



# FABER-CASTELL

*since 1761*



SUSTAINABILITY REPORT 2008

## OUR CONCERN IS GLOBAL RESPONSIBILITY



**Count Anton W. von Faber-Castell**  
Chief Executive Officer (CEO)  
Faber-Castell AG

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 the 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 of the Faber-Castell company too.

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. This is why, about 25 years ago, Faber-Castell initiated a reforestation project in Brazil which has remained exemplary until this day. 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 child to artist, from student to 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.

*Anton W. von Faber-Castell*

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# COMPANY AND ECONOMY

“FOR ME AS A BUSINESSMAN, THE LONG-TERM SUCCESSFUL SAFEGUARDING OF THE COMPANY IS PARAMOUNT, NOT JUST SHORT-TERM PROFITS”

*Count Anton Wolfgang von Faber-Castell (2002)*

## THE FABER-CASTELL GROUP BETWEEN TRADITION AND INNOVATION

In 1761, the cabinet-maker Kaspar Faber started his own small business manufacturing pencils at Stein near Nuremberg. He thus laid the foundations for the present Faber-Castell company. The decisive development, however, did not come about until 1839. The pencil industry started to flourish in Germany with the work of Lothar von Faber, who was later made a baron and ‘Imperial Counsellor’ at Stein near Nuremberg. Lothar von Faber is not only deemed the creator of the hexagonal pencil but he also defined the standards for the length, thickness and hardness of a pencil. Moreover, he was the first manufacturer to mark his products with the name of the company. This is how the ‘A.W. Faber’ pencils not only became the first brand-name writing implements but also count among the first branded products in the whole world.

In the core field of wood-cased pencils, the Faber-Castell group is the most important manufacturer world-wide with a production of more than 2,000 million graphite and colour pencils a year. The company owes its leadership in the international market to its traditional commitment to the highest quality standards and a great number of product innovations and enhancements. The definition of Faber-Castell’s high claims for its own brand is based on the objective constantly to optimize the benefit for the customer and to distinguish itself from its competitors by this ‘point of difference’. The Faber-Castell group, one of the oldest industrial and family-owned businesses in the world, is headed in its eighth generation

by Count Anton Wolfgang von Faber-Castell. In 2000, Faber-Castell was converted into a joint-stock company characterized by an appropriate management structure.

World-wide, the group has 14 production sites and 20 sales organizations, which are managed centrally in strategically important areas. Amongst other things, this is true for the uniform international standards in quality, environment and social matters, global brand management, a uniform human resources policy, and clear financial controlling standards via a corresponding reporting system.

Within these strategic guidelines, however, Faber-Castell maintains decentralized structures in the three marketing units Europe / North America, Latin America, and Asia. Hence the local management is capable of responding flexibly to the relevant market requirements. Apart from the regular marketing meetings, the control instruments of the international corporate activities are the meetings of world-wide Workshop Teams and Group Management Committees where the essential decisions on the make-up of the product range and product developments are made.

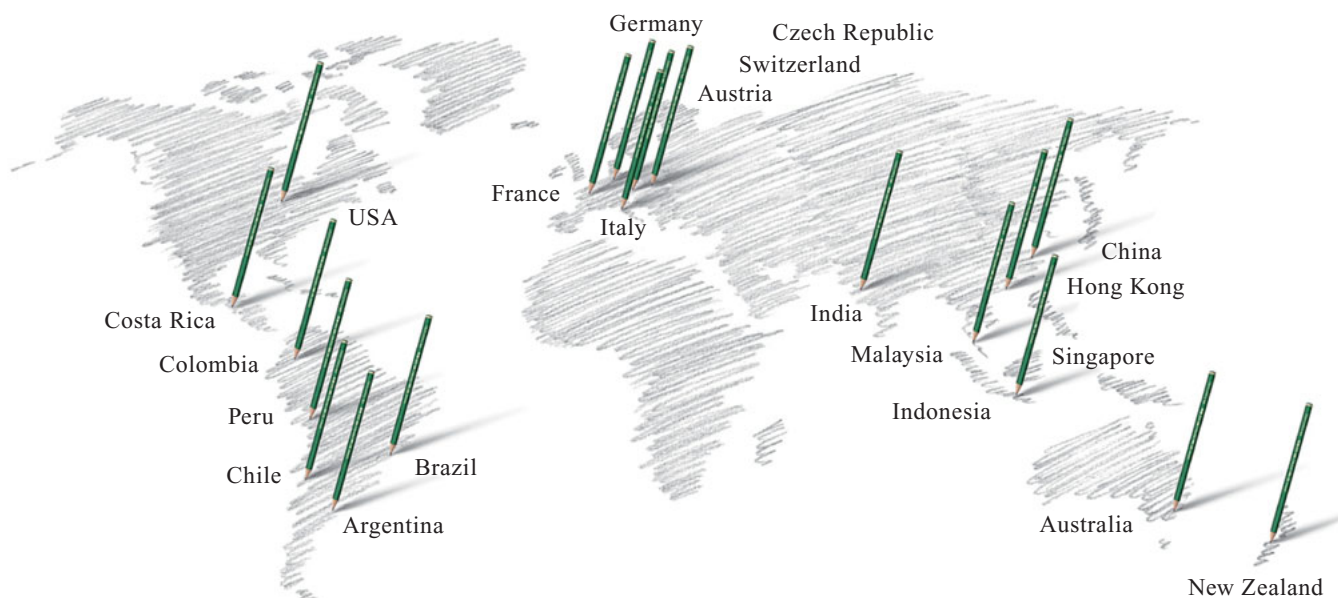
World-wide, the Faber-Castell work force accounts for approximately 7,000 employees, 2,800 of whom work with the Brazilian Faber-Castell companies at São Carlos and São Paulo (including 500 attached to the reforestation project in the Prata region, federal state of Minas Gerais).

With 1,700 million pencils per year, Faber-Castell Brazil is the largest graphite and colour pencil manufacturer in the world.

## CORPORATE FACTS AND FIGURES

<b>Established in</b>	1761	<b>Certificates</b>	ISO 9001:2000
<b>Financial Holding</b>	Faber-Castell Aktiengesellschaft		ISO 14001:2005
	90546 Stein		FSC-FM
	Germany		FSC-CoC
<b>Chief Executive Officer</b>	Count Anton Wolfgang von Faber-Castell		Ecocert
<b>Marketing/sales regions</b>	Europe/North America	<b>Commitments</b>	world-wide Faber-Castell Social Charter
	Asia		B.A.U.M.
	Latin America		Umweltpakt Bayern
<b>Production sites</b>	14		Global Compact
<b>Sales organizations</b>	20		WWF Wood Group
<b>Agencies</b>	in more than 120 countries		Business and Biodiversity
<b>Sales turnover 07/08</b>	417.6 million Euro		Animalis
	(consolidated gross sales)		Arboris
<b>Net income 07/08</b>	28.6 million Euro (before tax)		ECOMmunity
<b>Employees</b>	world-wide approx. 7,000	<b>Foundation</b>	Count von Faber-Castell children's trust in favour of disadvantaged children
	in Germany approx. 900		

## THE INTERNATIONAL GROUP OF COMPANIES



*Faber-Castell manufactures at 14 locations in 10 countries around the world, sells its products via 20 sales organizations, and is represented in more than 120 countries*

## THE INTERNATIONAL PRODUCTION SITES

### EUROPE

#### Faber-Castell Germany

**Stein head office** (since 1761)

##### Writing and Drawing Division

- Research & development, production, marketing and sales
- > Wood-cased colour and graphite pencils  
Products for writing and painting  
(including accessories)  
and superior artist pencils and crayons

##### Cosmetics Division

 (since 1978)

- Research & development, production, marketing and sales
- > Wood-cased and mechanical pencils  
for decorative cosmetics

##### Geroldsgrün plant

 (since 1861)

- Development and production  
of products made from plastic materials
- > Ink writing implements, mechanical pencils,  
drawing instruments
- > Cosmetic products, for example applicators  
and capillary systems



#### Faber-Castell Austria

**Engelhartzell plant** (since 1963)

- Production
- > Inks and textliners



### LATIN AMERICA

#### Faber-Castell Brazil

**Prata plant** (since 1989)

- 10,000 hectares of forest (1984)  
and a sawmill
- > Tree nursery for pine seedlings,  
production of slats for colour and  
graphite pencils

**São Carlos plant** (since 1930)

- Research & development, production and  
central warehouse
- > Wood-cased colour and graphite pencils,  
wax crayons, fine leads, writing accessories  
and cosmetic products

**Manaus plant** (since 2006)

- Production
- > Ball-point pens, children markers  
and sharpeners



#### Faber-Castell Costa Rica

**Neily plant** (since 1996)

- Sawmill and pencil production
- > Slats, wood-cased colour pencils



#### Faber-Castell Peru

**Lima plant** (since 1965)

- Development, production,  
marketing and sales
- > Ball-point pens, fibre-tip pens  
and markers



#### Faber-Castell Colombia

**Bogotá plant** (since 1976)

- Production
- > Wax crayons and  
drawing accessories



### ASIA

#### Faber-Castell Malaysia

**Kuala Lumpur plant** (since 1978)

- Research & development, production, sales
- > Erasers (largest manufacturer in the world),  
ink pens and writing accessories



#### Faber-Castell Indonesia

**Bekasi plant** (since 1990)

- Production and sales
- > Wood-cased colour and graphite pencils  
and writing accessories

**Jakarta plant** (since 1999)

- Production and sales
- > Textliners, fibre-tip pens, markers

**Sumatra plant** (since 1999)

- Production and sales
- > Slats for colour and graphite pencils



#### Faber-Castell India

**Goa plant** (since 1998)

- Production
- > Wax crayons, erasers, textliners,  
children markers, ink writing implements



#### Faber-Castell China

**Guangzhou plant** (since 2000)

- Production and sales
- > Sharpeners, erasers, writing implements  
made from plastic materials



## THE FABIQUS MANAGEMENT SYSTEM FOR QUALITY, ENVIRONMENT AND SOCIAL MATTERS

The FABIQUS integrated management system was introduced in the year 1998 in order to implement a lasting corporate policy, in particular with regard to quality, the environment, and social responsibility. FABIQUS stands for Faber-Castell's Integrated Management System for Quality, Environment and Social. Apart from conserving natural resources and reducing emissions, the essential objectives of FABIQUS are above all the long-term cost savings in favour of far-reaching social benefits.



The management system is controlled by means of the FABIQUS Information System (FIS) in the form of an annual group report and offers the following advantages:

- > Transparent plant data world-wide
- > Identification of optimization potentials and derivation of annual objectives
- > Controlling of the annual results achieved

In addition, internal and external process analyses (audits) are regularly performed in all plants.

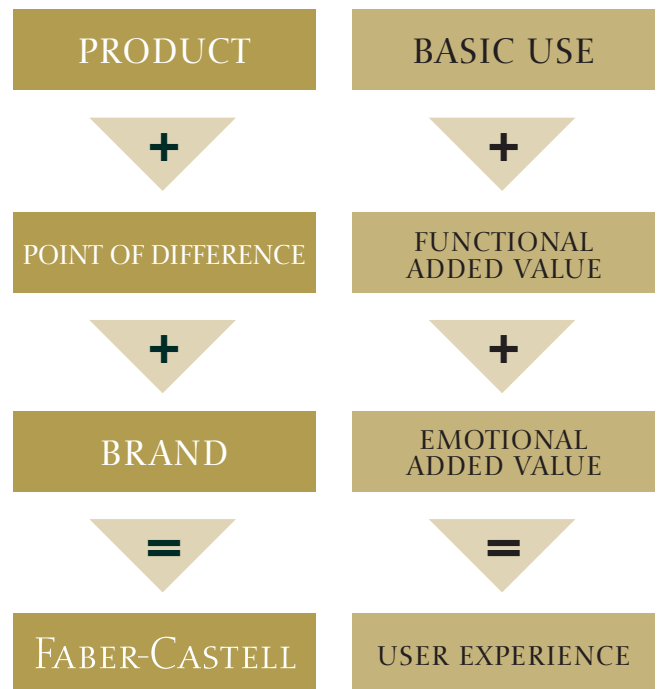
Through FABIQUS, Faber-Castell implements a uniform product quality in all plants and the work is performed in accordance with the internationally valid standards applicable in the areas of quality (ISO 9001:2000), environment (ISO 14001:2005), social matters (Faber-Castell Social Charter), and in the field of safety at work.

## ADDED VALUE OF THE PRODUCTS

Apart from an excellent product quality, Faber-Castell considers it its never-ending task to offer the customer functional added value in the framework of a versatile product range. Examples to be named in this context are the sharpener integrated into the pencil extender, the 'filling station' for textliners, and the GRIP grip zone (raised dots).

It is the prime objective of the company lastingly to increase the added value of the products by means of consistent product optimization and the development of intelligent solutions, and to create an emotional user experience for the consumer. By pursuing this strategy which is described as the 'point of difference', Faber-Castell has obtained a leading position in many markets.

## USER EXPERIENCE FOR THE CUSTOMER



## ISO-CERTIFIED PLANTS

	Brazil	China	Colombia	Costa Rica	India	Indonesia	Malaysia	Peru	Austria	Germany
ISO 14001	✓	2009	✓	✓	✓	✓	✓	✓	✓	✓
ISO 9001	✓	2009	✓	✓	✓	✓	✓	✓	✓	✓


## 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>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"> <li>■ clear point of difference, perceived and relevant added value;</li> <li>■ outstanding performance;</li> <li>■ characteristic and timeless design.</li> </ul>	<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>

## 2007/2008 FINANCIAL YEAR

### FABER-CASTELL CONTINUES TO GROW

In the financial year 2007/2008, the Faber-Castell group yielded consolidated gross sales of 417.6 million Euro (previous year: 395.4 million Euro) and thus achieved a growth of 6%. Hence, a pre-tax net income for the year amounting to 28.6 million Euro (previous year: 33.1 million Euro) was achieved.

This value already includes special charges amounting to 10.3 million Euros, without which the result would have been clearly higher in value.

The cash flow of the previous year was maintained and the investments were increased by 4.3 million Euro to 22.6 million Euro.

The investments focused on the companies in Germany, Brazil, and Indonesia. For example, a new production location for markers was established in Indonesia in order to meet the increased demand within the Asia Region and to supply Australia.

#### Europe/North America

With a growth of 7%, the marketing subsidiary Faber-Castell Vertrieb GmbH was able to continue the good development started in the previous years on the domestic market and in the export business. In Germany, the company was able to maintain its leading position in the market in the face of ever-growing pressure from its competitors. Internationally, the long-term investments in the markets paid off. Despite a strong Euro, Faber-Castell considerably increased its export business to Eastern Europe and Asia. The subsidiaries in Italy, France, and the USA generated a particularly positive development.

#### Asia Region

The companies in Malaysia, Indonesia, and India were also able to consolidate their positions.

A second production location was built in India. Production in China is currently being expanded further after having overcome the start-up difficulties of the previous years.

The new production sites in India and Indonesia have not yet been considered in this report.

#### Latin America

The standardization of marketing strategies on a regional basis also

contributed to the successful course of business in the Latin America region. The most important markets have generally developed well and achieved two-digit growth rates, valued in local currency.

In order to meet up to the increasing importance of the Chilean market within the Latin America region, Faber-Castell established its own branch office in Santiago de Chile, the A.W. Faber-Castell Chile Sociedad Anónima.

## OUTLOOK

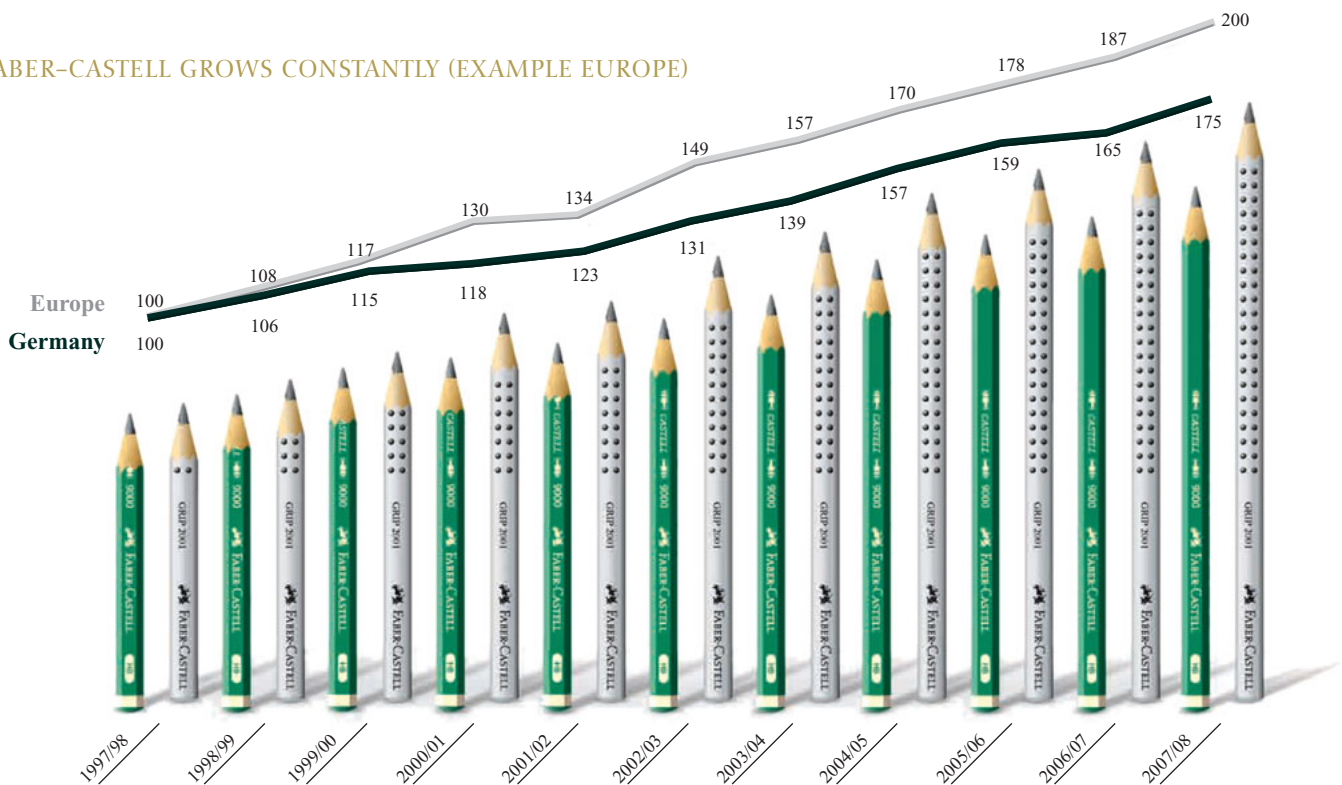
### LASTING INVESTMENTS SECURE PROFITABILITY

The growth of 5% has been continued in the new financial year. For the current financial year, a growth in sales of 3% (originally 8%) is expected owing to the impact of the financial crisis.

The positive development of Faber-Castell during the last few years has been possible thanks to considerable investments in product development and the expansion and modernization of production locations. The market position of Faber-Castell has clearly

improved world-wide, a fact that is also due to having kept the investments in the sales strategies at a consistently high level. In addition, Faber-Castell will tackle an extensive investment programme to optimize globally its financial and supply-chain processes. Here the uniform control of all central business processes is to be implemented by using SAP software in all companies. It is our first and foremost objective lastingly to secure both growth and profitability of the group.

### FABER-CASTELL GROWS CONSTANTLY (EXAMPLE EUROPE)



Turnover development in comparison to 1997/98 (Index = 100) in Germany and Europe



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

*Lothar von Faber (1869)*

## THE QUALITY OF THE BRAND

### TRADITION IS A COMMITMENT

Competence, tradition, high quality, progressiveness and compatibility with the environment: the Faber-Castell brand is considered a seal of quality for writing and drawing instruments and for creative design products. The product range covering roughly 2,000 items is divided into the two product categories: the ‘PRIVATE’ and the ‘OFFICE’ lines with a total of five clearly defined fields of competence:

**1** ‘PLAYING & LEARNING’ – the product range in red packaging – sends the target group of children aged three to twelve on a voyage of creative discovery. Quality aspects such as saturated colours, resistance to fading and safety have utmost priority in the development of the product range for children. It is the particular objective to consider ergonomic aspects that meet the needs of a child: Faber-Castell offers a good strain-free grip for a child’s hand from the very beginning.

**2** Faber-Castell is highly esteemed for its ‘ART & GRAPHIC’ field of competence (including technical drawing). Superior pigments guarantee resistance to fading and provide lasting brilliance and intense colours. All products are based on the same colour system. Hence it is possible to mix the techniques reliably when using both water-soluble and permanent artists’ pencils.

**3** The ‘PREMIUM’ collection offers a complete portfolio of

exclusive writing implements, desk sets and accessories for the demanding customer. The ‘Design’ product range, as a segment of ‘PREMIUM’ characterized by its pure and functional shapes, has meanwhile become a fundamental component of the Faber-Castell brand. A distinctive topic used for both assortments which is repeated in visual depictions is wood, standing as a symbol for the world-wide core competence of the company.



**4** Faber-Castell complements the modern place of work in the office or at home with the ‘GENERAL WRITING’ field of competence by means of functional writing implements to make notes, sketches and corrections.



**5** The consistent expansion of the market position in the ‘MARKING’ product segment is supported by a varied assortment. The “Multimark” pens, for example, write reliably on CDs, transparencies, glass, aluminium, or wood.

Independently of the five fields of competence, Faber-Castell manufactures products for decorative cosmetics for the eyes, lips, face and nails on behalf of well-known cosmetic companies.

## THE QUALITY STANDARDS

### CERTIFICATION IN ACCORDANCE WITH ISO 9001:2000

Out of a total of 14 production locations operated by Faber-Castell world-wide, 13 factories have already been certified in accordance with the international quality standard ISO 9001:2000.

Certification of the Chinese plant is planned for 2009. Throughout the world, uniform quality standards with defined inspection methods are applied to the whole product portfolio.

Whether a product comes from Malaysia or Peru, the quality will always comply with the Faber-Castell standards: quality means writing convenience, reliability, additional use and product safety. Interdisciplinary teams – from research to production – are constantly striving for innovative product solutions in all plants around the globe.

Thus, the corresponding core competencies of the individual plants are used in order to manufacture for example the 2011 mechanical pencil which is made from components produced in three different countries.



The closeness to the regional markets also makes it possible to consider particularities which apply specifically to an individual country. Although consumer habits tend to conform increasingly, and the target groups are spread over all continents, there are still local particularities to be considered, especially regarding the market activities.

### IN-PROCESS CONTROLS AS A WORLD-WIDE STANDARD

To manufacture a product at the highest quality level calls for technically demanding production processes and qualified employees.

In order to guarantee a consistent superior quality in all Faber-Castell plants throughout the world, the manufacturing processes are permanently monitored by a so-called In-Process Control (IPC).

At present, more than 70% of all processes within Faber-Castell are subject to this control system.

A concluding quality control is performed before launching the final product on the market.

This is how Faber-Castell meets its quality demands to perform as well as possible in all product categories and services, in line with the principle “Best of the Class”.

### HIGH RELIABILITY AND EXCELLENT SERVICE

The quality features of a brand also include high reliability in customer supplies and an excellent customer service. The supply chain management was redesigned in order to make ordinary things extraordinarily well. The objective is to achieve a supply reliability of more than 98% by way of a holistic examination of the complete supply chain. In addition, Faber-Castell considers a consistent complaint management an instrument for lasting customer loyalty and customer satisfaction.

This means that a complaint is processed within two weeks and that a repair service is provided free of charge.

All in all, the value of all products subject to a complaint accounts for a mere 0.24% of overall production.

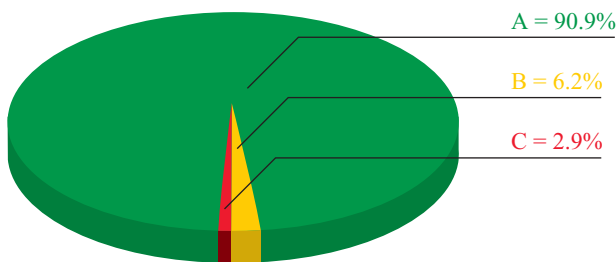
## SUPPLIERS ARE OUR PARTNERS

When aligning the organization of all plants, the consideration of the overall supply chain comes first in order to guarantee our customers and commercial partners a high reliability with regard to quality, quantity and scheduled delivery dates. The suppliers are an important link in the chain of the economic added value. For this reason, Faber-Castell strives for a long-term cooperation in order continuously to increase the supply performance.

The raw materials, components and products must comply with high quality requirements. The regular supplier ratings help to involve the suppliers as partners in this process and to comply with the requirements of quality and delivery service.

Suppliers rated “A” fulfil these requirements very well; if rated “C”, the target is not met.

## QUALITY RATING OF THE SUPPLIERS



## HIGH PRODUCT SAFETY

Nearly 50% of the product range for writing and drawing is designed for the target group of pre-school and school children. For this reason, special attention is paid by the company to the factors safety and compatibility as regards both the products and their packaging. Faber-Castell guarantees that all raw materials used are carefully selected and that they are processed in a professional way.

This claim is backed up by regular chemical/physical analyses. Neutral test laboratories have confirmed the high product safety of Faber-Castell for many years.

QUALITY

## QUALITY MANAGEMENT IN FACTS AND FIGURES

1761	From 1839	1905	1998	1997-2001	2008
Production of the first graphite pencils in Stein by Kaspar Faber	Improvement to the graphite/clay process	Launch of the green “Castell 9000” pencil	Implementation of the FABIQUS integrated management system for quality, environment and social matters	Certification of the European plants in accordance with the international quality standard (ISO 9001)	Start of world-wide introduction of supply-chain management
	Marking of the pencils with “A.W. Faber”				
	Definition of grades of hardness for graphite pencils that have remained valid until today	1961		2002-2005	2009
	Production of the hexagonal pencil	Patenting the bonding process for leads in a pencil. Highest resistance to breakage is guaranteed by the “SV” secural bonding.		Certification of all other plants world-wide in accordance with ISO 9001	Certification of the plant in China in accordance with ISO 9001





"NATURE HAS NO NEED TO MAKE AN EFFORT TO BE IMPORTANT. IT SIMPLY IS IMPORTANT"

*Robert Walser (1878 - 1956)  
Swiss writer*

## IN HARMONY WITH NATURE FSC WOOD FROM OUR OWN PINE FORESTS

More than two decades ago, as the largest individual pencil manufacturer, Faber-Castell started to develop its own unique timber supply programme in the south-east of Brazil. Plantations were created in the form of islands in the Brazilian savannah – more than 2,500 kilometres away from the Amazon rainforest – by planting quick-growing pine trees (*Pinus Caribea*) on the meagre sandy soil.

After decades of pioneer work, the forests now comprise approximately 10,000 hectares. For the purpose of sustainability, millions of pine seedlings are regularly replanted. In this way, Faber-Castell grows 20 cubic metres of wood every hour, more than is required for the production of its wood-cased pencils in Brazil. Reforestation takes place from seed in company-owned tree nurseries, until the tree is ready to be harvested. All this is implemented with the most modern forestry techniques and in consideration of the local flora and fauna.

In 1999, the Forest Stewardship Council awarded the forests in Prata the coveted environmental seal FSC-FM\* for environmentally appropriate, socially compatible and economically sustainable forestry. Moreover, the Chain of Custody Certification (CoC) guarantees that the origin of the timber can be tracked down from harvesting the tree until the very packaging of the pencils. By means of environmental projects such as Arboris (protection of

the flora) and Animalis (protection of the fauna) which have been run by the company itself, Faber-Castell has actively contributed to the diversity of species and the protection of the environment for many years. Within the scope of ECOMmunity, both employees and the population are given incentives to take personal steps for nature and the environment.

## ENVIRONMENTAL PROTECTION ANALYSIS OF THE OVERALL PRODUCT LIFE CYCLE

As one of the founder members of a working party\*, Faber-Castell contributed to the development of the approach for an Integrated Product Policy (IPP) and introduced this procedure in the company world-wide in 2004.

By way of the product life-cycle analysis, the environmental aspects are valued holistically in accordance with the approach for

### INTEGRATED PRODUCT POLICY



*Product life cycle – a consideration in line with environmental aspects*

\* FM: Forest Management

\* Umweltpakt Bayern: IPP Arbeitsforum

the Integrated Product Policy from the selection of the materials to the disposal of the products.

With these detailed analyses, Faber-Castell pursues the long-term objective to conserve raw-material resources and minimize the use of energy and the strain on the environment.

## FROM THE TREE TO THE PENCIL

### SELECTION OF MATERIALS

#### Wood

Approximately 75% of the total quantity of timber required by the Faber-Castell group can be covered by its own FSC-FM-certified pine forests in Brazil. The bought-in timber comes from FSC-certified plantations and sustainable managed forests. On the whole, Faber-Castell processes 81% FSC wood at the production locations in Germany, Brazil, Costa Rica and Indonesia. For 2010, the planned objective is a proportion of approximately 90%.

In the period from 2000 until 2008, all three sawmills and pencil production plants were certified in accordance with FSC-CoC, so that world-wide production is environmentally compatible all the way from the replanted tree to the wood-cased pencil. In addition, in Germany and Brazil every little piece of waste timber is used.



*Timber supply from our own managed forests*

Even the milling chips are used for heat generation in the plants and for the production of humus to be used in the forests.

#### Plastic materials

First and foremost, only superior plastic materials are selected which guarantee a long-lived product.

Independently of this fact, most of the plastic waste is re-used in the production process. It is our objective progressively to introduce bio-degradable plastic materials.

#### Water-based paint

Another example of environmental-friendly pioneering work is the paint used by Faber-Castell for graphite and colour pencils.

In the head office at Stein, nearly all pencils are given a water-based coating.

For this procedure, Faber-Castell replaced the previously used paints containing organic solvents by environment-friendly paints based on water – a technology developed by Faber-Castell itself. The Company set new standards in the field of pencil coating when launching its technique throughout the world in 1993.

### ENVIRONMENTAL RATING OF SUPPLIERS

Suppliers are important partners in implementing Faber-Castell's environmental objectives throughout the chain. For this reason, the environmental behaviour of the suppliers is also subject to a separate supplier rating.

### PRODUCTION PROCESSES

#### Water

The total water requirements of the Faber-Castell group account for only 304,329 cubic metres. This corresponds roughly to the content of 102 swimming pools measuring 50 x 20 x 3 metres. For the most part, the water is used in the production process.

It is overwhelmingly used to manufacture inks, evaporated in drying processes, or used for the cleaning of production equipment.

#### Energy

The company covers the predominant part of the energy required from wood waste and water power. Hence the regenerative energy share in the head office at Stein accounts for more than 40 % and in Brazil for more than 90 %. As for the electricity, the share of regenerative energy in the Faber-Castell group accounts for considerable 68 %.

At the Stein location, Faber-Castell runs its own water-power facility by means of which up to 1.45 million kWh of electric power are generated per year. This accounts for approx. 25 % of the overall electrical power used at the Stein location. Depending on the tariff,

the electricity produced is used for the company's own consumption or sold as 'green electricity'.

Faber-Castell also owns a pelleting facility at the Stein location where the wood waste from the production is pressed and stored for thermal use. By using a modern pellet heating system, 3.5 million kWh per year are generated. This corresponds to roughly 25% of the required thermal energy.

## RECYCLING

By avoiding waste and by careful separation, the total quantity incurred by the company amounts to only 4,390 tons. In the plastic materials division in particular, production waste is re-used directly and almost completely.

Separating the waste into up to 28 different material groups enables external recycling and thermal use.

That is how Faber-Castell achieves a recycling proportion of 88% throughout the companies.

## PACKAGING

Product and sales packaging are an important component in our sales strategy. Every package is used to inform the consumer about the product; its design must be appealing and manufactured in line with environmental aspects. To a large extent, non-composite materials such as cardboard and plastics are used.

In the meantime more than 60% of all packaging elements are made from cardboard; when plastic materials are used we refrain from using PVC to a large extent. As ever, Faber-Castell offers metal boxes for school items and artist products; these are long-lived and protect the products appropriately.

## PRODUCT DISPOSAL

The products and packaging can be disposed of after use without problems as ordinary domestic waste.

The products from wood and plastic materials are thermally disposed of via the domestic waste collection; every packaging can be recycled to a large extent after prior separation.

## TRANSPORT AND TRAVEL

Since raw materials, components and packaging are purchased regionally to a large extent, the emissions caused by transport are correspondingly low.

On the whole, the company pursues an ecological transport and travel concept. Faber-Castell increasingly prefers video conferences in order progressively to reduce air travel, for example.

## ECO-PRODUCT DEVELOPMENT

### GRIP 2001

An excellent product innovation with an intelligent additional benefit: thanks to its non-slip grip zone for ergonomically tireless writing, the "GRIP 2001" was the only wood-cased pencil in the world to win several international design awards. The renowned magazine "Business Week" declared the GRIP 2001 as one of the "best products of the year 2000".

Highest ecological demands accompany the production process. The GRIP 2001 is made completely from FSC wood, the lead is made overwhelmingly from natural raw materials such as graphite, clay and wax, and the surface of the pencil is coated with an environment-friendly water-based paint.



### TRULY NATURAL – cosmetic pencils

The overall ecological make-up concept puts high demands on contents and outward appearance: apart from the formulation with up to 95% natural ingredients which is suitable for sensitive skin and meets the strict conditions of Ecocert, perfumes, preservatives, and talcum are not used.

Moreover, the cosmetic pencils are made from FSC-certified wood and their protective cap from biodegradable material.



## THE POSITIVE ENVIRONMENTAL BALANCE

### INPUT / OUTPUT

#### INPUT OF RESOURCES

	Wood [t]	Plastic materials [t]	Water [m³]	Energy [kWh]	Fuels [l]	Oil [l]	Gas [m³]
BRAZIL	189,949	1,200	155,526	32,967,924	156,691	0	22,139
CHINA	0	217	42,120	930,000	23	0	0
COLOMBIA	0	96	1,553	267,100	795	208	9,326
COSTA RICA	15,822	2	7,500	230,137	9,612	0	14
INDIA	0	105	4,891	885,742	6,988	250	0
INDONESIA	1,465	29	718	1,857,404	5,705	0	0
MALAYSIA	0	1,045	19,450	2,644,831	87,000	0	0
PERU	0	2,518	47,077	5,975,400	6,061	0	246
AUSTRIA	0	432	1,135	1,100,000	3,580	14,100	0
GERMANY	928	570	24,359	9,446,319	287,748	25,180	1,078,421

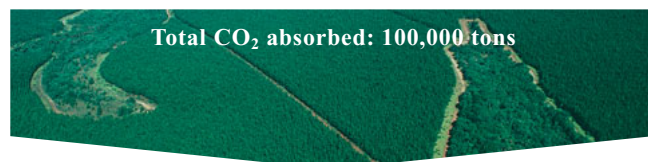
#### OUTPUT OF PRODUCTS

World-wide, Faber-Castell produces more than 2,000 million wood-cased pencils a year and more than 500 million ink writing implements, markers, erasers and writing accessories. Faber-Castell is one of the world's leading manufacturers of writing implements.

#### OUTPUT OF EMISSIONS

##### CO<sub>2</sub> emissions

The Faber-Castell group is CO<sub>2</sub>-neutral. Thanks to energy saving programmes, modern production plants, keeping the use of fossil fuels as low as possible and the use of regenerative energies, it was possible overall to halve the Faber-Castell CO<sub>2</sub> emissions over the past three years. Thus the total output of carbon dioxide at all production sites amounts to 20,607 tons. The company's own woods and forests absorb approximately 100,000 tons of CO<sub>2</sub>, neutralizing the emissions many times over.



1 hectare of forest absorbs approx. 10 tons of CO<sub>2</sub>  
(Source: [www.prima-klima-weltweit.de](http://www.prima-klima-weltweit.de))



**Total CO<sub>2</sub> emission: 20,607 tons**

The area of the natural woodland alone suffices to absorb the world-wide CO<sub>2</sub> emissions of the company and so neutralize the CO<sub>2</sub> balance.

##### Waste water

By means of external and company-owned water treatment plant, a very high proportion of 98% recycling is achieved, contributing to a significant reduction in the water requirements.

##### Refuse

By a sensible scheduling of the materials used for the production process, Faber-Castell succeeds in reducing the quantity of those materials that can no longer be recycled to 659 tons.

Total waste: 4,390 tons = 100%  
Recycled waste: 3,731 tons = 88%  
Non-recyclable waste: 659 tons = 12%



##### Noise

All Faber-Castell plants world-wide comply with the strict limiting values for noise emissions at the site perimeter that apply in Germany. The standard Faber-Castell values are 70 dBA during daytime and 60 dBA during the night.

##### Solvents

The use of new paint systems to reduce volatile organic compounds (VOCs) is given priority at the plants located outside Europe. The conversion to water-based paint in Germany has significantly contributed to the fact that the VOC emissions of all European plants account for only 8% of the total emissions.

## BIODIVERSITY

### COMMITMENT TO CONSERVING BIOLOGICAL DIVERSITY

For the first time, a group of internationally leading companies belonging to the most varied fields of industry has admitted that it is their responsibility to protect biodiversity\*: the initiative "Business and Biodiversity" initiated by the German Federal Minister for the Environment, Sigmar Gabriel, has already been joined by 34 well-known companies since May 2008; Faber-Castell is the only manufacturer of writing implements among them.

On the occasion of the 9th UN conference of the international convention for the protection of biological diversity in Bonn, the companies committed themselves to far-reaching measures within the scope of their corporate policy by way of a joint leadership declaration. The member companies agreed to analyse the impact of their activities on biological diversity and to set an appropriate

course for their environmental management system. Being an outsider throughout the industry in matters of industrial environmental-friendly production processes, Faber-Castell has already maintained a sustainable forestry project on 10,000 hectares in Brazil since the mid-1980s.

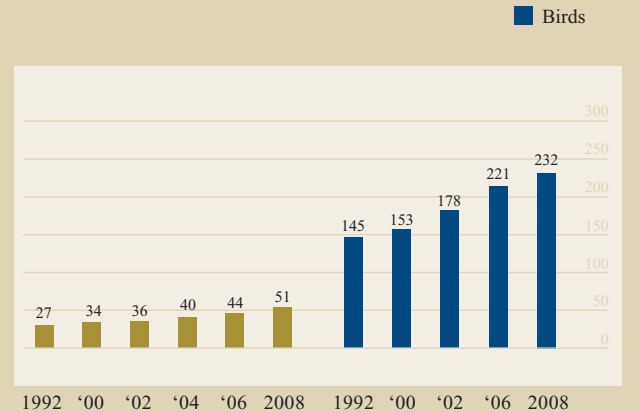
The extensive forests, however, are not only used for the production of timber. They include 2,700 hectares of natural woodland areas, untouched by industry.

Here, numerous animals and plants, some threatened with extinction, find a habitat. A total of 51 rare mammals, 232 bird species and 40 reptile species are native in the natural areas of woodland untouched by man which account for approximately 30% of the total Faber-Castell forest area.



*The woods of the Faber-Castell group are a sanctuary for many rare animal species such as the maned wolf*

#### DEVELOPMENT OF SPECIES



*The development of the fauna in Brazil is exemplary*

#### DEVELOPMENT OF THE NATURAL WOODLAND WITHIN THE FOREST PROJECT



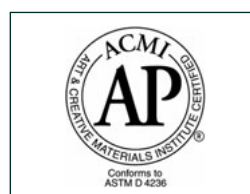
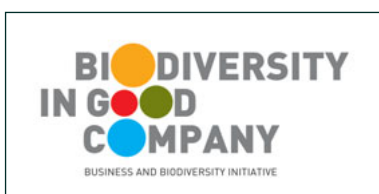
\* Biodiversity stands for the biological diversity on Earth, which apart from the diversity of the species also covers genetic diversity and the diversity of ecological systems.

## ECOLOGICAL COMMITMENT IN FACTS AND FIGURES

<p><b>1926</b></p> <p>Recycling in its earliest form: re-use of paint solvents and use of wood waste for generating electricity</p>	<p><b>1984</b></p> <p>Beginning of a unique reforestation project world-wide (10,000 hectares of pine forest) in the south-east of Brazil</p>	<p><b>1998</b></p> <p>Establishment of the FABIQUS management system for quality, environment, and social matters</p>	<p><b>2000</b></p> <p>Membership of the German federal working party on environmentally aware management (B.A.U.M. e.V.)</p>	<p><b>2001</b></p> <p>Launch of the Arboris, Animalis and ECommunity environmental programmes in Brazil</p>	<p><b>2002-2005</b></p> <p>Certification of all other plants world-wide in accordance with ISO 14001</p>
<p><b>1956</b></p> <p>“Green electricity” in its earliest form: a water turbine covers about 25% of the electricity required at headquarters at Stein</p>	<p><b>1993</b></p> <p>Use of innovative environment-friendly water-based paint at the parent company in Stein</p>	<p><b>1999-2001</b></p> <p>Certification of the European plants in accordance with international environmental standard (ISO 14001)</p>	<p>Founder member of COUP21, a regional environmental initiative within the scope of the AGENDA 21</p>	<p><b>2002</b></p> <p>Joining the Global Compact</p>	<p><b>2007</b></p> <p>FSC-CoC certification of the sawmill in Indonesia</p>
		<p><b>1999</b></p> <p>The environmental certificate of the Forest Stewardship Council was awarded for the pine forests in Brazil (FSC-FM)</p>	<p>FSC-CoC certification of the sawmill and the pencil factory in Brazil</p>	<p>Member of Umweltpakt Bayern</p>	<p><b>2008</b></p> <p>FSC-CoC certification of the pencil factory in Indonesia</p>
				<p>FSC-CoC certification of the sawmill and the pencil factory in Costa Rica</p>	<p>Faber-Castell joins the “Business and Biodiversity” initiative</p>
				<p><b>2003</b></p> <p>FSC-CoC certification of the pencil factory at Stein</p>	<p><b>2009</b></p> <p>Certification of the plant in China in accordance with ISO 14001</p>



## ACTIVE MEMBERSHIPS



*It is the understanding of Faber-Castell that sustainability also means backing up current developments by means of its active membership in recognized associations and projects, and making people aware of how to come to terms with nature in a responsible way on a national and international level.*



**"AS A REPRESENTATIVE OF THE SOCIAL MARKET ECONOMY, IT IS MY DUTY TO SEE TO APPROPRIATE WORKING CONDITIONS FOR ALL MY EMPLOYEES – AND FOR ME AS A HUMAN BEING THIS IS A MATTER OF COURSE"**

*Count Anton Wolfgang von Faber-Castell (2001)*

## THE FABER-CASTELL SOCIAL CHARTER

### PRACTICAL CORPORATE CULTURE

As one of the oldest industrial undertakings in the world, Faber-Castell has always demonstrated its particular social commitment. Even by the middle of the 19th century, Lothar von Faber established one of the first company health insurance schemes (1844) and one of the first kindergartens (1851) in Germany. Lothar von Faber had company-owned housing built for his employees; schools were founded for children and libraries were set up.

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).

Amongst other things, the Faber-Castell Social Charter comprises the following: a ban on child labour, equal opportunities and equal treatment of employees regardless of race, religion, sex, or nationality, guarantee of safe and hygienic working conditions, and payment of adequate wages under decent working conditions.



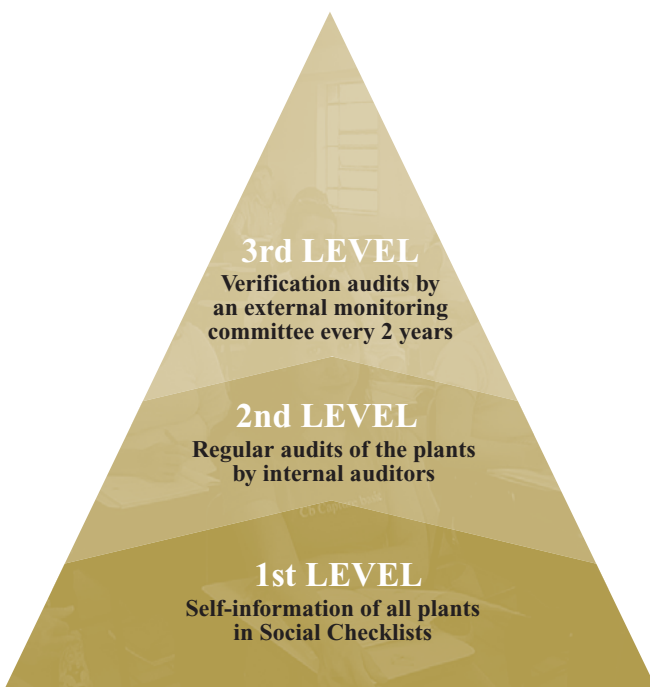
*Ratification of the Social Charter by Faber-Castell and IG Metall on 3 March 2000*

## BENEFITS OF THE SOCIAL CHARTER



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:



*The monitoring mechanism*

## WORLD-WIDE SUPPLIER RATING

After having successfully implemented the Social Charter in all plants of the Faber-Castell group, the company now involves subcontractors in this matter. By means of a social checklist, Faber-Castell calls for information to be supplied by all suppliers world-wide which results in a complementary suppliers' rating and is verified by visits.

## SOCIAL RESPONSIBILITY EMPLOYEES' COMMITMENT

What Lothar von Faber started in the mid-19th century with a great number of social benefits has been practised by the company ever since.

Thus, the working conditions defined in the Social Charter and extensive measures for safety at work have a positive impact on the number of staff off sick which accounts for only 2.2%. This figure includes the periods of absence due to 233 accidents on the way to or from work and at work, world-wide.

Equal ranking and integration of different groups of people in the scope of the work process is writ large at Faber-Castell. Thanks to flexible working hours, the proportion of female employees is 45%. The total expenditure for the world-wide internal social commitment accounts for 1.5 million Euro. Handicapped people find employment in the company, too, and their place of work is specially adapted to their particular requirements.

2.7% of the total number of employees are handicapped, and the company cooperates intensively with the relevant government and local-authority facilities.

## HUMAN RESOURCES DEVELOPMENT THE EMPLOYEES – PILLAR OF THE COMPANY

Committed and well-trained employees are of central significance to the success of a company. That is why Faber-Castell provides working conditions for its roughly 7,000 employees world-wide that are in line with their personal strong points.

Appraisal interviews and specific qualification measures within the scope of human resources development guarantee that the employees are continuously granted training opportunities.

Faber-Castell annually invests considerable sums in this field. Since the global and decentralized corporate structure requires in particular the capability to cooperate and network across borders, intercultural expertise is one of the main focuses of Faber-Castell.

The fact that the staff members identify themselves with the core values of the brand (brand essentials) is significantly influenced by the corporate culture in the company, i.e. a cooperative leadership based on transparency and openness.

In this context, we would mention the dialogue-oriented suggestion system for process improvement. The staff members are encouraged to bring in their own ideas in order continuously to improve and advance the company. In the past financial year, a total of 900 suggestions were made and prizes awarded as appropriate.

## ADVANCED TRAINING PROGRAMS EDUCATION IS QUALITY OF LIFE

There are still many people who have no (or only very little) access to education and knowledge. That is why Faber-Castell has made it a duty to qualify its staff. As an example, we would name the Faber-Castell factories in Brazil where a comprehensive qualification programme entitled “Quality of Life” has been implemented. Teachers run advanced training programmes free of charge in classrooms that were furnished for that very purpose. These training programs start with basic reading and range via language and computer courses to courses preparing for university entrance.

Moreover, courses are offered on hygiene and the prevention of drug addiction. In the Faber-Castell Club Brazil, a swimming pool and further leisure facilities are provided free of charge for employees and their families so that they can make the most of their leisure time. The programme is rounded off by a great variety of activities such as handicrafts courses or music lessons.

## INTERNATIONAL AID PROJECTS STANDING UP FOR THE WEAK

In the centre of the social activities, Faber-Castell focuses on those projects whose intention is to support charitable organizations, hospitals, schools, kindergartens and other aid initiatives by means of material and personal help at a local and national level.

In Brazil, Faber-Castell employees offer their time, for example by voluntary and committed work at help desks for drug addicts, in hospitals and day-care centres.

In Germany in 2001, the company set up the “Graf von Faber-Castell Kinderfonds Stiftung”, a children’s charity, in order to promote the development of disadvantaged children in international aid projects.

## SOCIAL COMMITMENT IN FACTS AND FIGURES

<b>1844</b> One of the first company health insurance schemes in Germany was established	<b>As of 1859</b> Schools were built and financed  Company-owned housing was built	<b>1992-2002</b> A colour concept was launched in the German plants to improve the work environment	<b>1996</b> The “Quality of Life” programme was established in Brazil: free education and training and comprehensive leisure activities for all employees	<b>2001</b> The “Graf von Faber-Castell Kinderfonds Stiftung” (trust for disadvantaged children) was established	<b>2003</b> Faber-Castell joined the Global Compact
<b>1851</b> One of the first kindergartens in Germany was established	<b>1884</b> The company was a co-founder of the Nuremberg life-assurance company	<b>1993</b> Government project for the humanization of labour, e.g. implementation of water-based paint in the parent plant at Stein	<b>2000</b> The Faber-Castell Social Charter which is valid world-wide was signed	<b>2002-2003</b> The “Public/Private Partnership” pilot project was launched in India: the Social Charter was extended to suppliers	<b>2006-2007</b> The core values of the brand (brand essentials) were introduced
					<b>2008</b> The Social Charter was extended to suppliers



## AWARDS

OUR PERFORMANCE IS REWARDED

### A SELECTION OF DISTINCTIONS AWARDED TO THE COMPANY



“A teaching company” 2000  
by SENAC, the largest private educational  
institute in Brazil



Award as a company friendly to children  
by ABRINQ 2002



Sustainability prize 2003  
of the City of Nuremberg



Medal awarded by the Bavarian government  
for merits concerning the Bavarian economy in  
2003, a tribute by the Bavarian Ministry of  
Economic Affairs to Count von Faber-Castell's  
corporate performance and for his commitment  
to the protection of the environment



Entrepreneurial award 2003 by the German  
medium-sized businesses



German prize for corporate ethics 2004  
by DNWE



Special prize of the BMZ/Invent Federal  
Competition “Globally networked – locally  
active” 2004



Award-winning location by “Land der Ideen e.V.”  
2006, a registered charity



Labour award 2006  
by the “Forum Zukunftsökonomie”



BRAMEX environmental award 2006  
fauna category, by the Brazilian-Mexican  
Chamber of Commerce



“Green Factory” 2006 award  
for Faber-Castell Indonesia



OPI (Office Products International – a trade  
magazine) environmental award, recognition  
for ecological production and forestry 2006



B.A.U.M. environmental award 2007  
granted to Hermann Belch



German Fairness award 2007  
merits for fair corporate and human-  
resources management



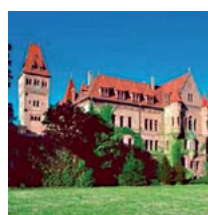
Count von Faber-Castell is nominated  
Eco-Manager of 2008



Marketing Award 2008  
for Faber-Castell Indonesia



German-Brazilian Personality of 2008  
for contributions to promoting bilateral  
relationships



Historic monument award of the German  
Hypo-Kulturstiftung 2008,  
Appreciation of the promotion of art and  
culture in restoring the Faber-Castell Castle

## A SELECTION OF THE DISTINCTIONS OUR PRODUCTS WERE AWARDED



Award of the “Internationaler Designpreis”  
Baden-Württemberg 2000  
GRIP 2001



“Product of the year 2000” was awarded by  
ISPA (International Stationery Press  
Association)  
GRIP 2001



Adopted in the list of “Best Products of 2000”  
of the magazine Business Week  
Grip 2001



“Design Award 2001” by the iF  
International Forum Design  
GRIP 2001



“red dot award 2001” granted by the  
North Rhine Westphalia design centre  
GRIP 2001



“Parents’ Choice Award 2002” of the  
Parents’ Choice Foundation, USA  
Jumbo GRIP



“Product of the year 2002” by the industrial  
association for paper, office supplies, and  
stationery  
Jumbo GRIP



“red dot award 2003” granted by the North  
Rhine Westphalia design centre  
E-MOTION metal/soft varnish



MATERIALICA Design & Technology  
Award 2003  
GRIP 2001



“Product of the year 2005”  
“General supplies” category  
awarded by the technical association for  
plastics consumer goods  
GRIP 2011



“Best new writing implement of 2005”  
on the occasion of the Kantsexpo Autumn  
stationery fair in Moscow  
GRIP 2011



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



reddot design award  
winner 2006

“red dot award” 2006  
E-MOTION ball-point pen and  
propelling pencil made from precious resin



“Product of the year 2007”  
“Back to school” category, ISPA  
(International Stationery Press Association)  
SLEEVE eraser



Stationery product of the year 2008  
industrial association for paper, office  
supplies and stationery  
KOSMOS eraser



THE PROMOTIONAL GIFT  
AWARD 2008 WINNER

“Promotional Gift Award 2008”  
“Communicative Product” category  
Perfect Pencil Design



“Product of the year 2008” by the iF  
International Forum Design  
SLEEVE eraser

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