

New Leadership Principles for the CPH Group



CPH devised new groupwide Leadership Principles in 2013. Management training is also being intensified, all to help more effectively ensure the sustainability of the Group's initial and further training activities.

Strategy

Sustainability – in economic, social and environmental terms – is a cornerstone of the business activities of the entire CPH Group. Without economic sustainability, the Group could not ensure its long-term business success: a success that will be founded on 200 years of industrial tradition by the end of the present decade, and a success that has always put continuous long-term development before short-term profit maximization.

The added value that CPH creates for the customer derives from its competitive products, services and procedures. These in turn are based on the Group's high quality standards, which are themselves ensured by rigorous adherence to the relevant ISO and GMP guidelines. The foundation of CPH's success, though, is provided by the Group's employees, whose training, health and safety enjoy the highest of priorities.

The CPH Group pursues a policy of maintaining individual brands within its three divisions, which are active in totally different markets. With their Zeochem, Perlen Papier and Perlen Packaging brands, each division is well established and well known in its market as a reliable and autonomous partner.

Being active in two highly eco-sensitive fields – paper manufacture and chemicals production – CPH puts a strong emphasis on environmental sustainability in all its activities. Making efficient use of raw materials also has a direct impact on the profitability of the operations

concerned. Paper manufacture is by far the most resource-intensive activity within the CPH Group, with the energy expense involved representing one of the biggest cost items. At the same time, CPH's paper production makes a major contribution to conserving natural resources through its recycling of recovered paper and its use of woodchip waste. The Group's chemistry operations produce molecular sieves, chromatography gels and fertilizers, while its packaging activities are centred on manufacturing and coating PVC films. Avoiding and reducing emissions, waste water and solid waste have been integrated for years in the planning at all three divisions.

CPH is further committed to the climate protection project of Switzerland's Business Energy Agency. The Group is also a member of Responsible Care, a global initiative by the chemicals industry to effect constant further improvements in the environmental, health and safety fields. And Perlen Papier AG is a member of ECOSwiss, the environmental protection organization of the Swiss business community.

Responsibility for environmental and quality issues at all of CPH's production sites rests with a designated employee at each facility who reports directly to top management. CPH also strives through its "KVP" continuous improvement programme to maintain a culture of steady enhancement of its business flows and procedures. Additional ideas and impetus for improvements derive from regular surveys among customers and employees.

Personnel

Once again in 2013, the economic challenges that the business year brought demanded extensive commitment, substantial flexibility and a willingness to accept and effect change from all employees throughout the CPH Group. As was shown by the high response rate of almost 70% to the employee survey conducted in the second half of the year, CPH's personnel are actively involved in the Group's further development. The results of this poll were to be analyzed in detail by specific working groups for each division in early 2014. The findings here will then be used to devise further actions to ensure that such commitment continues to play a major role in the Group's longer-term development.

Group staff turnover for the year stood at 6.5%, only slightly up on the 5.8% of 2012. Overall personnel numbers also rose, with a reduction in staffing within the Paper Division offset by staff increases in Packaging. A total of 859 personnel (including 45 apprentices) were employed by the CPH Group at the end of 2013, compared to 849 a year before.

Salary policy

CPH pursues a fair and reasonable groupwide salary policy that is closely aligned to local customs and conditions. This policy offers 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 via a variable salary component that is linked to the achievement of individual performance goals and to divisional results.

Once again, no across-the-board salary increases were awarded during the year, although the divisions devoted some 0.5% of their total salary expense to individual increases at their Swiss operations. The CPH Group spent CHF 85.6 million on salaries, company pension scheme contributions and training in 2013.

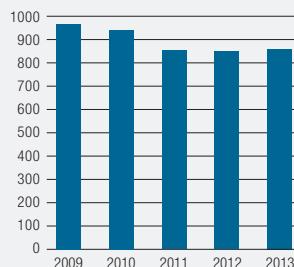
Employees at the Perlen site are subject to the collective labour agreement of the Swiss paper industry, while those at Müllheim are subject to the collective labour agreement of the "Chemische Industrie West". The Uetikon silicate chemistry operation has its own staff association. Elsewhere, personnel are subject to individual employment contracts.

Initial and further training

The twin developments of an increasingly dynamic economic environment and changing societal expectations are putting more and more demands on executives today. In response, the CPH Group has devised new guidelines for its management corps in the form of new Leadership Principles. The Group has also developed a new management training programme, the first module of which commenced in September 2013, to better ensure the sustainability of its initial and further training activities. The first such training is being devoted to team leaders and department heads in the Chemistry and Packaging divisions. The executives at Perlen Papier AG are currently engaged in their own personnel development programme, which was also launched in the course of 2013. All in all, the CPH Group spent over CHF 1.2 million on initial and further staff training for the year.

The task of training the Group's own personnel to assume future CPH

Total workforce numbers



As of 31 December

Workforce numbers by region



As of 31 December 2013

Workforce numbers by function



As of 31 December 2013

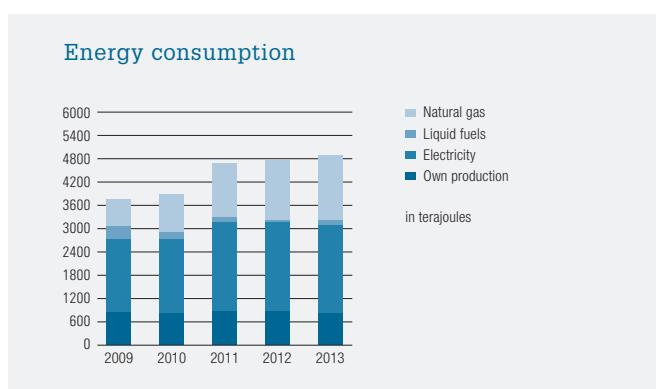
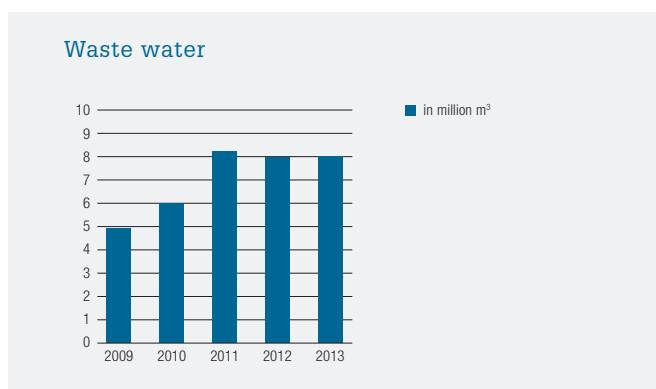
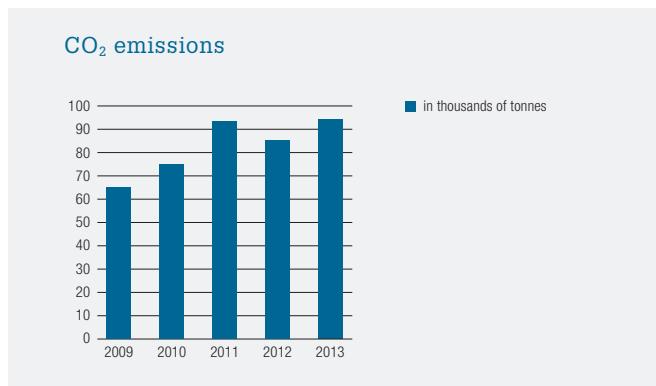
duties and responsibilities remains as vital as ever. To this end, all the Group's operating sites in Switzerland and Germany serve as active training centres. Five apprentices completed their training in the course of the year.

Continuous improvement

CPH's "KVP" continuous improvement programme is a vital element in the Group's constant endeavours to further enhance the quality of its products, services and activities through the commitment of its personnel. The KVP has been adopted by all three divisions. All in all, employees contributed 676 ideas to the programme in 2013. Together with the 127 moderations conducted by teams of employees, the proposals submitted were expected to add some CHF 1.0 million to annual earnings results.

Occupational safety

CPH conducts regular training and instruction sessions to help pre-



vent accidents at all its operating sites. As a result, all personnel are keenly aware of workplace hazards and risks. Systematic analyses are also conducted of any incidents or accidents that occur, to help prevent their recurrence. The CPH Group incurred 1.36 minor occupational accidents per 100 employees in 2013 (compared to 2.20 for the previous year). No major occupational accidents were incurred. These are very low rates for an industrial manufacturing company, and are a tribute to the keen sensitivity of the Group's employees to occupational hazards and risks. Sickness-related absence rates also remained low at 2.53% (compared to 2.18% in 2012).

Environmental care

The CPH Group's environmental reporting now covers a year that runs

from 1 November to 31 October. Prior-year figures have been restated accordingly.

Use of resources

In tonnage terms, the largest proportion of resources within the CPH Group is devoted to paper production. The two prime raw materials here are wood and recovered paper. Perlen Papier turned 97 208 bone-dry tonnes of round wood and woodchip into wood fibre in 2013 (2012: 110 522 bone-dry tonnes). In its procurement of these supplies, CPH attaches great importance to minimizing the transport distances involved: most of the wood used comes from Swiss forests. Perlen Papier also recycled 401 079 bone-dry tonnes of recovered paper in its operations in 2013 (2012: 434 126 tonnes). All the recovered paper used came from sources in Switzerland or neighbouring countries, and 22% of it was delivered by rail (2012: 26%). The year-on-year declines in the volumes of raw materials used for paper manufacture are due mainly to the loss of production on the PM 4 machine for almost two months following a fire in its winder.

Perlen Packaging's film manufacturing process begins with unplasticized PVC, which, in addition to mineral oil, is 57% composed of chlorine extracted from naturally-occurring sodium chloride. In comparison to other oil-based polymers, PVC boasts a better product carbon footprint for its overall life cycle. Perlen Packaging manufactures both PVC monofilms and coated PVdC films. The raw material utilization rate for its monofilm production stood at 95.8% (2012: 95.5%), thanks not least to a policy of feeding as much waste and scrap material from the various manufacturing steps as possible back into the production process. For coated film production, which uses PVdC, the raw material utilization rate was further increased to 96.0%, which compares to 91.6% for the prior-year period.

The most important raw materials in the Group's silicate chemistry operations are sodium silicate, aluminium hydrate, sodium hydroxide, sulphuric acid and lithium chloride, of which a total of 39 995 tonnes were used in 2013 (2012: 39 921 tonnes). The division's fertilizer production activities consumed 15 950 tonnes of nitrogen, potassium and phosphorus compounds (2012: 17 100 tonnes). Some 84% of the raw materials used for fertilizer production in Uetikon were delivered by rail. All the materials required for silicate production are supplied by truck.

Energy

All the CPH Group's industrial processes require energy, be it in the form of electricity, oil, gas, waste heat or steam. The Group's paper manufacturing consumes the most energy of all, largely in the form of electricity. The Paper Division's annual energy consumption rose in 2013 from 3 566 terajoules in the previous year to 3 628 terajoules.

Emissions, waste water and solid waste

Being a major emitter of carbon dioxide (CO₂), CPH sets goals on its own initiative to reduce such emissions. These goals are more rigorous than those required by law; and, as a result, CPH's Perlen and Uetikon facilities are exempt from any CO₂ levy. CO₂ emissions from non-renewable resources amounted to 93 970 tonnes in 2013

(2012: 89 101 tonnes). The Group's manufacturing facilities also have exhaust-air purification systems installed.

Emergency concepts have been devised to cope with any production malfunction. These centre largely on the scenario of fire. Apart from this, it is the handling of acids and sodium hydroxide at the Uetikon plant that poses the greatest potential environmental threat. The CPH Group again completed the year free of any incident subject to reporting requirements.

The waste water produced by the Group's Uetikon, Perlen and Louisville plants is processed in the operations' own treatment facilities. The paper manufacturing process also produces solid waste, largely in the form of sludge and residual waste. Some 21% of this was disposed of in Perlen Papier's own waste incinerator in 2013; the rest was incinerated in brickworks and cement factories.

Quality

Maintaining consistently high process and product quality in all areas of its activities is a key element in the CPH Group's business success. To ensure that it does so, the Group subjects its production facilities to regular audits by both customers and independent certification authorities.

The Packaging Division aligns its film manufacturing practices to the pharmaceuticals industry's Good Manufacturing Practice (GMP) standards. Perlen Packaging is one of the few companies in its field to be certificated to the pharmaceuticals sector's highest quality criteria throughout the manufacturing process and for the full range of its products from monofilms to barrier films.

The Packaging Division's Perlen and Müllheim operations were successfully recertified to ISO 9001, 14001 and 15378 standards by the Swiss Association for Quality and Management Systems (SQS) in September 2013. The division's Whippanny operation was also ISO 9001-recertified in October 2013.

PRODUCTION SITE QUALITY CERTIFICATIONS

	Chemistry		Paper	Packaging		
	Uetikon	Louisville	Perlen	Perlen	Müllheim	Whippanny
ISO 9001	•	•	•	•	•	•
ISO 14001 (environmental)			•	•	•	
ISO 14644-1 (cleanrooms)				•	•	
ISO 15378 (GMP pharmaceuticals packaging standards)				•	•	
OHSAS 18001 (occupational safety)			•			
DMF 10686 (FDA, USA)				•		
DMF 9072 (FDA, USA)					•	
Eurofins (hygiene and food monitoring)				•	•	
FSC COC			•			
PEFC COC			•			
Blue Angel			•			
ECOSwiss CO ₂			•			
ENAW CO ₂	•					