

Sustainability Report

The CPH Group aligns all its business activities to the criteria of economic, social and environmental sustainability, and makes an indispensable contribution to the circular economy.

1 Strategy

The lasting success of the CPH Group is attributable to its sustainable value creation, which has underpinned its more than two centuries of sound business development and which is firmly anchored in its 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. And 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 recovered paper into new printing and publication paper. The Paper Division is Switzerland's biggest waste paper recycler, transforming several hundred thousand tonnes of waste paper that is collected predominantly 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 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 site's clean-up costs were incorporated into the price for its sale to Canton Zurich. CPH is also meeting 80% of the costs of cleaning up the bed of Lake Zurich adjacent to the site. The cantonal authorities awarded the lake bed clean-up contract in 2020, as a result of which part of the provisions

made for these costs in 2016 were able to be released. The CPH Group is also cleaning up – at its own expense – the Rotholz former waste disposal site in Meilen. This work should be concluded in 2021.

2 Branding policy

The CPH Group pursues a clear branding 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 various stakeholders. The Group's three business 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, where they are bywords for both tradition and innovation. Perlen Papier has been operating since 1873. The Packaging Division emerged from the Paper Division at the same Perlen location in 1962, and has been trading under its Perlen Packaging brand since 2010. 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 companies maintain a product brand architecture that uses the same prefix to identify and assign products within each division. Thus, all Zeochem products begin with "Zeo-" (such as Zeoprep), all Perlen Papier products are prefixed "Perlen-" (such as Perlentop) and all Perlen Packaging products begin with "Perla-" (such as Perlalux). Product names are also registered as trademarks wherever possible, to protect them from counterfeiting activities.

3 Economic sustainability

The CPH Group has diversified its industrial activities into various 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 12%
- an equity ratio above 50%
- liquidity of at least CHF 30–50 million
- annual operating investments of CHF 20–25 million.

4 Social sustainability

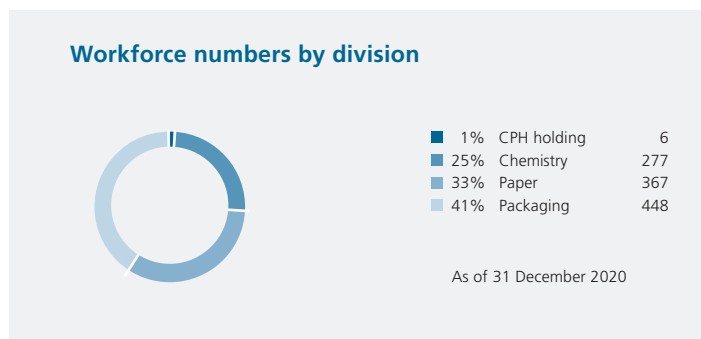
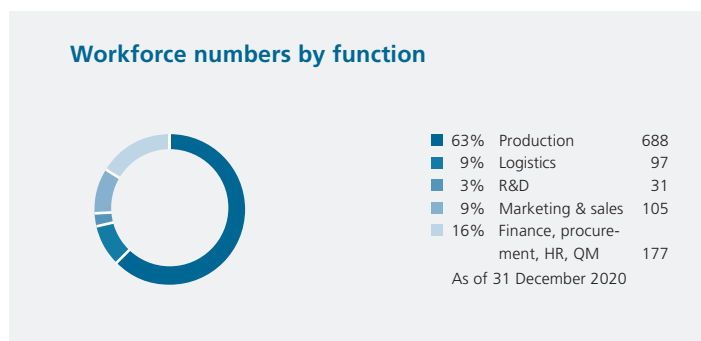
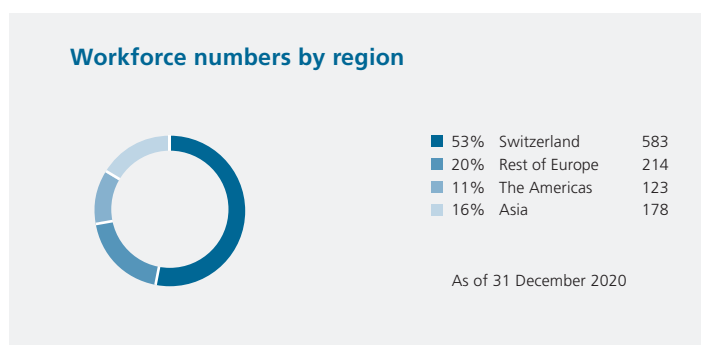
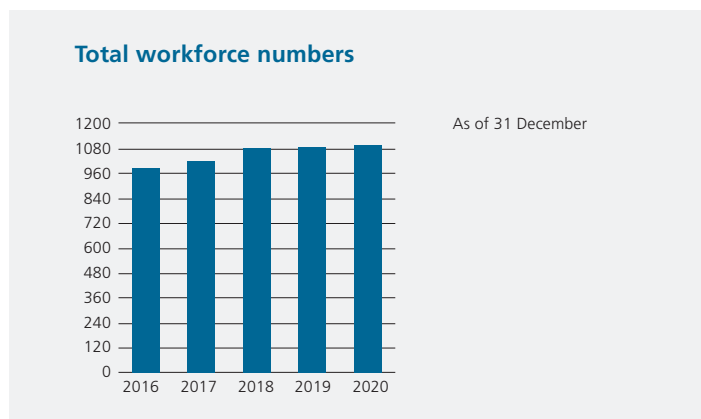
The CPH Group is aware of its responsibilities towards its employees. Its first company health insurance scheme was established for workers at its original Uetikon site as early as the 1860s. And its first occupational pension scheme was founded in 1918, also at the Uetikon site.

The Group strives to secure the best employees and to support and further train them as effectively as possible in the 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 further employees’ commitment to their work and identification with the Group. CPH also attaches great importance to ensuring a sound work/life balance. The Group offers retirement preparation courses and, at some of its locations, part-time working models that make the transition to retirement a smoother and more flexible experience. Parties are also periodically held for and with the Group’s employees at its various operating locations.

The CPH Group conducts surveys of its employees worldwide every three years on their workplace, professional development, leadership, communications, innovation, customers, strategy and involvement. Some 71% of employees took part in the autumn 2019 survey. Their responses produced an Engagement Index of 75%, eight percentage points up on the previous such poll in 2016. 95% of respondents also said they were more satisfied than they had been three years before. The highest grades were earned for CPH’s customer focus, leadership and appreciation and its working environment. Based on more specific needs at the Group’s various sites, the responses were also used to define 79 individual actions, most of which were implemented in the course of 2020. The next such survey will be conducted in 2022.

Staff turnover for the year amounted to 7.8% (compared to 9.5% in 2019). The rate derives primarily from turnover levels in China, which are substantially higher than at other sites. CPH numbers many long-serving employees: some 21% of the 2020 workforce had been with the Group for 20 years or more. Service anniversaries are 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 organized by their former employer.

The CPH Group supports its employees in their careers, and strives to fill at least one third of all vacant management positions with internal appointees. Some 41% of such vacancies have been filled in-house over the last five years.



Total employees

1 098

(prior year: 1 086)

Apprenticeships completed

12

(prior year: 12)

Staff turnover

7.8%

(prior year: 9.5%)

Sickness-related absence rate

2.7%

(prior year: 2.5%)

Occupational accident-related absence rate

0.1%

(prior year: 0.1%)

Diversity and equal opportunities

Every employee of the CPH Group should be able to develop their full potential. The Group maintains a fair and entirely non-discriminatory employment policy, strives for diversity and is committed to equal opportunities regardless of gender, age, ethnicity, religion or nationality. In all matters of recruitment, development and promotion, the prime emphasis is on the employee's performance, abilities and potential at the workplace concerned. The CPH workforce is drawn from 34 nations, and collaborations in multicultural teams are actively practised and promoted. The total group workforce at the end of 2020 amounted to 1 098 employees, with a high 62.7% of them involved in production. Just over half of the total are employed in Switzerland (see the chart on Page 41). Women accounted for 18.9% of the 2020 year-end workforce, compared to 18.0% a year before. In age terms, 19% of employees were under 30, 48% were between 30 and 50 and 33% were over 50 years of age.

The CPH Group does not tolerate discrimination on the basis of gender, skin colour, religion, nationality, disability, age, sexual orientation, physical or mental impairment, family status, political views or any other legally protected characteristic. All forms of physical and psychological violence, mobbing or sexual harassment at the workplace are prohibited. The Swiss Federal Gender Equality Act came into force on 1 July 2020. The CPH Group will analyze the salary equality at the companies concerned by mid-2021.

Salary policy

The CPH Group pursues a fair and reasonable 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/or divisional results. The Group made individual salary adjustments in 2020. The total cost of salaries, occupational pension scheme payments and basic and further training amounted to CHF 93.1 million.

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 51 apprentices 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, poly-mechanics and production and process mechanics at the end of 2020. 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, eight of whom could be given permanent positions.

CPH's apprentices meet each year at the Apprentices Day. This group-level event could not be held in 2020, however, owing to the coronavirus pandemic. Various other basic and further training events had to be cancelled in the first half of the year, only some of which could be held online instead. A CPH Group employee spent an average of 1.1 days on in-house or external training in 2020 (compared to 2.3 days the year before). The Group invested a total of CHF 0.5 million in initial and further training for its employees in the course of the year.

Continuous improvement

The Group's divisions maintain a constant dialogue with their customers to monitor 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 Continuous Improvement Process (CIP) is a further key internal element in CPH's ongoing endeavours to ensure its future development and further raise quality and efficiency, and CIP training is conducted every year in all three divisions. Employees submitted 568 ideas to the CIP in 2020, and 117 group moderations were held. The proposals adopted helped enhance efficiency, improve safety and ease environmental impact, and generated an annual benefit of CHF 2.6 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. Trained paramedics are on duty at the Group's production facilities, and a dedicated fire service is provided at the Perlen site. Any incidents or accidents that occur are systematically analyzed to help prevent their recurrence. The number of occupational accidents per one hundred CPH Group employees amounted to 1.6 in 2020 (compared to 0.8 in the previous year), which is a low level for a manufacturing concern. Happily, the year remained free of any serious industrial accidents. The occupational accident-related absence rate for 2020 stood at 0.1%.

Energy consumption (GWh)

1 110

(prior year: 1 286)

Own-generated energy

24%

(prior year: 20%)

CO₂ emissions (tonnes)

14 785

(prior year: 17 307)

Solid waste (tonnes)

12 927

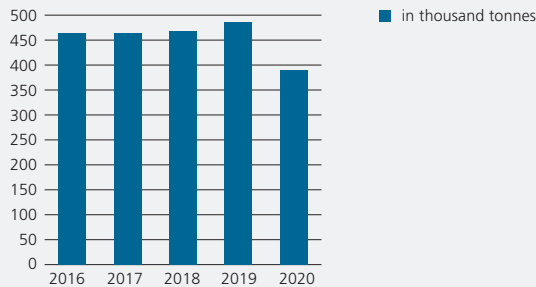
(prior year: 13 337)

Waste water (million m³)

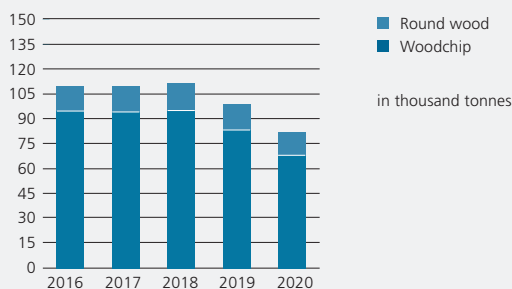
6.6

(prior year: 7.5)

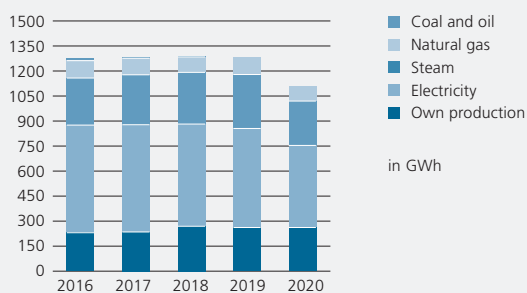
Recovered paper used



Waste wood used



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 2020 amounted to 2.7%, which is within the average range for an industrial concern. Any employees who become ill receive extensive care and attention under a health case management programme.

In handling the coronavirus pandemic, CPH's health management faced one of its greatest possible challenges in the course of the year. Through a combination of time-staggered and spatially separated shifts, compulsory mask-wearing, strict hygiene and physical distancing and working from home wherever possible, supply reliabilities were maintained. A small number of employees tested positive for COVID-19 at a few operating sites; fortunately, none of these individuals suffered any severe illness as a result.

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.

5 Ecological sustainability

The CPH Group's environmental reporting year runs from 1 November to 31 October. The Paper Division has been conducting an annual environmental audit that is structured in line with the Carbon Disclosure Project since 2015. The Chemistry and Packaging divisions conducted their first such audits in 2020, based on data from 2019. The findings obtained will help define even more targeted efforts to further reduce carbon dioxide emissions.

Use of resources

In tonnage terms, the largest proportion of resources used within the CPH Group is in the Paper Division, where recovered paper is the key raw material. The annual total of recovered paper recycled by Perlen Papier declined in 2020 from the 486 874 tonnes of the prior year to 391 231 tonnes. Some 79% of this was collected in Switzerland, with the rest coming from abroad. About 12% of these paper supplies were delivered to Perlen by rail. Perlen Papier also turned 81 717 bone-dry tonnes of round wood and woodchip into wood fibre in 2020 (2019: 89 820 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 82% of it is from FSC-certificated forestry operations. Of the woodchip used, 81% is from within Switzerland and 46% 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 2020 were unchanged at 99% for PVC, and for PVdC were raised from the 93% of the previous year to a similar 99%. 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 both transport costs and the associated carbon dioxide emissions.

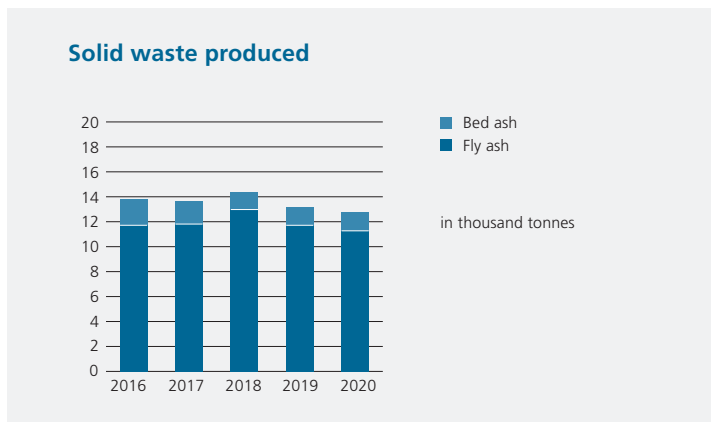
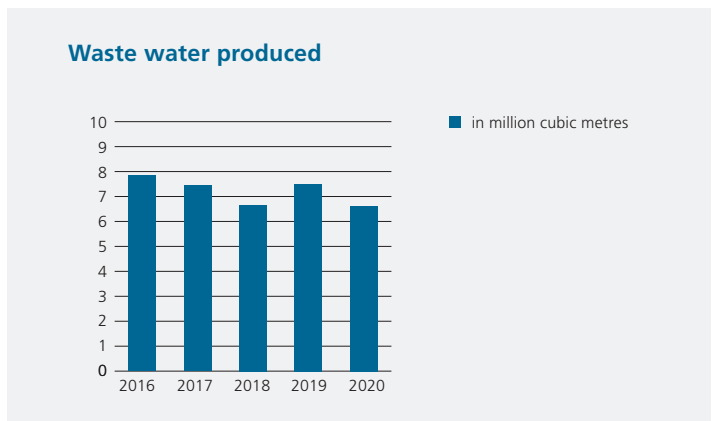
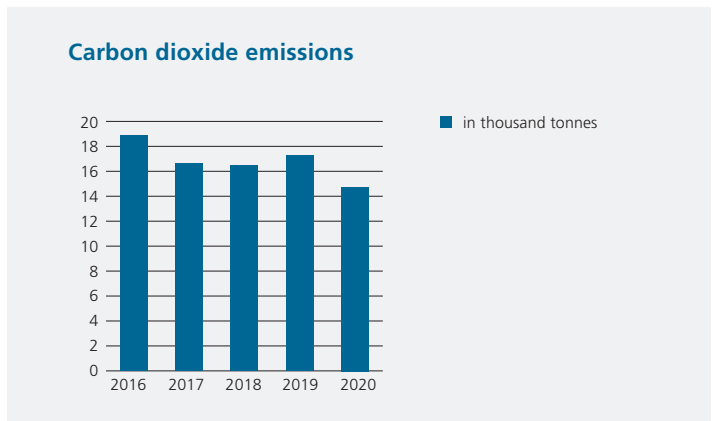
Energy

Paper manufacture is the most energy-intensive activity within the CPH Group. With paper production volumes down on their prior-year levels, the 1 110 gigawatt hours (GWh) of energy consumed by the Group in 2020 were also a 15% decline. Electricity consumption fell from 653 GWh to 551 GWh. Some 89% of all the Group's electricity was used for paper production. Steam consumption also declined, from 633 GWh to 560 GWh. Steam is primarily used to dry the paper webs. 56% of the steam used in Perlen in 2020 was obtained from the neighbouring Renergia waste incinerator facility; the rest was generated by CPH's own biomass plant. The Group's gas consumption declined from 103 GWh to 87 GWh.

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 facilities were exempt in 2020 from any carbon dioxide (CO₂) levy. The Perlen site emits some 10% of the maximum CO₂ legally permitted. Total CO₂ emissions from the CPH Group's sites amounted to 14 785 tonnes, down from the 17 307 tonnes of the previous year. Of this 2020 amount, 8 271 tonnes derived from paper production, 4 323 tonnes from the Chemistry Division and 2 191 tonnes from the Packaging Division. CPH's German operations have been consistently using green electricity since 2018 in line with ISO 50001 energy management standards. No carbon credit certificates were sold in 2020.

Exhaust air cleaning systems are installed at the Group's production facilities to reduce dust and filter out pollutants. The Rüti site also has its own monitored system to ensure that no such pollutants are emitted. Emergency concepts are in place to cope with any production malfunctions. The waste water produced by the Group's Perlen, Louisville and Donghai plants is processed in their own treatment



facilities. For the Donghai site, adjacent land has also been acquired for a planned expansion of the present waste water treatment facility. Total groupwide waste water volume for the year was reduced from the 7.53 million cubic metres of 2019 to 6.65 million cubic metres.

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 11 252 tonnes of fly ash and 80 tonnes of paper sludge were reused in brickworks and the cement industry in 2020, while 1 595 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.

Transport

The CPH Group has taken various actions to reduce its transport volumes. In China a local PVC supplier is taking over the provision of mono films, which previously came from the Müllheim plant in Germany. The building of a new coating facility in Brazil and the subsequent local production of PVC mono films will also eliminate long transport journeys. The Chemistry Division has switched to domestic suppliers and from truck to ship transport for its Chinese operations. The Paper Division has established a "transport exchange" in Switzerland to minimize unladen trips. And the Group's business partners have been sensitized, through a targeted campaign, to the positive effect of shorter transport journeys on carbon dioxide emissions when they opt for sustainably manufactured Perlen paper products.

6 Compliance

The employees of the CPH Group undertake to abide by all internal conduct guidelines and (needless to say) all applicable laws. The appropriate data protection processes were adopted in 2018. All employees were also trained in IT security in the course of 2020 via an e-learning tool.

No division of the CPH Group was penalized in 2020 for any violation or non-observance of any environmental provisions. The Group also promotes energy efficiency via the climate protection project of the Energy Agency of the Swiss Private Sector, and is a member of Responsible Care, a global continuous improvement initiative in the environmental, health and safety fields. The Packaging Division is a member of the EcoVadis and Ecodesk organizations.

7 Quality

Consistent 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 the table below). Production sites are subjected to regular audits by customers and by independent certification bodies. The Packaging Division aligns its film production to the pharmaceutical sector's Good Manufacturing Practice (GMP) standards. The division's new Anápolis plant aims to secure ISO 9001 and ISO 15378 certification by 2022.

| Production site quality certifications | Chemistry | | | | Paper | | Packaging | | | | |
|--------------------------------------------|-----------|------------|---------|---------|--------|------------|-----------|----------|----------|--------|----------|
| | Rüti | Louisville | Donghai | Zvornik | Perlen | Utzenstorf | Perlen | Müllheim | Whippany | Suzhou | Anápolis |
| ISO 9001 | • | • | • | • | • | • | • | • | • | • | Planned |
| ISO 14001 (environmental) | | | • | • | • | • | | | | | |
| ISO 15378 (GMP) | | | | | | | • | • | | • | Planned |
| 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 | | | | | • | | | | | | |