

Sustainability Is Not a Trend, but a Necessity



Dear Readers and Colleagues,

A number of studies and surveys show that the majority of consumers in Europe prefer to buy food in packaging that contains little to no plastic. As a father of three, I get to see every day how the youngest people in our society are remarkably attuned to the subject of sustainability. You can, in fact, draw a contrast between that and my youth, when chocolate bars were still packaged in paper, but not the kind that could be easily recycled. This was then followed by plastic wrappers, only to see us come full circle and bring packaging back to paper. But with one exception: The paper we are using now is designed to be recycled.

Sustainability is the key to ensuring that our children's generation and all other future generations will be able to live a life worth living on this planet. Against this backdrop, I believe it is my responsibility as part of the eighth generation at Koehler to manage the Koehler Group in such a way that we can be sustainably successful. Needless to say, the easiest road to take is not always the right one. As far as I am concerned, that also means that I cannot simply rest on my laurels. As a family business, our focus is not on quarterly results, but rather on the long term and the generations that will follow us. No matter what we do, we need to make sure that future generations will continue to have healthy economic prospects and a healthy and sound environment that is worth living in.

This means that we do not consider sustainability as a trend, but rather as a necessity for our society's long-term survival. Fortunately, sustainability-focused principles have been part of our company's DNA from the very

beginning, so the various strategic decisions we have made and will continue to make are a logical continuation of that. For example, we founded Koehler Renewable Energy a little over ten years ago in what has proven to be a forward-looking decision. In fact, we began intensively investing in renewable energy as of 2012, and it is something that has definitely paid off. That unique vision has enabled us to take numerous power plants and facilities used to generate wind, water, biomass, and solar power in Europe and make them an indispensable part of our family-run company, not to mention the Koehler Group's second largest business segment after paper.

Then, four years ago, we decided to tap into the flexible packaging paper market with what has been the biggest single investment – over 300 million euros – in the history of the Koehler Group to date. Today, we can confidently say that we made the strategically correct decision, and it has put us in a position where we are able to cover the heavily growing demand of numerous brands, converters, and retailers for this type of product. The benefits are crystal clear: Paper reduces carbon footprints significantly in comparison to plastic by virtue of the fact that paper packaging is based on renewable raw materials and is perfect for circular economies, not to mention that it also has the added bonus of a positive impact on the image of products and brands. Consumers are intensely aware of this, and accordingly directly associate paper with sustainability. So what is the next step in this regard? Easy: We want to bring paper with vapor barrier properties to market, which should make it possible to pack a large variety of foodstuffs in paper. And on top of that, the work we are doing on our barrier solutions is focused on the use of biobased and renewable materials.

At the end of the day, however, that is only one of many examples of sustainable products that we are currently doing research on. Ultimately, our goal is to consistently align our product portfolio with the circular economy.

As you all know, the circumstances brought about by the pandemic in the last few years and the war in Ukraine have had quite an impact on the availability of raw materials, which means that we have had to deal with completely unprecedented challenges. For instance, the processes we use to make paper mean that we still need natural gas to get by, and that has led us to start a number of projects that should enable us to reduce our energy consumption. For example, we are in the process of validating alternative sources of energy for heat for our production facilities as quickly as possible, and we have entered into a development partnership with Voith to decarbonize our production lines.

Needless to say, decarbonization is an integral part of our climate action strategy, so we have drawn a roadmap with very specific actions for it. That includes the way we are moving full speed ahead with our efforts to decarbonize the power plants at our mills. Just at our headquarters in Oberkirch, we are investing well over 70 million euros to fully convert our existing power plant, which relies primarily on black coal, to use biomass instead. As a result, we expect to be able to cut about 150,000 metric tons of carbon emissions a year there. Moreover, we were recently able to complete the decarbonization of our power plant at our Greiz mill. We invested roughly 8 million euros there in order to stop using pulverized lignite and replace it with fine wood biomass, allowing us to reduce our carbon emissions by another 24,000 metric tons a year.

We published our first sustainability report at the end of February of last year. In contrast to publicly traded companies, we are under no obligation to do this, but decided to do so anyway on our own initiative. After all, sustainability has been an intrinsic component of Koehler's culture since the company's founding all the way back in 1807. In that first report, we focused on our sustainability positioning and structure. With this second sustainability report, we are taking things one step further: We have established goals based on our sustainability strategy so as to give our efforts in this area a clear direction. And just like last year, we are not doing this because we have to, but rather because of our convictions.

It nearly goes without saying that we will continue to develop and enhance our sustainability strategy continuously and systematize our sustainability-related activities. For example, we are currently working on adding specific target values to our goals, which we see as part of a continuous learning and development process for the entire company.

Koehler is in the middle of a process that will see us transform into an even more sustainable company. Even before that, however, we were already pulling out all the stops to ensure that we would be able to leave future generations with a sustainably successful company. And we will continue to do so.

Kai Furler
Koehler Group CEO