes ask why Faber-Castell voluntarily signed a social charter with world-wide validity in which discrimination and child labour are prohibited throughout our companies and in which all other employment conditions of the International Labour Organization (ILO) are also guaranteed.

For me, as a representative of social market economy, it is an obligation and at the same time a matter of course to face the challenges of globalization. My great-great-grandfather, a pioneer in social matters, acted responsibly, and in line with our tradition we guarantee decent working conditions around the globe and help our employees achieve a higher standard of living and a higher quality of life by means of a great number of social benefits. In this way, we secure the long-term basis of existence not only of our staff but also of the company Faber-Castell .

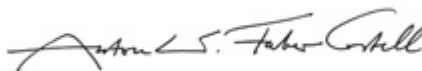
You do not have to be a visionary to understand that it is of utmost importance for future generations to assure the resources for their living. This is why, about 25 years ago, Faber-Castell initiated a reforestation project in Brazil which has remained exemplary until today. Our own pine forests, on an area of 10,000 hectares, are used as a source of raw materials for the production of graphite and colour pencils. The Forest Stewardship Council (FSC) certified this project as “socially beneficial and managed in an environmentally appropriate and economically viable manner”. Sustainability is also the focus of our quality management. Our products accompany the consumers on their way from childhood to being an artist, from being a student to becoming a CEO – and from generation to generation. Excellent product quality is the prerequisite for the satisfaction and consequently the fidelity of our customers. It is our intention to “make the best that is made in the whole world”, as Lothar von Faber proclaimed more than 150 years ago. Until today, I have felt bound by this standard to act in a way that is fit for the future in today’s fields of tension regarding our economic, ecological and social claims.



Count Anton W. von Faber-Castell

Chief Executive Officer (CEO)

Faber-Castell AG



2. THE BRAND ESSENTIALS – CORE VALUES OF AN UNMISTAKABLE BRAND

Faber-Castell has defined four core values to form the basis of a logical branding which give the Faber-Castell brand name and the company, too, its unique identity. These core values are called ‘brand essentials’ and with them clear action guidelines were established, for the company and its customers, business partners, society and the environment.

The “brand essentials” of Faber-Castell are based on the following four pillars:

 <p>Competence & Tradition</p>	 <p>Outstanding quality</p>	 <p>Innovation & Creativity</p>	 <p>Social & environmental responsibility</p>
<p>We use our competence based on our roots, our history, our experience and constant learning to shape our own future with entrepreneurial spirit.</p> <p>This guarantees a sound know-how to maintain or build a solid leadership, a high degree of credibility and a strong global communication and distribution network based on fair partnership.</p>	<p>We are determined to be the best of the class in all products and services. We respect the needs of the regional markets, always considering global requirements.</p> <p>We understand quality as ensuring:</p> <ul style="list-style-type: none"> ■ clear point of difference, perceived and relevant added value; ■ outstanding performance; ■ characteristic and timeless design. 	<p>We mean innovation and creativity as pioneering and providing continuous improvements to offer solutions with relevant benefits to end consumers.</p> <p>We stimulate our own creativity through an open working atmosphere, dedication and commitment and international interdisciplinary working teams.</p>	<p>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 prioritize and continuously search for environment-friendly processes and materials to contribute to preserving the planet.</p> <p>We are ahead on anticipating future trends and impacts to accomplish our obligations and guarantee sustainability.</p>

3. THE FABER-CASTELL SOCIAL CHARTER – PRACTICAL CORPORATE CULTURE

In March 2000, Faber-Castell and the German trade union IG Metall signed the Faber-Castell Social Charter. This internationally binding agreement is one of the first of its kind in terms of scope. By signing it, Faber-Castell undertakes to guarantee conditions of employment and labour in all companies of the Faber-Castell group, as recommended by the International Labour Organization (ILO).

The Social Charter contains the following agreements:

- No forced labour
- No child labour
- Payment of minimum wages
- No excessive working hours
- Equal opportunities and equal treatment of the employees
- The right of association and the right of collective bargaining are respected
- Safe working conditions and decent payment
- Definition of employment conditions

An independent committee monitors the implementation of the Social Charter at regular intervals in all plants. For this purpose, the corporate processes are examined by both internal and external boards.

The monitoring mechanism is divided into three levels:

- 1st Level: Self-information of all plants in Social Checklists
- 2nd Level: Regular audits of the plants by internal auditors
- 3rd Level: Verification audits by an external monitoring committee every 2 years

4. INCREASING THE FSC CERTIFICATION FOR WOOD-CASED PENCILS

In 2008, the company joined the Global Forest & Trade Network (GFTN), an organisation within the World Wide Fund for Nature (WWF). GFTN offers a platform for innovative companies which feel a responsibility to encourage environmentally and socially compatible forestry. GFTN members are committed to traceability in the procurement of timber and paper, and an increasing proportion of FSC¹-certified products in their range.

By joining GFTN, Faber-Castell committed itself to raising its proportion of FSC-certified timber resources from about 80% at that time to 90% by the year 2012. That target was in fact exceeded by mid-2010. 95% of all the wood used by the entire Faber-Castell group of companies is now certified to the stringent criteria of the FSC. The remainder also comes from monitored sustainable forests. That guarantees environmentally compatible, economically viable, and socially responsible conditions of forestry.

The significance of timber resources – not just for the company but also for the environment – has remained the concern of Count Anton Wolfgang von Faber-Castell, chairman and CEO ever since. Over two decades ago he started a unique afforestation programme in the south-east of Brazil. The forests have now grown to 10,000 hectares (100 sq.km) but are not used purely for timber production. Some 2,700 hectares of woodland are left in their natural state as a habitat for flora and fauna, including some species threatened with extinction. These forests in Brazil were awarded the FSC-FM (Forest Management) seal of environmental quality in 1999. In addition, all production sites of the Faber-Castell group around the world and all Faber-Castell sales companies have received the FSC-CoC (Chain of Custody) certificate, so that the origin of all the wood, from felling the tree to packaging the pencils, can be traced with certainty.

Besides the use of FSC-certified timber and the active commitment to maintaining biodiversity, the entire life cycle of the products is based on ecological principles. Not just the application of environment-friendly water-based paint for the pencils, but also the choice of suppliers in accordance with their ecological commitment: those are examples of Faber-Castell's environmental management.

¹ The Forest Stewardship Council (FSC) is an international organisation whose certification system guarantees that the materials for wood and paper products have come from responsibly managed forests: clearly defined environmental and social standards must be maintained in the forestry operations.

5. SUMMARY OF THE COMMUNICATION OF PROGRESS

	Principle	Practical example
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights; and	<ul style="list-style-type: none"> • Social Charta incl. regular monitoring • Brand Essentials • Social Supplier Survey • Regular training for employees
	2. make sure that they are not complicit in human rights abuses.	
Labour	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining,	
	4. the elimination of all forms of forced and compulsory labour,	
	5. the effective abolition of child labour; and	
	6. the elimination of discrimination in respect of employment and occupation.	
Environment	7. As a matter of precaution, companies should support a precautionary approach to environmental challenges;	<ul style="list-style-type: none"> • Certification acc. to ISO 14001, FSC and PEFC • Brand Essentials • Environmental audits • Environmental analysis (e.g. Carbon Footprint, ecological balance sheets)
	8. undertake initiatives to promote greater environmental responsibility; and	<ul style="list-style-type: none"> • Training for employees • Memberships in different work groups (e.g. Business & Biodiversity in Good Company)
	9. encourage the development and diffusion of environmentally friendly technologies.	<ul style="list-style-type: none"> • Environmental Products (e.g. water-based coating, natural raw materials) • Environmental processes (heating with wood chips and wood pellets, hydro energy)
Anti-Corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	<ul style="list-style-type: none"> • Internal Compliance Principles