

INFORM



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GATE TO THE FUTURE.



Dear Readers

Regardless of who I speak to these days – customer or partner – we always come to the topic of the lack of skilled workers. This deficit also concerns us at Otto Hofstetter AG. Switzerland is well known for its two-track vocational education system, combining classwork with on-the-job technical training. This approach has formed the basis for ensuring the quality and precision of our moulds for many years. But despite this excellent system, we still feel the pressure to find qualified specialists in mechanical engineering and construction who can meet the requirements of our specialised industry. As a

human resources manager, I regularly deal with the young people who will work in our teams tomorrow and the day after. And, as sociologists and generational researchers will tell you, Generations Z and Alpha are not just looking for a job; they want a meaningful activity that reflects their values.

With our “Gate to the Future” programme, Otto Hofstetter AG aims to shape an attractive future for the next generation of skilled workers. Twenty young people are currently being introduced to the art and science of our craft in three different professions. We also support our young professionals if they want to complete secondary school or study at a technical university. And we commission research projects and studies at technical schools as well. Today’s OHAG teams include several people who came to the company as apprentices and who have developed their careers with the support of the company, I am proud to say.

We profile one such achiever, Philipp Hofstetter (no relation), in this newsletter. He joined us when he was just 15 years old and today, 20 years later, he leads a team of eight that oversees our production quality. And we also introduce you to two valued clients – Wellmann Packaging and Capsul’in. Wellmann produces high-quality preforms near Sydney, Australia, that are used by well-known brands all over the country. And Luxembourg-based Capsul’in, with a strong focus on research and development, is considered an innovator in the coffee capsule segment. You will also read about the benefits of our OH-Xchange® service for customers and the latest ESG activities underway at Otto Hofstetter AG.

I wish you rewarding reading and hope to meet you in person soon. And if you’re attending the PETnology Conference this 12 and 13 June, being held near us at the upper end of Lake Zurich, that would be a very good opportunity to get together. I look forward to it.

Sincerely, Sascha Bigler

Imprint.

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POSITIVE IMPACT.

Wellman Packaging is located in **Ingleburn**, near Sydney, Australia. The company produces high-quality packaging, including preforms and bottles for national and international brands. It was established in 1973 and is now run by the founder's son, **Craig Wellman**. In an interview with "inform", he describes some **special features** of the Australian market and his **bold vision** for the future of the plastics industry.

Mr Wellman, your company celebrated its fiftieth anniversary last year. Can you tell us something about the early years?

My father, John worked in technical sales at various large industrial companies, including DuPont, and acquired a specialist's knowledge of plastics. Born into an entrepreneurial family in the food industry, he wanted to build his own company, and in 1973 he took the plunge, buying a small factory and an injection moulding machine. His business concept then was to provide "rapid" prototyping, with low-cost tooling and short runs to aid innovation. From today's perspective with 3D printing, it was an excellent idea but ahead of its time.

How did he react to that?

John changed his strategy and accepted orders as a custom moulder. We moulded everything from elevator buttons for Otis and battery boxes for Exide Technologies to industrial fasteners – but also caps and closures. After taking over another moulding company doing caps, this area quickly became significant, and eventually it was decided to split the company into two divisions – one producing closures for fast-moving consumer goods, then mostly for food, household and personal care, and one for industrial products.

When did you start at the company?

As a child in a family business, you naturally come into contact with and learn the operation very early on. An early memory of "working" in the factory was around 6 years old, but I'm

sure my father's recollection of "the work" would be a little different! However, I was interested and learned a lot about injection moulding and manufacturing technology at a young age. By around twelve, I was working independently around the machines, including mould changes. Although everything pointed to engineering, I studied finance and qualified as a Chartered Accountant with PricewaterhouseCoopers, eventually working in management consulting. When my father signalled he might sell the company in the late 1990s, that's when I joined, and we arranged a buyout programme. I spent my

days back in production, re-learning the trade, and my nights taking care of sales and administration. Eventually, it became clear that our food-grade-closure business was no longer compatible with the industrial products, so we decided to split them out.

"WELLMAN PACKAGING ALSO LICENSES ITS PRODUCT DESIGNS AND ITS TECHNOLOGY."

Craig Wellman, owner and CEO of Wellman Packaging

How did that happen exactly?

I took the packaging side forward and completely restructured the company around it. In 2001, we built a new production facility in Ingleburn to meet the modern requirements of the food industry, including ISO9001 and ISO22000 quality certifications. We stepped up in the value chain and pivoted from being "just a moulder" into a producer of proprietary closures and packaging. We became experts in the field of plastic packaging, building on our rich technical history in the industry, and I expanded our offer to include in-house packaging design and development. We would proactively take a packaging category and develop alternatives to existing formats, and then pitch



Flexibility is important for Wellman Packaging because the market may be small, but it demands a lot of variety.



For many years, Craig Wellmann has been supported by Nick Campbell, who is set up to lead the business in the years to follow.

them to brand owners. I now hold a reasonable portfolio of patents and design registrations. So the days when our company was limited to producing predetermined packaging were over.

What does your company look like today?

Today, we are long standing partners of well-known international and national FMCG brands in food, beverage, household care, personal care and pharmaceutical. We design, manufacture and distribute rigid plastic packaging, including injection-moulded caps, closures, thin-wall packaging and PET preforms – as well as ready-blown bottles via both extrusion and two-stage stretch blow moulding. Our services cover the entire process from packaging advice to and tool designs to production and finishing. We are now in one of the top five packaging suppliers in Australia. In recent years, we have become a pioneer of environmentally friendly packaging and have already won significant innovation awards for ultra-lightweight packaging and the use of recycled plastics.

Which markets are you active in?

Wellman Packaging is primarily active in Australia, with some exports to New Zealand and the rest of Oceania. Since the transport of ready-blown bottles ceases being economical beyond a certain geographical distance, our bottle customers are concentrated around our plant in New South Wales. On the other hand, we produce caps, closures, thin-wall packaging

and, of course, preforms for customers all over. Less than 10 per cent of our output is exported, but we also license our technology and product designs, which is an exciting business area for us.

Your customer list reads like a who's who of well-known brands, and some of them have been around for many years. How did you manage that?

I think it's a given for a high-end supplier working with global brands to deliver best-in-class products with perfect quality and at 100 per cent DIFOT performance. It takes more than this. I think the keys are demonstrating vision and leadership, building collaborative relationships, and

enhancing brand equity through innovation and excellence. Otherwise, we are big enough to make a difference, but small enough to fit into a client's family. Flexibility is also important in Australia, as volumes are small by comparison to Europe, but the demand for sophistication remains.

**"EFFICIENCY AND LONGEVITY
MAKE AN INVESTMENT
IN SWISS TECHNOLOGY
WORTHWHILE."**

Craig Wellman, owner and CEO of Wellman Packaging

How does that work, specifically?

Our philosophy at Wellman is to support our customers beyond the actual product, looking at their entire supply chain and how to improve it. We travel widely, which helps inform them about global packaging trends and innovations that we have encountered, and we give them tips on how packaging can be made more consumer- and environment-friendly. At Wellman,

we feel responsible for the entire packaging process, not just its production.

Wellman is now pursuing its vision of a circular economy and has launched the E-ZERO™ label. What's the philosophy behind it?

Let me share a little story about this with you. My eldest daughter is studying physics and mathematics in Norway, and she got really involved with cleaning up ocean plastic waste, which remains a hot topic. So for her birthday, she asked her friends and family to donate to the clean-up instead of giving her gifts. Obviously a proud father moment, but also a wake-up call that we are accountable to her generation for what we do. We are all custodians of our planet, and it's our duty to hand it over to future generations in better shape than we found it. This led us into our "Future Thinking for Sustainable Plastics Packaging" programme, including the E-ZERO™ label.

What can you tell us about E-ZERO™?

E-Zero™ is a vision for holistic sustainability that aims to be better than carbon-neutral by re-engineering every individual element of the FMCG supply chain to deliver environmental dividends when taken as a whole. It goes beyond the plastic, the packaging and the finished consumer good, with the objective of having a net positive impact, or at least no impact, on the environment. A key theme is energy conservation in all its forms. One example is using plastics packaging for carbon sequestration. It is an ambitious mission, but discussions with selected brand owners to date have been very positive, and this makes me confident that we might realise this vision in the not-too-distant future.

You are a pioneer in the processing of recycled PET, for which you've already won several awards. What motivated you to make the switch?

When the public was shocked over images of plastic waste in the oceans, they declared plastic was the villain, which I think was really useful as a change agent, so an opportunity to drive innovation. We had already worked on sustainability projects with key customers for almost two decades, including rPET trials, and have since converted almost 100 per cent of preforms to recycled PET. The topic remains a prominent one for all of our customers, but I would say that right now momentum is being lost, as consumers and social media are less vocal, and without this we will see a default back to price as a barrier to rPET, especially under price pressure from dominant retailers.

"I SEE PUBLIC PRESSURE ON PLASTIC AS AN ENORMOUS OPPORTUNITY FOR INNOVATION."

Craig Wellman, owner and CEO of Wellman Packaging



What difficulties must be overcome so that rPET can be used on a large scale?

The biggest challenge obviously remains the availability and price of rPET. Here, it is vital that the significant global investments in the recycling infrastructure continue. Unfortunately, Australia is far behind Switzerland when it comes to plastic collection and recycling. We have a similar federal organisation but, unlike Switzerland, we have been unable to find a universal and comprehensive solution. However, sustainability needs to be considered more broadly than just converting to PET and using recycled rPET.

Can you explain, please?

If you take as the key figure the entire CO2 footprint of packaging across the entire cycle of production, use and reuse, there are various ways of reducing carbon emissions, depending on the application. For example, an organoleptically sensitive water application might be best served using virgin PET, especially if this allowed the blow-fill line to run bottles that are 50 per cent lighter and 30 per cent faster, and with higher quality – the bottles then also providing the necessary top-up of virgin polymer into the system. So the carbon footprint is holistically smaller. With our E-ZERO™ vision, we intervene even more deeply in the end-to-end process, which is more complex than simply putting a "Recycled" label on a product.



Quality is a top priority, which explains why most of Wellman's products are manufactured using Swiss technology.

In 2010, you entered the preform business with Netstal and Otto Hofstetter. Why did you choose Swiss technology?

Let me back up briefly. My father became interested in PET in the 1970s, so the topic had been interesting for a long time; however, in the early days it was a tightly controlled and licensed market. Around 2008, an approach came from one of our key customers, Colgate-Palmolive, for preforms in three sizes, twelve colours and a total annual volume of less than fifty million preforms. This was complex with respect to the frequent mould, insert and colour changes – and not suited to the mainstream PET bottle or preform supplier. Husky, Krauss-Maffei and Netstal/Hofstetter were considered as possible partners but, in the end, the Swiss duo won. We already knew Netstal and Hofstetter for the excellent quality and durability of their products. The decision came down to the lowest total cost of ownership over a lifetime rather than initial investment cost – which I suspected then and know today went in favour of Hofstetter & Netstal because we thought that they had the most efficient and sustainable solution over time. There was also a strong cultural alignment – even today, the people who were involved in our project at Hofstetter and Netstal, who built the machines and the moulds – are still there taking care of us. This history together and accumulated knowledge is priceless.

What do you value about your mould partner from Uznach?

We get extremely high-quality preforms from our Otto Hofstetter moulds, and consistently over a long time. The moulds are easy to work with and maintain and very robust. They really

do reflect the Swiss reputation for quality. The people at Otto are excellent, and I have greatly appreciated their loyalty and support of our growth. They bring a personal commitment and willingness to help and have always shared their extensive knowledge with us openly. That helped enormously, especially at the beginning when we started making preforms for the first time.

To what extent is it an advantage for you that Otto Hofstetter AG is also a family-run company, like Wellman?

Since we are a family business ourselves, this fact is of course very welcome. I find the associated independence to be an important advantage. We continue to develop innovations and need reliable partners to implement them. Confidentiality is guaranteed. Plus, Otto Hofstetter is not part of a big group, and its owner gets involved, so it is easy to feel assured about continuity and doing business together. I think we have very similar business philosophies and a good understanding of each other, which helps a lot.

How do you see the future of plastic packaging worldwide?

Despite the weight of naysayers, I think the future for plastic packaging is very bright actually. The polarising discussions about plastics, especially in context of global food waste, will eventually give way to reason and the factual account of its versatility, processing properties and recyclability. If society as a whole recognises the full potential of this material, we might see “sustainable plastics packaging” holding the key to the carbon problem. If so, our industry will become even more interesting.

Mr Wellman, thank you very much for this interview. We share your wishes that your daughter can one day inherit a healthy planet.



wellman
PACKAGING

Wellman Packaging
www.wellman.com.au, info@wellman.com.au

Founded: 1973
Specialist for: Bottles (EBM/SBM), Preforms (PET/PP), Caps & Closures, Thinwall and Specialty Packaging
Industries: FMCG for food, beverages, pharmaceuticals, home and personal care

62 Lancaster Street, Ingleburn NSW 2566, Australia



Together with the team from Berain Water Company, the service technician from Otto Hofstetter AG prepares the new hot runner for a 144-cavity mould.

Before the hot runner needed an overhaul, a 144-cavity mould from Otto Hofstetter AG ran almost **twenty million uninterrupted cycles** at the Berain Water Company in Saudi Arabia. And thanks to Otto Hofstetter AG's remarkably **cost-effective OH-Xchange® hot-runner replacement programme**, the mould resumed as-new operations in just two days.

RECORD-BREAKER.

The hot runner is one of most important components of an injection mould. Under the most demanding conditions, this unit determines a significant portion of a mould's performance. It's not for nothing that the hot-runner is often referred to as a mould's "engine". If a hot runner unit no longer functions properly, individual cavities may fail, ultimately threatening a complete production shutdown. And if such a stoppage occurs at a peak time of year, these production losses can hardly ever be recovered.

Maintenance actually reduces efficiency.

The calculation is a simple one. Assuming 350 production days per year, a mould's ideal availability is 96 per cent. A complete overhaul of a 144-cavity mould usually requires around 25 working days. This reduces the mould's productive days to 325, and its availability drops to 89 per cent. In addition, most PET preform producers simply do not have the necessary infrastructure nor the qualified personnel to carry out such extensive and technically demanding work.

In order to maintain preform quality and mould efficiency, the industry rule of thumb calls for a total hot runner overhaul every ten to twelve million cycles. At almost twenty million cycles, this mark was clearly surpassed at the Berain Water Company in Riyadh, Saudi Arabia. The 144-cavity mould number 2027 0058 000 from Otto Hofstetter AG with its hot-runner was

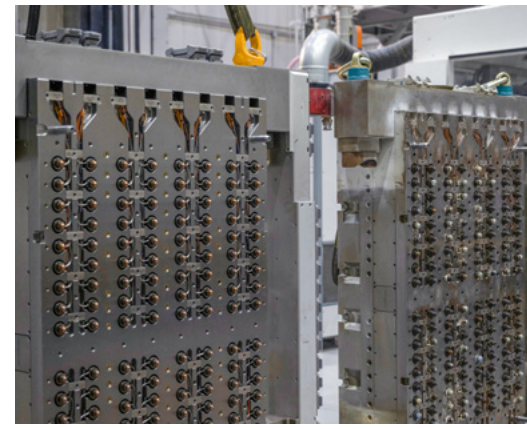
completed in August 2017 and entered service around a month later in Berain's factory.

A worthy alternative to a long shutdown.

After surpassing an incredible 19 million cycles, Yousef Hassanin, maintenance engineer at Berain, judged it was time for a general overhaul. Unlike many other preform producers, he had neither a replacement hot runner as a backup nor the time and skilled personnel to carry out such an extensive overhaul at his factory. He therefore decided to take advantage of the unique exchange programme of his mould partner in Switzerland. With OH-Xchange®, Otto Hofstetter AG always has at least one completely revamped hot-runner system on hand and ready to run for each mould type. Choosing this option, Mr Hasannin could be confident that his system would only be down for two days. Thus, according to our calculation, the availability of the system jumped to 348 days, or 95.3 per cent, instead of 89 per cent with a conventional long shutdown.

Preparation in advance.

While the Berain Water Company was busy producing preforms, the specialists at Otto Hofstetter AG organised all the necessary steps. The replacement hot runner M144-011 was carefully packed in a crate in Switzerland and transported to the port of Antwerp. From there, it continued by ship to Jebel Ali in Dubai, where it then travelled by land to the Berain factory,



Hot runner M144-011 is uncrated and inspected for any transport damage during cleaning.



just outside Riyadh. On the morning of the appointment, the technician from Otto Hofstetter AG arrived at the Berain plant. First, he opened the crate bearing the big blue OH seal and made sure that the replacement hot runner had survived the journey in good shape.

Almost twenty million cycles.

Working closely with the Berain Water Company's service technicians, the Otto Hofstetter AG engineer inspected the running production system and recorded the condition of the mould. The shot counter showed 19,544,470 cycles – another top result in the 40-year history of PET preform moulds from Otto Hofstetter AG. This level of performance is a testament to the unrivalled longevity of the products from Uznach. The system was then shut down and, after the unit had cooled, the hot runner was carefully removed and inspected. As is

unavoidable even with the highest manufacturing standards, it showed the usual contamination and signs of wear such as dust, leaky nozzles and cracked nozzle tips. These defects would be corrected in the general overhaul of the original hot runner back in Uznach.

Exchange and training at the same time.

Next, the engineer from Otto Hofstetter AG unpacked the replacement hot runner and cleaned it thoroughly. He gave the Berain Water Company staff some tips on how to carry out minor maintenance and cleaning work as well as replacing thermocouples, nozzle tips or nozzles easily and safely. The carefully inspected and cleaned OH-Xchange® hot runner was then installed in the system and heated up. After a few minor adjustments to the settings, all cavities reached their target temperature, and the hot runner's temperature was stable.



The Otto Hofstetter AG service technician uses his visit to give the employees of Berain Water Company a few tips on maintenance and cleaning work.



Successful intervention in just two days.

During the test runs, the engineer from Otto Hofstetter AG also inspected the function of the cold side and the quality of the entire process. Where optimisations were necessary, these were made immediately. For other issues, the Berain service team was instructed on what to do and how to do it. The conclusions drawn after the completed test run: the original mould again works perfectly, the system runs optimally and the quality of the PET preforms is, once again, flawless. Finally, the "old" hot runner unit was crated and prepared for transport back to Uznach. In two short days, it had been replaced by an OH-Xchange® hot runner and the Berain Water Company was back in business – another record-breaking feat by Otto Hofstetter AG.

A middle-aged man with grey hair and glasses, wearing a dark suit jacket over a light-colored patterned shirt, is smiling and pointing towards the camera with his right hand. He is holding a small, green and white coffee capsule. The background is a blurred office or laboratory setting with white walls and some equipment.

NEVER STOP.

Capsul'in Pro was founded in Luxembourg in 2010. The company focuses on developing and manufacturing empty **coffee capsules**. In 2021 it launched the first 100 per cent bio-based coffee capsule. Capsul'in is the **world's largest supplier** of empty capsules. Working with its production partners, it makes more than three billion capsules annually. In an interview, **Rafael Mira**, Capsul'in Pro's Chief Technical Officer (CTO), explains the Luxembourg **innovator's recipe** for success.

Capsul'in Pro was founded in 2010. What does the company look like today?

Rafael Mira: Capsul'in is a young company and has a very special business model. It focuses exclusively on product development for coffee capsules and controls the entire process until the product is delivered to the customer. But we don't have our own production. We have been working with suppliers since the beginning. This allows Capsul'in to be very flexible and to adapt quickly to changing market preferences. We currently have a production partner in Spain, one in Luxembourg and one in Switzerland. Together, we achieve a total production of around 3 billion capsules. The headquarters are in Luxembourg; we also have an office in Paris and operate a quality assurance department.

Capsul'in specialises in the production of Nespresso-compatible coffee capsules. What gave the impetus for this?

Our company was founded by Laurent Lombart, Olivier Brivois and Christian Berti. The trigger was a magazine article about coffee capsules that Laurent came across during a trip. Olivier was mentioned in the article. He was working as a barista in the coffee industry at the time. Laurent contacted him spontaneously and, because they were both convinced of the potential of this business area, they began to draw up a business plan.

It appears their assessment was correct. Which markets do you currently serve?

The first customers were in France because Olivier lived there and was already in contact with them over coffee-related business. Today, we deliver to 72 countries, including Australia, Korea, Russia, South Africa, all European countries, South America, Brazil and Argentina. In other words, wherever there is a Nespresso-compatible market, Capsul'in is present.

Why do customers choose your products?

We produce and sell empty coffee capsules, but our standards go far beyond that. Thanks to Olivier Brivois' history as a barista, we attach great importance to the quality of the coffee in the cup in all of our developments. He really knows coffee, its aroma and what goes into making the best possible coffee. And as head of R&D, he doesn't primarily think about how to develop a capsule, but rather he focuses on the end result – how to improve the coffee in the cup. For him, the capsule is not the focus, but rather the end of the process. I believe

therein lies part of the answer to your question. In addition, we also pay close attention to the quality of our internal processes for ordering and delivery.

You produce in Luxembourg, France, Spain and Switzerland, and you guarantee your customers the highest quality. How do you ensure that?

Just as we rely on the injection moulds from Otto Hofstetter AG, we also count on partners in the production of the capsules who generally also aim for the highest level of quality. In addition, our three partners control all processes according to a jointly defined formula that is based on our research and experience. In this way, quality management is an open book for everyone and not a black box.

“CAPSUL'IN'S FOCUS IS TO GIVE THE END-USER THE MOST ENJOYABLE EXPERIENCE IN THE CUP AND NOT JUST TO SELL CAPSULES.”

Rafael Mira, CTO at Capsul'in

How important is quality in a coffee capsule?

Producing a single high-quality capsule is not particularly difficult. But when it comes to producing billions of capsules that maintain uniform high quality, things do become challenging. The capsules must function perfectly both during processing and filling in the

coffee roasting plant and later in the coffee machine for the end user. A product can only be successful if it meets the demands of both the coffee producer and the end user.

You use injection moulding technology to produce your capsules. What part of the quality do the moulds play?

The injection mould is the key to quality. A simple rule applies: it takes a high-quality mould to create a perfect product. We work 24 hours a day at all three production sites. That's why we rely on moulds that are outstanding in terms of dimensional stability, durability and performance. We don't allow any weak links in our production processes.

Capsul'in relies on moulds from Otto Hofstetter AG. To what extent do they meet your requirements?

The first injection mould that we bought from Otto Hofstetter AG in 2016 has been running around the clock for eight years. The 48-cavity mould achieves availability of well over 90 per cent and creates a cycle time of 5.2 seconds. We now operate eight moulds from your factory in Uznach. I already knew Otto Hofstetter AG before I got involved with Capsul'in and was aware of the reliability, longevity and the ease of maintenance of their moulds.

Where do you see potential for further optimisation?

These moulds are very complex in their construction. There are probably not many toolmakers who are able to produce them with a level of precision comparable to what Otto Hofstetter AG delivers. In addition, they are reliable, stable and durable. That's why we work with them. In my opinion, the tools are almost perfect. Although I am aware of the dependencies between material procurement and machine capacity, I sometimes wish there were a little more flexibility in delivery times.

To what extent would an expansion of the cavities be interesting?

This would be quite realistic with conventional plastics. However, recent developments in the market are moving towards biopolymers. With these new materials, the level of difficulty in processing, on a scale of ten, increases from two to nine. This would mean that the mould design would have to be completely redeveloped. However, since we only have two to three years of experience with biopolymers, it is not yet possible to determine exactly what needs to be changed.

Like Capsul'in, Otto Hofstetter also puts their customers first. How is this reflected in your collaboration?

The team at Otto Hofstetter AG consists of very experienced specialists who have been working for the company for many years. They know our business and our moulds very well. In the rare cases where we need assistance, they respond promptly, professionally and in a customer-focused manner. In this respect, too, we have a first-class partner in the team from Uznach.

You have set yourself the goal of contributing to the growth of your customers through constant innovation. How is this achieved?

Unlike other players in our market, at Capsul'in we focus entirely on coffee capsules and do not offer other products. This focus gives us the freedom we need to monitor developments in the market and react quickly to trends and changes in direction in our business. I think we manage that quite well. For example, in 2015 we were the first supplier to produce capsules from a biodegradable material from BASF using the injection moulding process.

This focus on capsules comes with a certain entrepreneurial risk, no? How do you deal with that?

Coffee is popular all over the world. Consumption is increasing in various countries, and more countries will adopt the tradition of drinking coffee. With the increasing popularity of coffee, the market for coffee capsules is also growing. Of course, coffee in capsules requires a certain level of wealth and is more expensive than traditionally brewed coffee. But where economic power and quality of life are increasing, the trend towards coffee in capsules is also increasing. We therefore expect steady growth worldwide.

I keep hearing that the moulds from Otto Hofstetter AG are expensive. How do you see that?

The bottom line, in my opinion, is that an expensive mould makes the end product cheaper. Although the initial investment costs may be higher, in the end the additional costs pay off for us. Basically, we invest in high quality to avoid customer complaints. The amount of the basic investment is a question of balance.

In 2021, Capsul'in launched the world's first 100 per cent bio-based capsule. How did the market react?

The new development received a very positive response from the market. While the capsule introduced in 2015 consisted of a mixture of fossil and biodegradable raw materials and could only be industrially composted, today's 100 per cent bio-based capsules

can be broken down naturally in domestic compost. From a business perspective, this was a very good decision.

It sounds like there's a catch. What does it consist of?

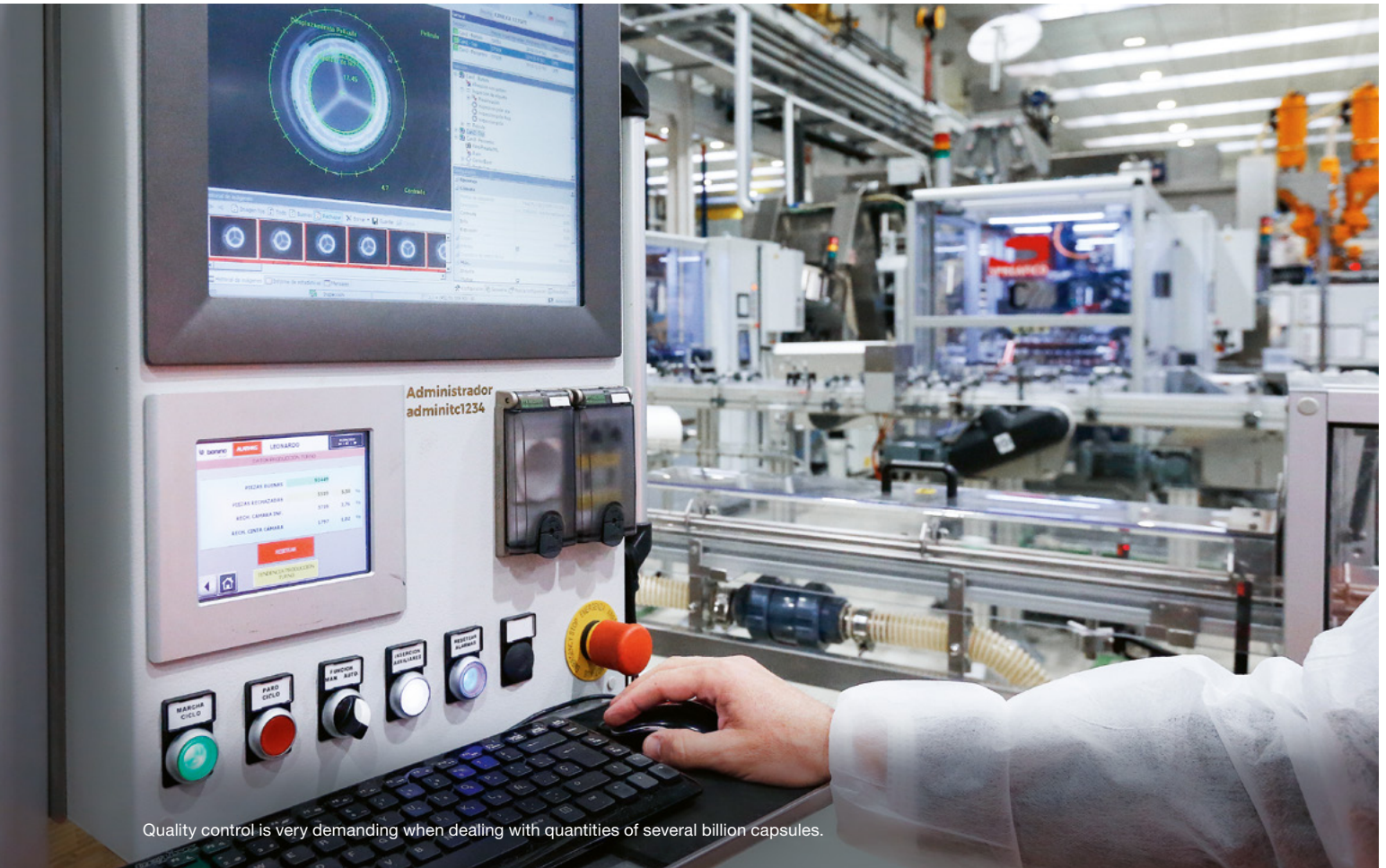
As I said, biopolymers behave completely differently to standard materials when processed. Injection performance, cycle time and other parameters must be redefined. And since we are pioneers in this field, we could not rely on other companies' experiences with this technology. We had to find our own solutions. After working intensively with home-compostable biopolymers since 2020, we have been able to achieve the quality we demand and can assure that quality for mass production.

Will capsules made from 100 per cent biopolymers soon replace aluminium capsules?

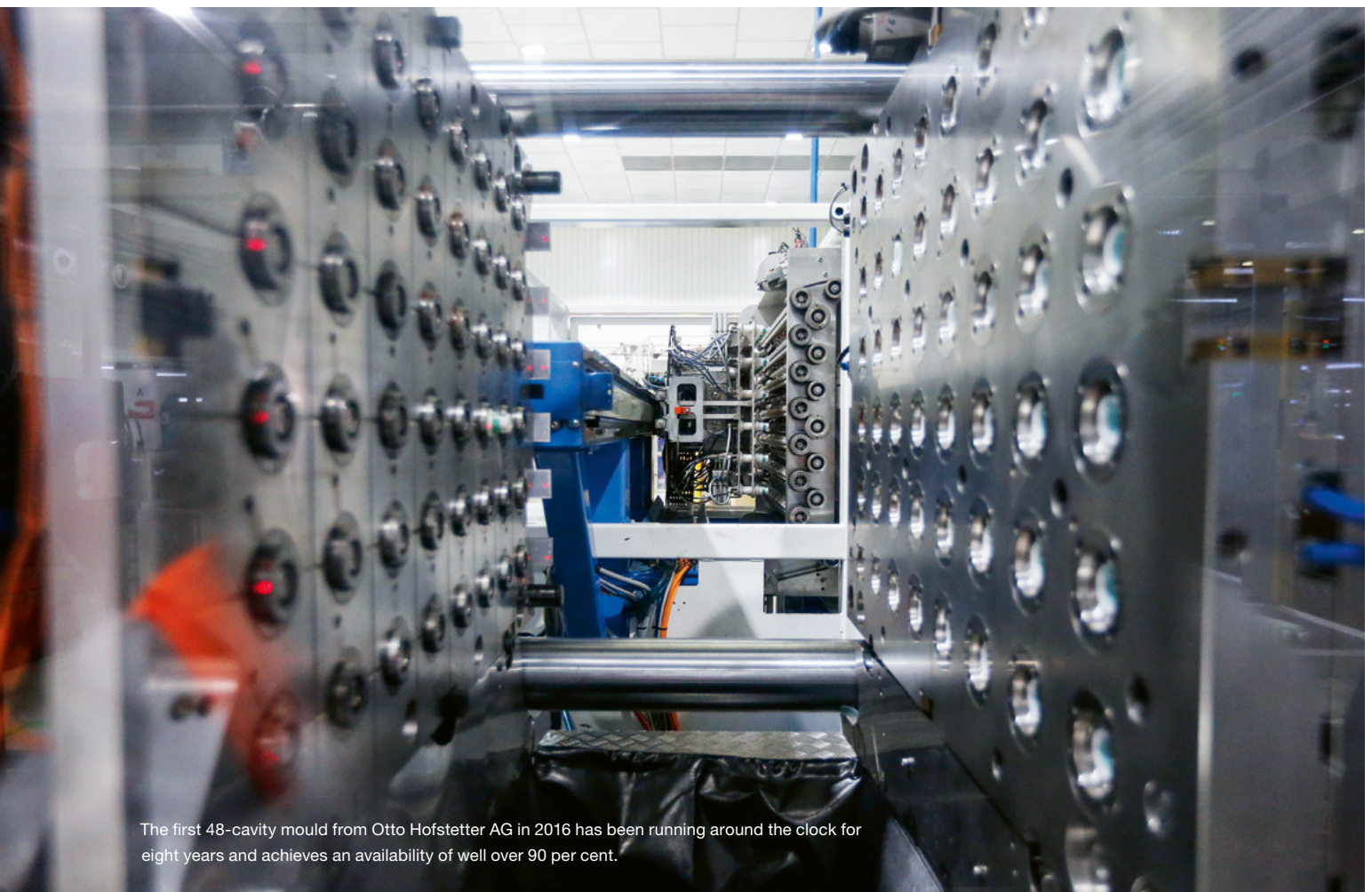
Today, the proportion of aluminium capsules is between 60 and 70 per cent. In my opinion, this proportion will not change so quickly. Coffee is a very demanding filling material and needs the best possible protection in order to guarantee a perfect-tasting result in the cup. Capsules made from biopoly-

"THE BOTTOM LINE IS THAT AN EXPENSIVE MOULD MAKES THE END PRODUCT CHEAPER."

Rafael Mira, CTO at Capsul'in



Quality control is very demanding when dealing with quantities of several billion capsules.



The first 48-cavity mould from Otto Hofstetter AG in 2016 has been running around the clock for eight years and achieves an availability of well over 90 per cent.

mers will probably never achieve the same oxygen and humidity barrier as capsules made from aluminium. At Capsul'in we have been working on compostable capsules for years to better protect aroma and moisture. With the next generation, we hope to replace thermoformed capsules on the market. However, aluminium remains the perfect packaging for coffee.

It seems to me that the development work for this solution is quite time-consuming and expensive. What motivates Capsul'in to do this?

If we hadn't continued to evolve over the last thirteen years, we probably wouldn't be where we are today – or perhaps we wouldn't exist at all. Acquiring more coffee producers and opening up new markets is now only possible through innovation. We live by the principle that what we do today, we may not do tomorrow. What is made from aluminium, polypropylene or biopolymers today can be made from something completely different in just a few months. If you listen to the market, paper could be an alternative for the future. That's why we've been working intensively on paper capsules since last year. We have to familiarise ourselves with completely unknown material again.

What about sustainability at Capsul'in?

As mentioned, our mission is to bring the highest taste experience into the consumer's coffee cup. Coffee is a natural product and needs an intact environment so that a sufficient amount of aroma is present. So we have a vital interest in making our contribution to this. With aluminium and plastic, we use two materials that are controversial today. That's why we've been investing in the development of alternatives since Capsul'in was founded. Our metal capsules are now made from recycled aluminium and we are gradually replacing plastic capsules with our biodegradable ones.

What kind of support do you hope to receive from your mould partner on this journey?

Today, bio-based materials in injection moulding still give us a bit of a headache. The injection moulding process is significantly more demanding and the tolerances in the process are significantly tighter than we are used to with conventional granules. In this regard, we are eager to work with the engineers at Otto Hofstetter AG to find solutions so that we can achieve flexibility with biopolymers comparable to what we have with plastics today.

What's in the future for Capsul'in?

Given the rapidly changing market, our CEO, Laurent Lombart, raised the question of the company's future three months ago. It's difficult to predict where the company will be in the next five years. In any case, we want to continue to grow with our customers, and we deeply regret it if a customer chooses another partner. Our goal in five years is to be a preferred partner for various coffee systems, no longer exclusively for Nespresso. We intend to expand our expertise to other systems and

are already working on technology-independent solutions. We are examining various expansion options into different systems and are open to new materials such as silicone. Maybe Otto Hofstetter AG can support us in this. The focus of our strategy continues to be to closely monitor market developments and the needs of our customers. The development of

paper capsules is in full swing, and we hope to be able to offer our own high-quality paper capsules next year.

Mr Mira, thank you very much for this insightful conversation. I wish you and Capsul'in all the best for the future.

**"IF WE HADN'T
CONTINUALLY DEVELOPED
OUR COMPANY OVER
THE LAST THIRTEEN YEARS,
WE MIGHT NO LONGER
EXIST TODAY."**

Rafael Mira, CTO at Capsul'in



Capsul'in Pro
www.capsul-in-pro.com

Founded: 2011
Specialist for: the development and distribution of empty coffee capsules for the Nespresso system made of aluminium and biopolymers
Locations: Headquarters in Leudelange, Luxembourg
Production plants in France, Switzerland and Spain

2-4 rue du château d'eau, L-3364 Leudelange, Luxembourg
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SUSTAINABILITY CONFIRMED.

Today, virtually every company in the world is taking steps to reduce its **environmental footprint** as well as improve its social and ethical performance. **Otto Hofstetter AG** has engaged with these issues for years and has undertaken significant measures in a variety of ways. Right now, we are **revising our sustainability strategy** so that in 2025 we will be able to provide our customers and partners with **uniform sustainability reports** in accordance with the **UN's GRI Standards**.

In a previous issue of “inform”, we reported that Otto Hofstetter AG was preparing for the future of sustainability reporting and had established initial benchmarks. Meanwhile, various guidelines have come into force in Europe and around the world. Via our partners, the first inquiries have come to our attention from international brands regarding the environmental footprint of our moulds. We are taking action to implement a thorough environmental, social and governance reporting process.

Reporting obligations in the EU.

With the introduction of the Non-Financial Reporting Directive and its successor, the Corporate Sustainability Reporting Directive, the European Union has significantly tightened its reporting requirements for ESG topics. These guidelines affect so-called public interest entities, which include large banks and

insurance companies, with more than 500 employees. They are required to disclose comprehensive information about their ESG practices. These measures promote transparency and, therefore, contribute to a more sustainable economy.

Impact on the packaging industry.

Many well-known FMCG companies in Europe, such as Unilever, Nestlé and Danone, have launched extensive ESG initiatives. The Coca-Cola Company has joined the UN Global Compact* in its effort to promote sustainable business practices. Unilever has committed itself to making all its plastic packaging either reusable, recyclable or compostable by 2030. In addition, the company aims to halve the carbon footprint of its products over their entire life cycle. Nestlé is focused on reducing its environmental impact and aims to become carbon-neutral by 2050. Actions include initiatives to improve water management, reduce greenhouse gas emissions and promote sustainable packaging solutions. Danone provides a third example. This global company focuses on improving the health of people and the planet. This includes promoting sustainable farming practices, reducing waste and ensuring their products are beneficial to health.

The packaging industry clearly has a big role to play.



Otto Hofstetter AG is already engaged in many sustainability activities covered by the UN's Global Compact. We support the training and further education of employees, we invest in environmentally friendly mobility and in solar energy, we carefully use resources and we recycle materials extensively. All these best practices are firmly embedded in our everyday work.

Responsibility towards partners.

Like the brands mentioned above, many companies around the world are doing everything they can to achieve their own strategic sustainability goals. They must rethink long-established processes and products if they want to maintain their credibility with consumers and the capital markets. Ultimately, airtight accountability reports minimise risks and ensure sustainable environmental, social and ethical practices throughout the entire supply chain.

ISO and GRI compatibility.

For several months now, Otto Hofstetter AG has been using a rating and reporting system developed in Switzerland to evaluate its performance. It was initiated by the Centre for Corporate Responsibility and Sustainability (CCRS) at the Fribourg School of Management together with leading companies in the Swiss financial sector. The programme is called esg2go. It assigns a quantitative value to all aspects of sustainability performance and is based primarily on the ISO standards and the UN's Global Reporting Initiative.

In the first evaluation, undertaken in January 2023, Otto Hofstetter AG achieved a total score of 64.8 points. In order to be able to compare performance with other players in the industry, esg2go determines a benchmark. The reference value for the Uznach mould manufacturer was 60 points, which means that it is already above the benchmark in its efforts to promote responsible environmental, social and ethical business practices.

Progressive by tradition.

Switzerland has a long history of adopting progressive laws and practices regarding the environment, labour and business ethics. For example, strict laws have long encouraged the protection of the natural environment. The country also has a tradition of social responsibility through its fair employment practices and broad-based health and retirement provisions. In addition, a deep commitment to vocational training and further education has always been a mainstay of the Swiss economy. And the country's active promotion of innovation has also contributed to Switzerland being a leader in sustainability and responsible corporate governance.

Concrete measures implemented.

As a family business with deep local roots, it is a matter of course for Otto Hofstetter AG to embrace its responsibility towards society and the environment. For decades, the company has invested much time and money in training young professionals and supported universities with grants for research projects. As an officially certified training company, Otto

Hofstetter AG guides twenty young people a year on their path to their professional future.

Otto Hofstetter AG also more than meets the minimum legal requirements in terms of energy conservation and environmental protection. For example, the entire roof of the new Otto Systems technical centre is used to generate solar power for the various production buildings. Furthermore, machining waste is collected and sorted according to type and returned to the materials cycle. The parent company in Uznach also supports its employees in switching to low-emission mobility and provides them with charging stations for their hybrid and electric cars.

Broad foundation for the future.

In addition to the services and the activities initiated recently, Otto Hofstetter AG is currently re-examining its comprehensive sustainability strategy. The starting point is a location assessment based on data from a survey of all internal and external stakeholders.

The survey used an extensive questionnaire covering issues related to the environment, society and corporate governance. Employees, customers and suppliers as well as banks, authorities, industry associations and the public were surveyed on thirty topics, and their priorities were determined. These assessments by the individual stakeholder groups were compared with the corresponding assumptions made by Otto Hofstetter AG's management. The resulting discrepancies between external and internal assessments showed where the company needs to adjust its focus in order to remain attractive to its stakeholders in the long term.

In a further step, the findings from the survey will be compared with the company's traditional values and priorities, which will set the framework for all future development projects. The next step for Otto Hofstetter AG's sustainability strategy will be creating a detailed sustainability report based on the GRI Standards. This should be available to all interested parties in 2025. We will keep you informed in future issues of this newsletter.

* The UN Global Compact is one of the world's largest initiatives for responsible corporate governance, with over 15,000 participating companies and organisations from over 160 countries. <https://unglobalcompact.org>

JUST NO ROU



This year, **Philipp Hofstetter** – who shares the same surname but no family affiliation with the company – **celebrates his twentieth anniversary at Otto Hofstetter AG**. He started out as a **polymechanics* apprentice** and now **heads the high-speed cutting (HSC) milling department**, with a team of eight employees. New challenges drive him professionally and privately and allow him to continually develop new skills. He sees great **potential in digitalisation** and he's ready to help it achieve significant breakthroughs.

TINE.

Philipp Hofstetter, where are we here?

Officially, this place is called the Kaltbrunner Riet. It lies in the municipalities of Benken, Kaltbrunn and Uznach. This wetland – or Riet, as we call it – used to be under water. At the beginning of the 19th century, the water was canalised, creating this unique landscape of pastures, marshes and water. Today, it is a nature reserve and a bird sanctuary.

What connects you to this place?

I grew up on a farm near here. As children, we were often outside in nature, and this was our place to play and have fun. With friends from school, we built a hut in a small forest and spent practically every weekend there. I had a son two years ago, and we now walk here with him regularly. We observe the ducks, dragonflies and frogs or watch the cows in the nearby pastures.

How would you describe this area to make it attractive for an international customer of Otto Hofstetter AG as a place to live?

What you will definitely find here is tranquillity and lots of nature. It is very rural, yet you can find everything you need every day. The mountains are practically on your doorstep, and if you want to go a little higher, the Glarus, St. Gallen or Grison Alps can be reached quickly and easily. And the cities of Rapperswil and Zurich are not far, either.

What makes this rural life special?

Since I grew up in Benken and continue to live there, I can only speak for our village. Although the community has grown to 3,000 residents, we maintain a traditional village culture. People know each other, support each other and spend a lot of time together in different clubs. I have been a member of the carnival club for many years. I have also been deputy commander of the volunteer fire department for four years.

But you haven't been drawn to a big city?

No, I'm more of a nature person. This is probably because we really grew up in the middle of nature. To get to school, I had to cycle five kilometres. My three brothers and I also helped on the farm from an early age. After school, on weekends or during the holidays, we helped our parents in the field or in the stable. I liked working with cows the most. Today, I'm more drawn to the mountains. In winter I go on smaller ski tours and in summer we go hiking.

Although you enjoy being around cows, you chose a technical career. How come?

Technology has always fascinated me. Not necessarily tractors

Philipp Hofstetter

Head of the HSC milling department. In 2004, he began his apprenticeship as a polymechnic in the Otto Hofstetter AG training workshop and remained loyal to the company almost without interruption. After the previous department head left the firm, he followed in his footsteps.

and agricultural machinery, but rather computers and other electronic devices. When choosing a career, it was still important to me to do some work with my hands and not just sit at a desk and use a mouse and a keyboard. It was also important for me to see what I had achieved in the evening. I saw the ideal combination for myself in the profession of polymechnic. I have been in this profession for twenty years now.

How did you come to Otto Hofstetter AG?

This was mostly just a coincidence. On my way to becoming a polymechnic, I got a taste of the professions of electrician and plastics technologist. However, available apprenticeships were rare. I found out about the apprenticeship offered in Uznach through an acquaintance who worked at Otto Hofstetter AG. I completed the usual trial apprenticeship and got the trainee spot. After four years, I completed my apprenticeship and worked as a milling cutter in soft machining until my mandatory military service.

How did your career continue?

Otto Hofstetter AG offered me the opportunity to return to my old sphere of activity after military service. However, after a while I felt a desire for change. This didn't go unnoticed by my superiors, and so I was first transferred to the soft machining department and then to the hard machining department. I really liked it there because the jobs were very varied and always offered new challenges.

How important is having a challenge to you?

I don't consciously seek them out, but I usually take one when it presents itself. In private life, it usually arises from a coincidental constellation of circumstances. For example, I ask my brothers or some colleagues if we should do something together. Then

they decide to go on a big mountain tour. And I'm already in the middle of it. Becoming deputy commander of the village fire department was never my goal. I was always involved, and then one day I was asked whether I was confident enough to take on this leadership role. Things just happen sometimes.

You were away from Otto Hofstetter AG for a few years. What made you leave, and why did you come back?

Curiosity about a new field of activity with fresh challenges made me leave. I was offered the opportunity to actively participate in the design of a mechanical engineering company. However, it quickly became clear that there was little willingness to change anything. And since I'm someone who pays attention to the thousandth of a millimetre, I didn't feel like production was the right place, either. After three months, my interlude outside of Otto Hofstetter AG was over and I returned to my role as deputy head of the HSC milling department.

Which you've been running for two years now. You lead a team of eight colleagues. What's important to you in your work?

It is very important to me to engage with every employee just as they are. I am firmly convinced that there must not be just one leadership style for all, but rather individually tailored leadership styles. The days when a boss dictates how things should be done are over. While one colleague might want continuous support, another would prefer to be left alone. Some need positive confirmation, and others need a clear statement every now and then. I also make sure to recognise the talents of each individual on my team and use them accordingly. Here, I see a parallel to my role at the fire department. If a roof truss is burning, I will send up a firefighter who is a carpenter and not a merchant. If you put people where their strengths are, everyone wins.

Are you a team player?

Absolutely. When I took over the department, I explained to the eight co-workers that I saw us as a team. This means that we tackle the tasks together and complete them all together. Nobody is just looking out for themselves, and it's not about me as the department head. It's about our task as a team and ultimately about Otto Hofstetter AG, the company.

How was that message received by your colleagues?

In the beginning, everyone was a bit hesitant, and every now and then we fell back into old patterns. But now things are running smoothly and we really work as a team. I attend the scheduling meetings every Wednesday and Thursday. On the way back to my team, I sometimes wonder how we will manage the programme, but it's not uncommon for a colleague to figure out a solution.

You are not only responsible for eight colleagues, but also for meeting deadlines. How do you deal with this pressure?

That's the icing on the cake for me. I don't see deadlines as pressure. Looking back on my short time outside of Otto Hofstetter AG, components were pre-produced there months in advance. It didn't matter how quickly we completed our work. Every day was like the next. Improvisation or a special effort were simply not required.

It's the same thing with responsibility. Of course, from the company's perspective, it falls to me as department head. But there's nothing wrong with distributing responsibilities among my team. That's the way I deal with problems. This is where my experience as a firefighter comes in handy. A blazing building is a big problem. But if I divide it into sectors and distribute them among the teams, it becomes absolutely solvable.

Thanks to your daily work, Otto Hofstetter AG is known all over the world. Are you aware of that?

Basically, for me it's typically Swiss that we deliver high-quality work. Most of us have completed a three- to four-year apprenticeship and want to put our skills to the test. I am convinced that everyone in the company is proud of what they do. And because quality is in demand in this market, I'm not surprised by the company's success. We find out every now and then that this is the case. But, to be honest, we often hear about

our work only when something isn't 100 per cent perfect.

How do you deal with that?

Whether positive or negative, I think it's very important to get feedback. If it concerns a specific deficiency, it helps us to improve. If it's a problem that we didn't know about before, we can tackle it through our expertise and flexibility. For example, during the pandemic we were able to circumvent materials shortages by finding an alternative supply that allowed us to ensure our customary high quality. I think this flexibility also contributes a lot to Otto Hofstetter AG's good reputation.

What would you change in the company?

First, let me say that without knowing the full context, it is always easy to criticise and to claim to know how something could be improved. But, in addition to better capacity utilisation, I see great potential for us in the area of digitalisation. We have taken the first steps in some departments, and more are planned. In our production, we use the latest technology with a high degree of digitalisation

and automation. In my opinion, it would be exciting if we could connect these individual islands with each other and gain valuable insights from the data collected.

How do you see your own future in the company?

As already mentioned, I love new challenges. In this respect, the expansion of the offering to the medical sector was a very pleasing thing for me. We can show what complex shapes we are able to produce. Since I like working on the machine myself, my future doesn't lie in the office. But I am always available for automation projects.

What are your private plans?

Over the past two years, we have completely renovated and expanded our house. So there are no plans from that side. Maybe the family will grow and with it my desire to have more time for them. To do this, I will probably reduce my involvement in clubs somewhat and also not run for the position of fire chief.

Thank you for this conversation and all the best for the future.

"THERE IS NO ONE, SINGLE LEADERSHIP STYLE BUT RATHER MULTIPLE INDIVIDUALLY TAILORED APPROACHES. BASICALLY, THAT MEANS ALIGNING PEOPLE'S TASKS WITH THEIR TALENTS."

Philipp Hofstetter, head of the HSC milling department



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