

Sustainability Report

The CPH Group is committed to ensuring that its business operations are sustainable in economic, social and environmental terms, and makes a tangible contribution to the circular economy. Recycling is deep within the CPH DNA.

Sustainability as part of long-term strategy

The CPH Group has been operating in its markets for over 200 years. This long-term success is based to a sizeable extent on its sustainable value creation, to which it has always attached great importance in its overall corporate strategy. The Group meets the needs of its business partners, its employees and the environment through its responsible economic, social and ecological conduct. The demands of its various stakeholder groups are identified through an integrated quality management system throughout all three of its business divisions, and corresponding objectives, actions and priorities are defined and pursued on the quality, safety, environment and energy fronts.

Economic sustainability is the cornerstone of the Group's industrial activities, and continuous long-term development is the prime priority. The Group creates added value for its customers by providing high-quality products and services. The Group's employees ensure that CPH remains both innovative and competitive in its various target markets, and their safety, their health and their further training and development are all key priorities. Avoiding and reducing emissions, waste water and solid waste has been integrated into the planning within each business division for several years now. Safety, environmental and quality issues are all entrusted to specially trained employees who report directly to their divisional management.

Paper, the biggest business division, is a pure recycling company that processes wood-based recovered paper into new printing and press papers. The Paper Division is Switzerland's biggest waste paper recycler, transforming several hundred thousand tonnes of waste paper that is collected within the country and around a hundred thousand tonnes of waste wood from sawmill and forest thinning operations into these new paper products. In doing so, the CPH Group makes a substantial contribution to saving wood resources, while also ensuring shorter journeys for the waste paper concerned and thereby reducing carbon dioxide emissions. The Group has been voluntarily setting itself carbon emission reduction targets that go far beyond those required by law for several years now.

The CPH Group is also living up in full to its responsibilities for cleaning up its former Uetikon industrial site. The Group is covering 80% of the costs of cleaning up the bed of Lake Zurich adjacent to the site. The corresponding provisions were effected in the 2016 financial year. The Group is also cleaning up – at its own expense – the Rotholz former waste disposal site in Meilen. The work here will begin in the first quarter of 2020.

Brand policy

The CPH Group pursues a clear brand policy. At the company level the Group maintains five brands, which are aimed at differing markets and target groups. CPH Chemie+Papier Holding AG ("CPH"), the Group's holding company, is not operationally active, but serves as the industrial conglomerate's umbrella brand towards its stakeholders. The Group's three divisions operate under their corporate brands of "Zeochem", "Perlen Papier" and "Perlen Packaging". These were supplemented in 2018 with the addition of "APS Altpapier Schweiz" as a further corporate brand of the Paper Division.

The CPH Group's corporate brands enjoy outstanding acceptance and high familiarity in their target markets. They are bywords for both tradition and innovation. Perlen Papier has been operating since 1873. Perlen Packaging originally emerged from the Paper Division at the same Perlen location, and has only been trading under its own Perlen Packaging brand for some ten years now. The Zeochem brand has been used since 1979, and originated at the Chemistry Division's US operation.

Corporate brands



Product brands

The Group's various constituent companies maintain a product brand architecture that uses the same standard prefix to identify and assign products within each division. Thus, all Zeochem products begin with "Zeo-" (such as Zeoprep), all Perlen Papier products begin with "Perlen-" (such as Perlentop) and all Perlen Packaging products begin with "Perla-" (such as Perlalux). These product names are also registered as trademarks wherever possible, to protect them from counterfeiting activities.

Economic sustainability

The CPH Group has diversified its industrial activities into different business segments. This is intended to better cushion the Group against fluctuations in its sales markets, some of which are volatile and cyclical by nature. The Group strives to create long-term value for its stakeholders by offering products and services that are tailored to its markets and their needs, along with interesting work opportunities and attractive shareholder returns. The Group has set itself the following medium-term financial targets:

- organic net sales growth of more than 3% a year
- an EBITDA margin of over 10%
- an equity ratio above 50%
- liquidity of at least CHF 30–50 million
- annual operating investments of CHF 20–25 million.

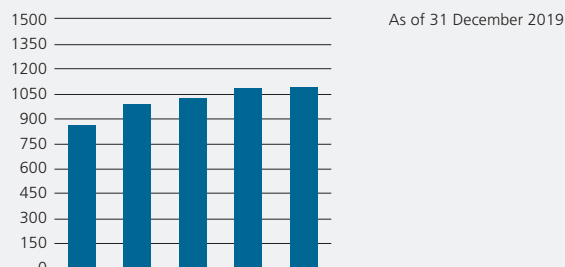
Social sustainability

The CPH Group is well aware of its responsibilities towards its employees. The first company health insurance scheme was established for workers at its original Uetikon site as early as the 1860s. And its first occupational pension scheme was founded in 1918, also at the Uetikon site.

The CPH Group makes every effort to secure the best employees and to promote, support and further train them as effectively as possible in their working world. An open communications culture, a management and leadership that put CPH's values into practice and a safe, healthy and varied work environment are all intended to encourage and further its employees' commitment to their work and their identification with the Group, their company and their individual role. The CPH Group also attaches great importance to ensuring a sound work/life balance. At its German site, for instance, in addition to preparing-for-retirement courses, the Group offers part-time working models to make the transition to retirement a smoother and more flexible experience. Parties are also regularly held for and with the Group's employees at its various operating locations.

Some 71% of the total CPH Group worldwide workforce took part in a survey on their workplace, professional development, leadership, communications, innovation, customers, strategy and involvement in October and November 2019. These groupwide polls are conducted every three years. More favourable ratings were given to 95% of the questions in this latest survey than had been provided three years before, with an average improvement per question of nine percentage points. The Engagement Index rose to 75%. Particularly tangible improvements were seen in the leadership and recognition categories, where 80% of respondents gave positive replies. The results are now being analyzed in detail, and actions will then be determined from the findings and conclusions and taken in 2020.

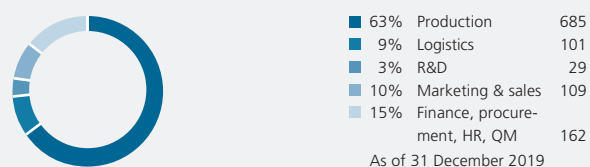
Total workforce numbers



Workforce numbers by region



Workforce numbers by function



Workforce numbers by division



Total employees

1 086

(prior year: 1 081)

Apprenticeships completed

12

(prior year: 13)

Staff turnover

9.5%

(prior year: 8.3%)

Sickness-related absence rate

2.5%

(prior year: 2.0%)

Occupational accident-related absence rate

0.1%

(prior year: 0.2%)

Staff turnover for the year amounted to 9.5%. The increase on the 8.3% of 2018 is attributable primarily to turnover rates in China, which were substantially higher than at other sites. CPH numbers many long-serving employees: some 19% of the 2019 workforce had been with the Group for 20 years or more. Service anniversaries are duly marked with awards ranging from small gifts to parties, depending on local customs. Many former employees also remain close to CPH, and meet up annually at retiree events which are organized by their former employer.

Diversity and inclusion

Year-end total personnel numbers rose from 1 081 to 1 086. The majority of the Group's employees – 63% – are involved in production. Around half the total workforce are based in Switzerland (see the charts on Page 39). The CPH workforce is also highly diverse, employing individuals of 31 nationalities, and multicultural collaborations are particularly encouraged. The CPH Group is involved in industrial production, and this is reflected in the proportion of women within the overall workforce, which amounts to 18.0%. The issues of diversity, affirmative action and non-discrimination are specifically addressed in training courses and activities.

Salary policy

CPH pursues a fair and reasonable groupwide salary policy that is closely aligned to local customs and conditions. This policy is intended to offer salaries that pay due regard to the demands of the position, the conduct and performance of its occupant and general market levels. It also rewards above-average performance in various ways, such as via bonus payments or (with management positions) via a variable salary component that is linked to the achievement of individually-set performance goals and to group and divisional results. The Group made individual salary adjustments in 2019. The total cost of salaries, occupational pension scheme payments and basic and further training amounted to CHF 92.9 million.

All employees at the Perlen and Utzenstorf sites are subject to a collective labour agreement (CLA). Employees at the Müllheim site in Germany are subject to the CLA of the Industriegewerkschaft Bergbau Chemie Energie (IGBCE). Elsewhere, personnel work under individual employment contracts.

Initial and further training

Switzerland and Germany maintain a "dual" education system that combines company apprentice placements with attendance at vocational schools. The system is a key element in both countries' economies and business sectors, providing the skilled professionals needed to maintain their competitive credentials in the longer term. Through its own vocational training activities at its Swiss and German sites, the CPH Group not only lives up to its social responsibility: the employees it trains play their full part, too, in achieving its business goals.

A total of 47 apprentices and interns were on the CPH Group payroll as future automation engineers, chemistry lab technicians, commercial officers, electronics engineers, IT specialists, logistics specialists, paper technologists, plant/equipment constructors, plant operators, polymechanics and production and process mechanics at the end of 2019. Internships for student engineers are also offered at the Group's operations in Germany and in Bosnia and Herzegovina. Twelve apprentices completed their courses during the year, four of whom could be given permanent positions.

The Group's apprentices meet each year at the Apprentices Day, a group-level further training event. They also spent a week in a special apprentices' camp in 2019 helping Swiss farmers in their daily work.

The CPH Group employee spent an average of 2.3 days on in-house or external training in 2019. The Group spent CHF 1.0 million on initial and further training for its employees in the course of the year.

Continuous improvement

Winning new customers and securing their long-term business are among the core aspirations of the CPH Group's sales and distribution strategy. The Group's divisions maintain a constant dialogue with their customers to monitor their satisfaction and identify possible improvements. The divisions also conduct customer satisfaction surveys every two to three years which address such areas as service quality, technical support, product quality, product range, delivery times, reliability, complaints handling and pricing.

The Group's Continuous Improvement Process (CIP) is a further key element in its ongoing endeavours to ensure its future development and further raise quality and efficiency, and CIP training is conducted every year in all three divisions. The 776 CIP ideas and 129 group CIP moderations of 2019 produced a number of proposals to enhance efficiency, improve safety and ease environmental impact. All in all, these proposals delivered an annual benefit of some CHF 1.3 million.

Occupational safety

CPH conducts regular training to help identify dangers and prevent accidents at all its operating sites, and every site has its own safety officer. The Paper Division held five workshops on "Integrated Safety" with its management corps in the course of 2019, while the Packaging Division trialled the adoption of daily "safety tours" at its Swiss operating site.

Any incidents or accidents that occur at CPH are systematically analyzed to help prevent their recurrence. The number of occupational accidents per one hundred employees was reduced to 0.8 in 2019, down from 3.3 for the previous year. This is an impressively low level for a manufacturing concern. Happily, the year remained free of any serious industrial accidents. The occupational accident-related absence rate for 2019 also declined to 0.1%.

CO₂ emissions (tonnes)

17 307

(prior year: 16 493)

Energy consumption (GWh)

1 286

(prior year: 1294)

Waste water (million m³)

7.5

(prior year: 6.7)

Waste paper from Swiss sources

75%

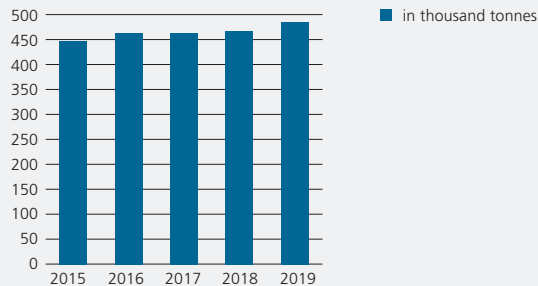
(prior year: 81%)

PVC utilization rate

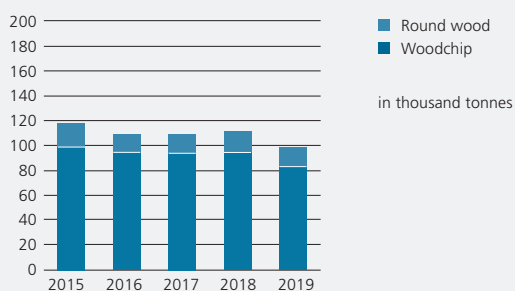
99%

(prior year: 99%)

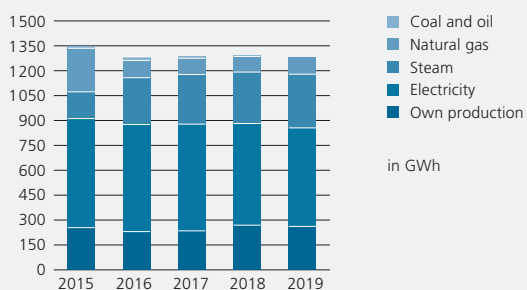
Waste paper consumption



Wood consumption



Energy consumption



Healthcare

The Group's various operations offer numerous healthcare facilities, such as annual health check-ups and free flu vaccinations. A number of them also support employees' personal fitness, contributing to their gym subscriptions or participating in "Bike to Work" programmes encouraging staff to cycle their daily commute. The sickness-related absence rate for the year remained low at 2.5%. Any employees who do become ill receive extensive care and attention under a health case management programme.

Social involvement

Numerous employees of the CPH Group are involved in activities for the communal good both in and outside their companies. Some serve as company paramedics or company fire officers, while others take part in charity projects in their leisure time. The Group's various operations around the world also involve themselves in local community ventures. Employees at the Zvornik plant in Bosnia and Herzegovina, for instance, have been engaged in clearing waste from the banks of the River Drina, and have also helped out with the organization of the local arts festival. Young employees in the Packaging Division were able to take an extra week of vacation to engage in youth work. And one member of divisional management participated in an "economics week" at a local high school.

Ecological sustainability

The CPH Group's environmental reporting year runs from the beginning of November to the end of October. The Paper Division has been compiling an annual environmental impact statement that is structured in line with the Carbon Disclosure Project since 2015.

Use of resources

In tonnage terms, the largest proportion of resources used within the CPH Group is in the Paper Division, which has recovered paper as its key raw material. Perlen Papier raised the total annual volume of recovered paper it recycled in its operations from the 468 137 tonnes of 2018 to 486 874 tonnes in the year under review. Some 75% of this recovered paper was collected in Switzerland, with the rest coming from abroad. About 14% of these paper supplies were delivered to Perlen by rail. Perlen Papier also turned 98 820 bone-dry tonnes of round wood and woodchip into wood fibre in 2019 (2018: 109 263 bone-dry tonnes). CPH puts a particular emphasis on sustainable operations and short transport journeys when sourcing these raw materials: all the round wood used comes from Swiss sources, and 83% of it is from FSC-certificated forestry operations. Of the woodchip used, 82% is from within Switzerland and 67% is from FSC or PEFC-certificated sources. Perlen Papier is also a member of ECO SWISS, Swiss business and industry's environmental protection organization, and of further bodies promoting sustainable forestry.

Perlen Packaging's film manufacturing process uses unplasticized polyvinylchloride (PVC), which is composed of 43% ethylene and 57% sodium chloride. Compared with other oil-based polymers, PVC boasts a better product carbon footprint for its overall life cycle. Wherever possible, waste and scrap material from the various manufacturing steps are fed back into the production process as secondary raw materials. The raw material utilization rates for 2019 were unchanged at 99% for PVC and 93% (compared to 90% the previous year) for PVdC. Perlen Packaging is also actively involved in the VINYLPlus programme, which promotes PVC recycling.

The Chemistry Division primarily uses intermediate products – filter cakes – as the raw material in its production activities. The Zvornik plant is located adjacent to the supplier of its filter cakes, minimizing transport costs. The Chinese production facility has increased the proportion of its raw materials that are domestically sourced from 60% to 95%, which has reduced the transports involved by 60% in distance terms.

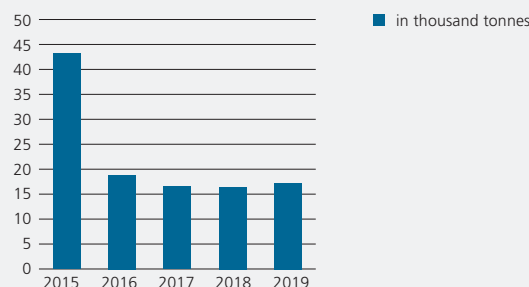
Energy

Energy consumption at the CPH Group for 2019 amounted to 1 286 gigawatt hours (GWh), a decline of 0.6% from its prior-year level. Over 90% of the energy used by the Group was for its paper production. The consumption of electricity, the Group's main energy source, decreased groupwide from 669 to 653 GWh. The second most important energy provider was steam at 529 GWh (2018: 526 GWh). This is only used to dry the webs in the paper production process; and some 60% of the steam required here is sourced from the nearby Renergia waste incinerator facility. The rest is produced by the Group's own biomass plant. Group gas consumption increased slightly from 96 to 103 GWh. The operating licence for the Perlen hydro-electric power station was extended in 2019 for a further 30 years. The project to refurbish the River Reuss weir was also approved during the year.

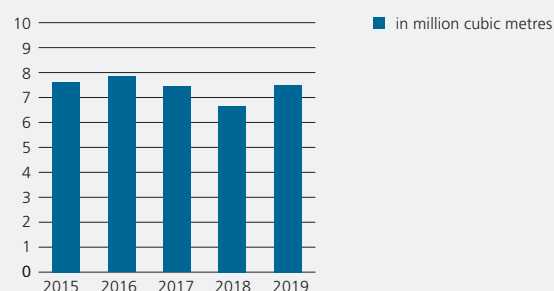
Emissions, waste water and solid waste

The CPH Group voluntarily sets its own goals to reduce its emissions which are more rigorous than those required by law. As a result, its Perlen facility was exempt in 2019 from any carbon dioxide (CO₂) levy. The Perlen plant emits around 10% of the maximum CO₂ legally permitted. Total CO₂ emissions from CPH's sites amounted to 17 307 tonnes, an increase on the 16 493 tonnes of the previous year. Of this, 9 991 tonnes derived from paper production and 5 399 tonnes from the Chemistry Division. The operation in Germany has been using green electricity consistently since 2018 in line with ISO 50001 energy management standards. No carbon credit certificates were sold in 2019.

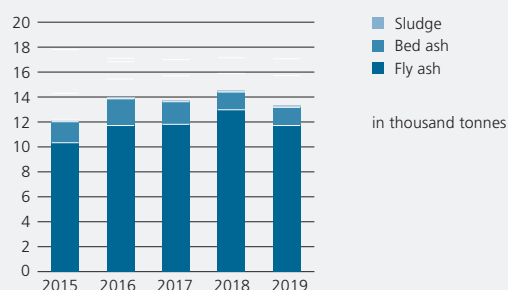
CO₂ emissions



Waste water produced



Solid waste produced



Exhaust air cleaning systems are provided at the Group's production facilities. Additional filter systems were installed in 2019 in China and the USA, and have substantially reduced dust development levels. Emergency concepts have been devised to cope with any production malfunction. These centre primarily on the scenario of fire. The Perlen site has its own fire service, which can be deployed if needed. The waste water produced by the Group's Perlen, Louisville and Donghai plants is processed in their own treatment facilities. Total groupwide waste water volume for the year amounted to 7.53 million cubic metres, an increase on the 6.67 million cubic metres of 2018.

Of the solid waste produced by the Group's paper processing and packaging film production activities, the biomass elements are used to generate heat and electricity in its own Perlen facility. The combustion process produces ash. Solid waste is also produced in the paper manufacturing process in the form of sludge. Some 11 767 tonnes of fly ash and 115 tonnes of paper sludge were reused in brickworks and the cement industry in 2019, while 1455 tonnes of bed ash were deposited at waste disposal sites. The solid waste generated in the production of molecular sieves consists of silicate-aluminium-clay compounds and is of natural origin. As a result, it can be reburied.

Quality

Consistently high quality is a hallmark of all the products of the CPH Group. This makes stringent demands on its processes, which are audited to international standards (see table below). Production sites are subjected to regular audits by customers and by independent certification bodies. The Donghai and Zvornik plants earned their first-ever certification to ISO 14001 environmental standards in 2019. The Packaging Division aligns its film manufacturing to the pharmaceutical sector's Good Manufacturing Practice (GMP) standards.

The CPH Group also promotes energy efficiency in the climate protection project of the Swiss private sector's energy agency, and is a member of Responsible Care, a global continuous improvement initiative in the environmental, health and safety fields.

The Paper Division adopted an incentive system in 2018 to improve the quality of the waste paper it receives by discouraging recovered paper deliveries with high foreign-matter content. The new system generated added value of CHF 0.5 million in 2019.

| Production site quality certifications | Chemistry | | | | Paper | | Packaging | | | | |
|---|-----------|------------|---------|---------|--------|------------|-----------|----------|----------|--------|----------|
| | Rüti | Louisville | Donghai | Zvornik | Perlen | Utzenstorf | Perlen | Müllheim | Whippany | Suzhou | Anápolis |
| ISO 9001 | • | • | • | • | • | • | • | • | • | • | |
| ISO 14001 (environmental) | | | • | • | • | • | | | | | |
| ISO 15378 (GMP) | | | | | | | • | • | | • | |
| ISO 50001 (energy) | | | | | | | | • | | | |
| ISO 45001 (safety) | | | | | • | • | | | | | |
| FDA, USA DMF Nos. 10686, 9072 and 30501 | | | | | | | • | • | | • | |
| EU Ecolabel, Blue Angel | | | | | • | | | | | | |
| FSC COC, PEFC COC | | | | | • | | | | | | |
| ECO SWISS CO ₂ | | | | | • | | | | | | |