

The Enablers of the Sustainability Strategy

————> The Koehler Group's corporate strategy is based on the fundamental principle of sustainability. In order to bring about major progress in this area and integrate the principle into the day-to-day workings of the company, the Koehler Group has united three essential enablers under the lead of Koehler Innovative Solutions: digital transformation, innovation, and start-ups.

We want to implement sustainable, innovative solutions throughout the value chain and achieve our ambitious climate change goals. To this end, we use our resources in a sensible and efficient manner and thereby protect our environment. Occupational health and safety are fundamental principles for us in this regard. This holistic approach allows us to continually improve our ecological and economic impact, as well as our contribution to society. Together with our employees, we develop creative spaces in which we train, learn, and develop ourselves as individuals. We actively demand and encourage diversity and equal treatment. Together, the digital transformation strategy, the innovation strategy, and the start-up strategy will help us to achieve our sustainability objectives. In organizational terms, these areas are all bundled within the Koehler Innovative Solutions business unit.

———— The Objectives of Our Innovation Strategy

10

new collaborations per year is the target set by Koehler Innovative Solutions.

100%

of all product innovations meet the relevant circular economy criteria.

Digital Transformation Promotes Integration, Transparency, and Interaction

Being an innovative company, we have long been implementing digital solutions that help to optimize existing processes. However, the digital transformation strategy goes far beyond digitalization, essentially encompassing three goal clusters: value add, people and organization, and market and customers.

Value Add

We want to network and optimize our processes throughout the entire production cycle and make them more efficient. To this end, we analyze and evaluate the current value added of the Koehler Group in order to identify opportunities and to lay the foundations for future developments. The objective is to continuously improve working processes and adapt our technology infrastructure. By taking a holistic approach, we are able to make optimal use of time and resources and seamlessly integrate new technologies into existing ones.

In the future, we want our processes to be more transparent, free of system discontinuities, and digitalized in a sensible way. We want more and more of our processes to be data driven. In order to collect this data we are continuing to harmonize the process landscape.

This has allowed us to comprehensively integrate process data in order to provide us with an even better basis for decision making. We analyze the automatically collected machine and product data and compile and present it in a user-friendly manner so that it can be used as part of a smart production process. This is intended to facilitate our employees' day-to-day work and alleviate their workload. At the same time, it allows us to proactively maintain our facilities and respond quickly and flexibly to customer demands.

People and Organization

We actively promote the digital transformation by involving all employees and encouraging them to share their opinions, undergo further training, and forge ahead with digital projects. The exchange of knowledge takes place in an open and accessible way in order to boost cooperation and innovative spirit. We will be offering a diverse range of targeted training courses to ensure our employees develop a solid understanding of digital solutions. Our corporate culture motivates employees to further their education, share ideas, try new things, and have constructive discussions. Digitaliza-

tion projects, like the introduction of the digital HR file, can create more time for such endeavors. Senior managers and their teams work together to drive the transition, supported by a collaborative learning culture.

Market

The digital transformation will not only allow us to manufacture more effectively, but also to tap into new potential. It enables us to better respond to the needs of our customers and partners, to pinpoint new markets, and to develop innovative digital products and solutions. In order to stay one step ahead of the competition and ensure the success of the Koehler Group in the long term, we need to look outwards at the market and what is happening around us. In order to achieve this, we are creating a networked environment in which we are establishing data interfaces with external partners and seamlessly integrating our processes. We offer our partners added value by providing digital information throughout the entire production process as well as additional digital services. This strengthens customer loyalty and helps us tap into new business areas.

Moreover, our guidelines for proactive market orientation ensure that we exploit new potential for the digital business in a targeted manner and actively take account of our partners' needs in the ongoing development process.



“We are supplementing our own innovations in a targeted manner with fresh ideas from young companies.”

Philipp Prechtl
Managing Director, Koehler Innovative Solutions

Innovation Arises from Within the Koehler Group

Products, processes, and technologies can also be innovations. Our strategy involves reimagining precisely these aspects throughout the entire value chain. It is based on the skills and creativity of more than 100 experts from Koehler Innovation & Technology and also draws inspiration from external partners. This allows us to remain focused on our core business and develop technology platforms for the future on that basis. We are taking an increasingly pioneering role in the area of fiber-based solutions, for example in thermal paper, flexible packaging solutions, and high-quality fine paper. The approach we take is that of system innovation, where we consider the entire product life cycle, all stakeholders, and the environmental impact right from the start. During the first feasibility phase, we compile all the relevant information and assess whether a project is viable and whether it creates real added value for our customers, the environment, and society.

In doing so, we always look at the entire value creation cycle. Paper recycling is a highly efficient way of reusing high-quality fiber raw material, and every new product must fit seamlessly into the paper cycle. For example, our flexible packaging paper is a high-tech product made from fiber materials and a variety of sometimes customized coating materials. When developing this paper, we work with numerous partners, suppliers, converters, and recycling companies and, in particular, with our Greiz mill, which specializes in the processing of secondary raw materials. It is also at this mill that our recyclable, sustainable product innovations are tested and implemented at production scale.

Our sales teams are in close contact with our customers and know what they want. They exchange information with our innovation and development teams, production managers, and many other experts.

During the project phase, we focus more specifically on customer needs, produce the first product samples at laboratory scale, and quickly test them out in our pilot facilities. We also check whether the samples meet all regulatory requirements. This helps us to very quickly start carrying out initial testing of new product concepts together with our customers. If the feedback from customer trials is positive, we can move on to a small number of production scale tests on our paper and coating machine. Once all of the specifications have been met for commercial scale production, the new product is certified by official certification bodies before being released on the market. We are currently focusing on researching bio-based raw materials and testing new technologies in order to adapt them to a commercial scale and further develop our environmentally friendly and recyclable product range.

Start-Ups Provide Fresh Impetus from Outside the Company

We supplement the innovations developed within the Koehler Group with creative ideas from outside the company. Disruptive innovations, in particular, tend to come about more easily when we open our minds and forget what we already know. That is why our scouts work closely with various organizations like the “UnternehmerTUM” start-up network at the Technical University of Munich. These collaboration projects help to raise our status as a partner for start-ups and build our own network.

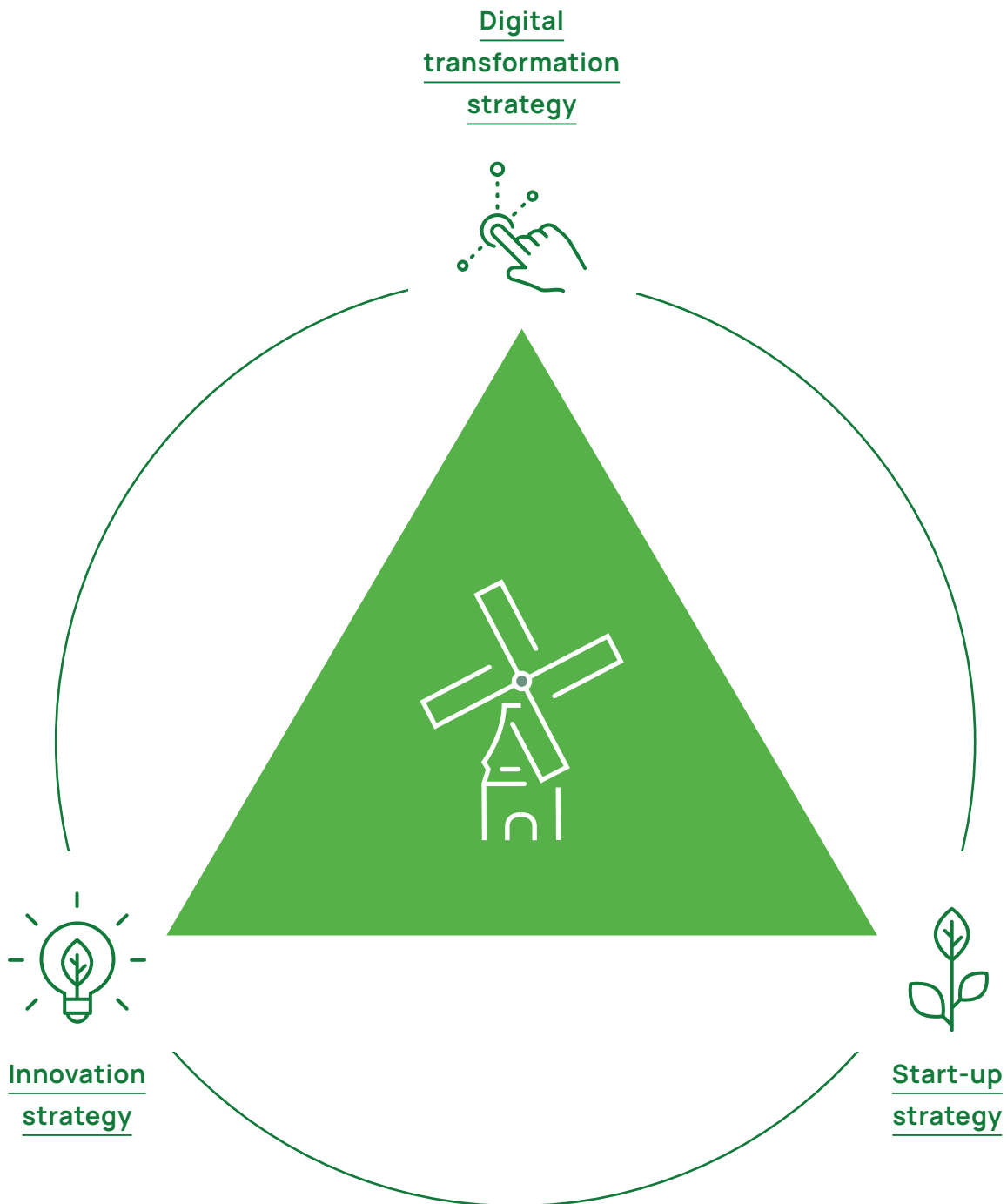
We integrate the know-how developed by start-ups into the Koehler Group in the spirit of “venture clienting”, not only in terms of our core business, but also throughout the entire value chain. Partnership is always at the forefront, as is the objective of developing ideas together. We can be a start-up’s first customer and work with them to further develop existing products, just like we did with the Leipzig-based chocolate manufacturer nucao. The company’s founders not only attached great importance to using high-quality, fair trade raw materials, but also wanted to meet customer demand for sustainability when it came to packaging. In 2022, they became the first chocolate manufacturer on the German market to package a product line in one of our flexible packaging papers. This product line was recently joined by their chocolate bars. You can find out more about this on page 38.

We are also on the look-out for interesting partners in our second business area, renewable energy generation. These could be young companies working on energy storage systems, hydrogen, or carbon reduction technologies. Artificial intelligence is another highly relevant field of application for the Koehler Group, as it can lighten employees’ workload and give them more time to focus on the important things, such as undergoing further training in relation to the digital transformation.



The pilot coating machine developed by Koehler Innovation & Technology simulates a standard production facility and is the only one of its kind in the sector.

An Agile and Innovative Approach to the Future



The **digital transformation** of the Koehler Group is essential to achieving our sustainability goals. Our digital data basis, enhanced partner relationships, and targeted further training all contribute to this transformation.

The **innovation strategy** is focused on developing new products, services, processes, and procedures along the entire value chain based on renewable raw materials. Joint projects with **start-ups** add external inspiration

for this strategy. These elements can only achieve their full potential and support the sustainability strategy when taken in combination.