

# Sustainability report

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

## 1 Strategy

The long-term success of the CPH Group is based on sustainable value creation. The Group's 2019–2024 corporate strategy rests on three key pillars: further developing Chemistry and Packaging, expanding in growth regions and enlarging capacities outside Switzerland. Further details of this strategy will be found on the CPH website at <https://cph.ch/en/the-cph-group/strategy>. The Group's sustainability strategy supplements its corporate strategy, and is a key foundation of its more than 200 years of business success.

In its sustainable value creation, the CPH Group distinguishes between the economic, the ecological and the social dimensions, which are described in Sections 2, 3 and 4 below. The needs of the Group's various stakeholder groups are identified within its divisions under its integrated quality management system. Goals, actions and priorities are then defined in its sustainability strategy at the quality, safety, environmental and energy levels.

The CPH Group is committed to continuous long-term development. The Group offers high-quality products and services that are designed to improve people's quality of life. Its 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 (CO<sub>2</sub>) emissions.

For several years now, the CPH Group has been voluntarily setting itself targets for reducing its CO<sub>2</sub> emissions that go beyond the levels legally required. According to the Ten Toes Model of the CEPI European paper industry association, the carbon footprint of Perlen Papier is around a quarter of the size of those of its European competitors. 2021 also saw the Paper Division become the world's first paper producer to offer customers the option of fully offsetting the carbon emissions generated in the manufacture of their product, via a certificated reforestation project in Uruguay.

The Perlen operating site has extensive expertise in the industrial processing of wood-based materials. To further expand this competence centre, the CPH Group has entered into a collaboration with Schilliger Holz AG, one of the prime suppliers of woodchip to Perlen Papier. Under the accord, Schilliger Holz AG will build a new facility for manufacturing wood-fibre insulation board on the Perlen Papier site, for which purpose the CPH Group will lease the company a 20 000-square-metre land plot. Once it comes into operation in 2023, Perlen Papier will provide the new plant with electricity, process steam, fresh water and demineralized water, and will process the plant's waste water output in its own treatment facility.

The CPH Group is 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 in 2016. CPH is also meeting 80% of the costs of cleaning up the bed of Lake Zurich adjacent to the site, and has made provisions of CHF 20 million to this end. The lake bed clean-up began in November 2021, and is expected to take two to three years. CPH has also cleaned up – at its own expense – the adjacent Rotholz former waste disposal site in Meilen. This work was concluded in 2021.

The Packaging Division primarily processes PVC into films which are largely combined with aluminium films to produce blister packs. To better meet the demands of the circular economy, the division is working on developing halogen-free films and mono-material packagings which have no aluminium components and can thus be more easily recycled.

## 2 Economic sustainability

The CPH Group has diversified its industrial activities into three separate 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. Each of the Group's divisions is a leader in its target markets. The Group strives to create long-term value for all its stakeholders by offering products and services that are tailored to such 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 CHF 30–50 million
- annual operating investments of CHF 20–25 million.

## 3 Ecological sustainability

The CPH Group's environmental reporting year runs from 1 November to 31 October. The Group's divisions conduct annual environmental audits that are structured in line with the Carbon Disclosure Project, which they have been doing since 2015 for Paper and since 2020 in the case of Chemistry and Packaging. The data these audits provide can help define even more targeted efforts to further reduce CO<sub>2</sub> emissions.

### Use of resources

The Paper Division uses large volumes of resources, of which recovered paper is by far the most important raw material. The annual total of recovered paper recycled by Perlen Papier increased in 2021 from the 391 231 tonnes of the prior year to 420 983 tonnes. The proportion of this coming from Switzerland fell from 79% to 69% as domestic waste paper collection activities were reduced by the coronavirus pandemic and more waste paper had to be procured from adjacent border areas in neighbouring countries. About 10% of these recovered paper supplies were delivered to Perlen by rail. Perlen Papier also turned 92 791 bone-dry tonnes of round wood and woodchip into wood fibre in 2021 (compared to 81 717 bone-dry tonnes the previous year). 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 85% of it is from FSC-certificated forestry operations. Of the woodchip used, 80% is from within Switzerland and 45% 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.

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### Energy consumption (GWh)

# 1 220

(prior year: 1 110)

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### Own-generated energy

# 22%

(prior year: 24%)

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### Waste paper recycled (tonnes)

# 420 983

(prior year: 391 231)

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### Waste paper Swiss-sourced

# 69%

(prior year: 79%)

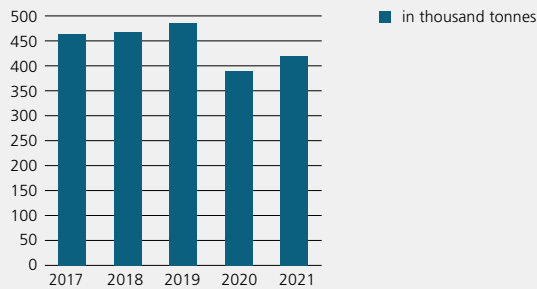
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### Waste wood used (tonnes)

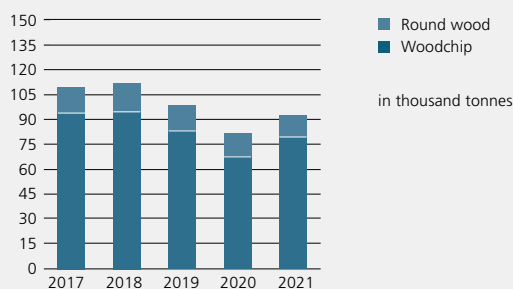
# 92 791

(prior year: 81 717)

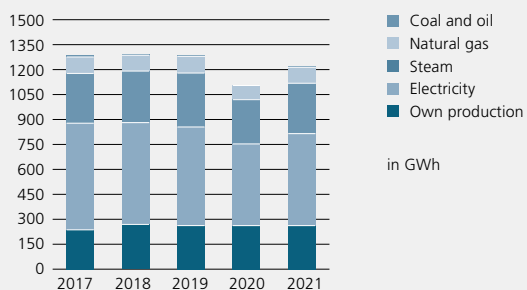
### Recovered paper used



### Waste wood used



### Energy consumption



Perlen Packaging's film manufacturing processes primarily use unplasticized polyvinyl chloride (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 2021 were unchanged at 99% for PVC, and for PVdC declined from the 99% of the previous year to 98%. 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 the transportation required and the associated carbon dioxide emissions.

### Energy

Paper manufacturing is the most energy-intensive activity within the CPH Group. With paper production volumes recovering again from their prior-year decline, more energy was used overall and the Group's annual energy consumption rose 9.9% to 1220 gigawatt hours (GWh). Electricity consumption increased from 551 GWh to 613 GWh, and steam consumption rose from 560 GWh to 606 GWh. Some 91% of all the Group's electricity was used for paper production. Steam is primarily used to dry the paper webs. Sixty per cent of the steam used in Perlen in 2021 was obtained from the neighbouring Renergia waste incinerator facility; the rest was generated by CPH's own biomass plant. The Group's gas consumption increased from 87 GWh to 97 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. In view of this, its Perlen site was exempt in 2021 from any carbon dioxide (CO<sub>2</sub>) levy, and continues to emit some 10% of the maximum CO<sub>2</sub> legally permitted. As a result of the higher production volumes, total CO<sub>2</sub> emissions from the CPH Group's sites increased in 2021 from the 14785 tonnes of the previous year to 15886 tonnes. Of this 2021 amount, 8278 tonnes derived from the Paper Division, 5148 tonnes from the Chemistry Division and 2460 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. A total of 214504 carbon credits were sold in 2021.

Exhaust air cleaning systems are installed at the Group's production facilities to reduce dust and filter out pollutants. The Rütli 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. Total groupwide waste water volume for the year increased from the 6.65 million cubic metres of 2020 to 7.22 million cubic metres.

Of the solid waste produced in 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 generates ash. Solid waste is also produced in the paper manufacturing process in the form of sludge. Some 8811 tonnes of fly ash and 108292 tonnes of paper sludge were reused in brickworks and the cement industry in 2021, while 1596 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

Various initiatives are under way at the CPH Group to reduce transport journeys and use ecofriendly means of transportation. Some 30% of paper deliveries in Switzerland in 2021 were made by rail; and for the first time ever, rail transport was also used to deliver around 2 000 tonnes of paper to Austria. Transport journeys will also be substantially shortened when the Group's new coating plant in Brazil opens in 2022, enabling the market to source its PVC monofilms from a local supplier.

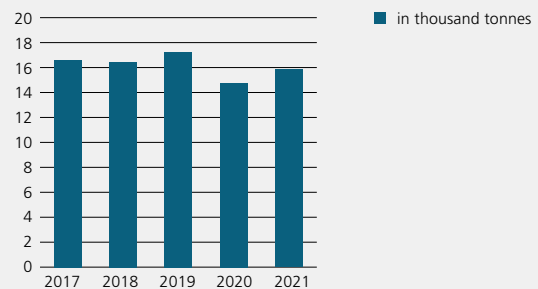
#### 4 Social sustainability

The CPH Group is keenly 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.

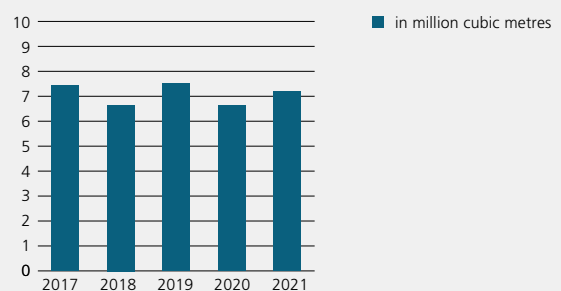
The Group strives to secure the best employees and to support their further development as effectively as possible within their working world. An open communications culture, a management and leadership that put CPH's values into practice and a safe, healthy and varied work environment are all intended to 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 part-time working, retirement preparation courses and, at some of its locations, further 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.

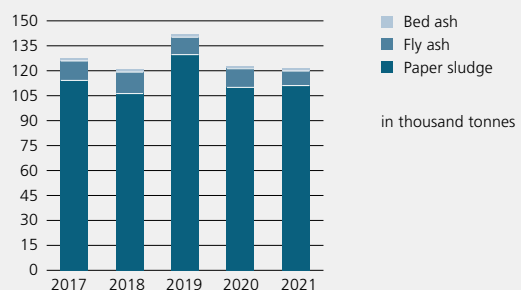
#### Carbon dioxide emissions



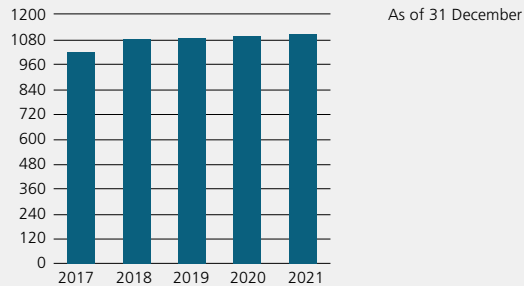
#### Waste water produced



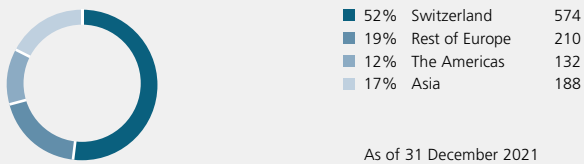
#### Solid waste produced



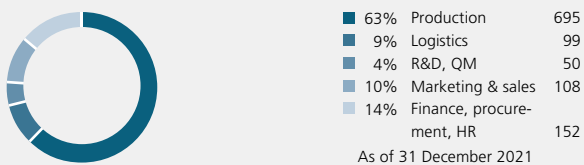
### Total workforce numbers



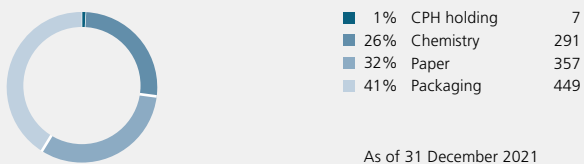
### Workforce numbers by region



### Workforce numbers by function



### Workforce numbers by division



The CPH Group conducts surveys of its employees worldwide every three years on the topics of 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. Some 95% of respondents also reported that 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 survey responses were also used to define 79 individual actions and implement the same. The next such survey will be conducted in 2022.

Staff turnover for the year amounted to 9.8% (compared to 7.8% in 2020). The rate is driven primarily by turnover levels in China, which are substantially higher than at other sites. CPH also numbers many long-serving employees: some 21% of the 2021 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.

### Diversity and equal opportunities

Every employee within the CPH Group should be able to develop to 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. Perlen Papier earned the IV Award from the Canton Lucerne disability insurance authority in 2021 for its particularly successful integration into its workforce of persons with disabilities.

In all matters of recruitment, development and promotion, the prime emphasis at CPH is on the employee's individual performance, abilities and potential at the workplace concerned. A new Federal Gender Equality Act came into effect in Switzerland on 1 July 2020. The CPH Group analyzed the gender equality of salaries at the relevant operations with more than 100 employees in the course of 2021. The findings will be verified by an independent auditor by mid-2022 and then subsequently published.

The CPH Group companies' workforce is drawn from 35 nations, and collaborations in multicultural teams are actively practised and promoted. The total group workforce at the end of 2021 amounted to 1 104 employees, six more than a year before. A little over half of this total worked at CPH sites in Switzerland (see the chart on Page 46). The proportion of women in the total workforce was raised from the 18.9% of 2020 to 19.3%, and should be further increased. In age terms, 17% of the 2021 year-end workforce were under 30, 50% were between 30 and 50 and 33% were over 50 years old.

#### Code of conduct

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 employees of the CPH Group are required to observe all applicable laws, to pursue fair business practices, to avoid conflicts of interest and to abide by the anti-corruption code. The Group's constituent companies are active in various international markets, and have formulated their ways and means of dealing with the issues of equal opportunities, healthcare, compliance, data protection, conflicts of interest, bribery, integrity and ethics in their own internal codes of conduct and operating regulations. The codes of conduct of the globally active Chemistry and Packaging divisions will be found on the CPH website at [https://cph.ch/en/investors/documentation/under 'Articles of Incorporation, regulations and descriptions of duties'](https://cph.ch/en/investors/documentation/under%20Articles%20of%20Incorporation,%20regulations%20and%20descriptions%20of%20duties).

#### 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 2021. The total cost of salaries, occupational pension scheme payments and initial and further training amounted to CHF 92.4 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.

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#### Total employees

# 1 104

(prior year: 1 098)

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#### Apprenticeships completed

# 16

(prior year: 12)

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#### Staff turnover

# 9.8%

(prior year: 7.8%)

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#### Sickness-related absence rate

# 2.9%

(prior year: 2.7%)

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#### Occupational accident-related absence rate

# 0.2%

(prior year: 0.1%)

### Initial and further training

Switzerland and Germany both maintain a 'dual' education system that combines company apprenticeship 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 50 apprentices were on the CPH Group payroll as future automation engineers, chemical lab technicians, commercial officers, computer scientists, logistics officers, paper technologists, plant operators, polymechanics and production and process mechanics at the end of 2021. Brief portraits of ten of them and their future professions will be found on Pages 12 and 13. Internships for student engineers are also offered at the Group's operations in Germany and in Bosnia and Herzegovina. Sixteen apprentices completed their courses during the year, 11 of whom could be given permanent positions.

CPH's apprentices meet each year at an Apprentices Day for a group-level further training experience. A CPH Group employee spent an average of 1.7 days on in-house or external training in 2021 (compared to 1.1 days the year before). The Group invested a total of CHF 0.5 million in initial and further training for its employees over 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 endeavours to ensure its constant future development and further raise quality and efficiency. The CIP is integrated into individual performance goals, and CIP training is conducted every year in all three divisions. Employees submitted 740 ideas to the CIP in 2021, and 212 group moderations were held. The proposals adopted helped enhance efficiency, improve safety and ease environmental impact, and generated a recurring annual benefit of CHF 1.4 million.

### Industrial safety

CPH conducts regular training to help identify dangers and prevent accidents at all its operating sites. These activities include exercises in fire safety and in handling dangerous goods. Every site also has its own safety officer. Trained paramedics are on duty at the Group's production facilities, and the Perlen site also has a dedicated fire service which can swiftly draw on up to 50 responders if required. The Perlen fire service held 41 exercises and handled 24 deployments in 2021, despite coronavirus-related restrictions. A further exercise was conducted by the Rapperswil-Jona chemical hazard response unit at the Rüti site. The year saw one fire in the Perlen recovered paper reception area, which was quickly extinguished. No persons were injured, and paper production could resume after only a few days.

Any accidents or incidents that occur are systematically analyzed to help prevent their recurrence. The number of occupational accidents per one hundred CPH Group employees amounted to 2.7 in 2021 (compared to 1.6 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 2021 stood at 0.2%.

### 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 their employees' personal fitness endeavours, by contributing to their gym subscriptions, by organizing group hikes or by participating in 'Bike to Work' programmes that encourage staff to cycle their daily commute. The groupwide sickness-related absence rate for 2021 amounted to 2.9%, which is around the industry average. Any employees who become ill receive extensive care and attention under a health case management programme.

Responding to the coronavirus pandemic posed a constant challenge for the CPH Group's health management teams throughout 2021. The physical distancing, hygiene and mask-wearing provisions imposed and maintained groupwide were supplemented during the year by regular workplace COVID testing. The Perlen site also participated in a pilot project of Canton Lucerne to conduct repeated mass testing in spring 2021, and went on to establish its own on-site testing and vaccination centre.



### Social involvement

Numerous employees of the CPH Group are involved in activities for the communal good both at and away from work. Some serve as company paramedics or company fire officers, while others take part in charity projects in their leisure time. The company fire service was active in summer 2021 in providing local assistance in the wake of severe stormy weather, clearing roads and rail lines and pumping out flooded cellars. The Group's various operations also got involved in local community projects and with local charity organizations. And in appreciation of its customers' participation in the year's satisfaction survey, the Packaging Division planted 500 trees in a sustainable reforestation project in Germany, in collaboration with Planet Tree.

### 5 Compliance

No division of the CPH Group was penalized in 2021 for any violation or non-observance of any environmental provisions. CPH is firmly committed to climate protection through various project involvements. The Paper Division is a participant in a programme of the Energy Agency of the Swiss Private Sector to actively reduce carbon dioxide emissions, and is also a member of EcoSwiss, which campaigns for environmental protection, health protection and industrial and occupational safety. The Packaging Division is a member of the EcoVadis and Ecodesk organizations.

### 6 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 ('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 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.

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 of Zeochem's product names begin with 'Zeo-' (such as Zeoprep), all of Perlen Papier's product names are prefixed 'Perlen-' (such as Perlentop) and all of Perlen Packaging's product names begin with 'Perla-' (such as Perlalux). The product names are also registered as trademarks wherever possible, to protect them from counterfeiting.

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## Corporate brands

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## 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 business and production activities to the pharmaceutical sector's Good Manufacturing Practice (GMP) standards. The division's Anápolis site is seeking to secure its ISO 9001 and ISO 15378 certifications in 2022.

| Production site<br>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,<br>9072 and 30501 |           |            |         |         |        |            | •         | •        |          | •      |          |
| EU Ecolabel, Blue Angel                    |           |            |         |         | •      |            |           |          |          |        |          |
| FSC COC, PEFC COC                          |           |            |         |         | •      |            |           |          |          |        |          |
| ECO SWISS CO <sub>2</sub>                  |           |            |         |         | •      |            |           |          |          |        |          |