

FEPE Marketing Committee

Minutes 31.01.2024

Welcome / Apologies

- André Wienstroer
- Jean De Couëspel
- Patrick Machiels
- Nicolas Baudart
- Bastian Steinmetz
- Maja Cedilnik
- Matija Cedilnik
- Thomas Schwarz
- Viktor Kovačič
- Yves Peiffer
- Bastian Steinmetz
- Stanislav Menard
- Udo Karpowitz
- Barbera Mellerick
- Daniela Steri
- Udo Karpowitz
- Felix Cordier
- Andrzej Kuczborski
- Ada Druzynska
- Jean-Noël Horeau
- Soheila Schneider
- Oliver Rake
- Torsten Jost
- Tom Hallam
- Paul Walsh
- Lorena Aluas

Welcome

- Welcome by André Wienstroer; Chair of the Marketing Committee, Jean De Couëspel, FEPE president.
- Tour de table

Minutes from meeting on 14 June 2023

- The minutes were approved.

New FEPE member-artic paper group

- The Arctic Paper strategy is combining the synergies of a leading European manufacturer of innovative, bio-based, and premium-quality graphic and packaging paper, a variety of pulp products with new investments in packaging and renewable energy.
- Approximately 1,500 employees work at Arctic Paper Group
- Market reach is concentrated for 99% in Europe.

Statistics and Market Reports

Industry performance

ENVELOPE MARKET

- The downward trend of the European envelope industry continues also in 2023.
- In Q4.23, production volumes were 11% lower than the previous year.
- 15% decrease of annual performance compared to the previous year.
- For 2023, FEPE members reported yearly production volumes of 31.16 billion units.
- Annual Volume decreased by 5.5 billion pieces from the previous year, with the total European market volume (including non-FEPE members) at 36 billion
- Light recovery towards the end of the year

Key reasons for market dynamics in the envelope market

- The carry-over of high inventories from 2022.
- Expectations for growth in the online business segment have not been met.
- The unclear economic situation led to reduced advertising budgets. Mailing envelopes saw a decline of 25% and even more.

Latest trends and outlook

- **Inserting Envelopes:** Performance in line with the long-term trend, experiencing a 5% decrease.
- **Sheet Production and Overprinting:** Both saw improvements from a low base level

- **E-commerce:** Continued to perform below expectations, with a 14% decrease.
- **Order Intake and Load:** improvements towards the end of the year.
- **Paper Prices:** A moderate increase in prices is expected starting in Q1.24.

Germany report

Envelope Manufacturers

- Mayer has closed down mill in Trebbin

Market

- A decline of 7.3% in Q4.23 compared to the previous year.
- **E-commerce Expectation:** an expected increase of 2% in turnover in Q1.24.
- **Air and Concert Tickets:** drop-in services continuing from 2020.

Post and Postal Partners

- In the future, letters from Deutsche Post will be allowed to travel significantly longer.
- Accordingly, in the future, 95 percent of standard letters must reach the recipient on the third working day, and 99 percent must be in the mailbox on the fourth working day.
- The current regulation is: 80 percent of letters must arrive on the following working day

Some of the key reasons for the market dynamics

- Second-Hand Market Growth: The young generation prefers buying second-hand clothes.
- Packaging Reuse trend.

Miscellaneous

- The German Zentrale Stelle decided that an insurance notice from LVM Münster has to be classified as a consignment of goods within the meaning of the “Packaging Ordinance” because, in addition to the insurance notice, it also contained an advertising flyer.

Uk Report

Envelope Manufacturers

- Main UK suppliers of mail inserting are:
Encore
Mail Solutions
Bong,
Heritage.
- UK minimum wage increases have impacted production costs.

Envelope Market

- A recent media report suggested Royal Mail letter deliveries as low as 7.8 billion, which is 1 billion lower than suggested previously. That is a reduction of 50% in the last 10 years.
- Communisis (UK), (suggested volume 800m) has ceased trading. Some assets were acquired by Paragon. This volume remains in the market and is absorbed into other providers.
- Paper mills continue to increase prices.

Post and Postal Partners

- Consumer confidence in physical letter mail is dissolving as Royal Mail announced are considering stopping Saturday deliveries and potentially moving to deliveries 3 days per week.
- Post Office (Horizon) miscarriage of justice scandal impacting consumer confidence.
- Royal Mail fined £5.6m for late deliveries impacting mail users/marketeters’ decisions to consider letters

E-Commerce / E-substitution

- Increase in e-substitution growing due to rising costs of physical mail (materials, service and postage costs) questioning viability. Uncertainty fuelling the movement to non-paper mailings
- E-commerce (online retailing) continues to be a core part of postal processing. Royal Mail deliver 1.5 billion packages annually (42% share of 3.6bn up 5%)

Miscellaneous

- The Envelope Supply Co. (stockist and importer), Sue Hale (MD) announced will close at end of Feb24. This void is likely to be filled by Blake or Envelopes Ltd.
- Employment rate 75.6% / Unemployment c4.0%
2020 4.7% / 2021 4.83% / 2022 3.57%

Environmental

- UK legislation is changing and a government campaign to reduce use of plastics in packaging and packaging waste through cost increases and taxation is forcing manufactures and consumers to chose sustainable paper packaging. For companies importing or manufacturing more than 10 tonnes plastic packaging waste / annum.
Avg. £200/tn April2022
Avg. £210/tn April2023
Avg. £217/tn April2024
- The demand for paper in the packaging market has therefore contributed to increased paper and packaging costs.

Nordics report

Envelope Manufacturers

- Neither new suppliers nor closures
- No management / personal changes
- Full availability of materials, no supply chain or capacity issues

Envelope Market

- Estimated decline -6%, but the real market decline may be different, due to overstocking in the end of 2022 / beginning of 2023
- Prices do not go down as strongly, as in the Eurozone, due to weakening Swedish and Norwegian Crown

Post and Postal Partners

- The merger of Postnord Stralfors and Edita (the Finnish provider) has been canceled

E-Commerce / E-substitution

- Sweden plans to reduce the plastic tax on plastic bags on Nov.1st, 2024 (new Swedish government more („pro economy“)
- The E-commerce market is in recession due to the purchase power of customers.

Miscellaneous

- 2023 inflation CPI y/y SWE +4,4%, NO – 4,8%, DK – 2,58%, FI – 3,6

France report

Envelope Manufacturers

- All manufacturers focused on internal development in order to adapt their business to market conditions
- Technic Envelop group still in insolvency since January 2023

Envelope Market

- ARCEP report :
 - 2019 : 8.962 - 6,9 % vs n-1:
 - 2020 : 7.225 -19,4 %
 - 2021 : 7.177 - 0,7 %
 - 2022 : 6.915 -3,7 %
- 2023 Market trend : 15 / 18 % decline vs 2022
- Impact of destocking impossible to appreciate at this stage
- Market stabilized since 09.2023
- La Poste plan market to be at ~3 B pieces at horizon 2030

Post and Postal Partners

- Postal tariff from January 2024: 1,29 € +11 %
- La Poste maintains 6 days per week deliveries
- Postal service is now D + 3 all across the country
- Mail service is now ~17 % of La Poste turnover

E-Commerce / E-substitution

- Small decline in 2023, for e-commerce manufactured goods sales ; citizens prioritize their spending on food and energy bill
- Normalisation after 2020 – 2021 pandemic booming growth, long term trends remain intact.

Miscellaneous

- GDP 2023 : +0,9 %
- Unemployment : 7,4 % stable
- Inflation 2022 : 5,2 % 2023 : 4,9 % 2024 : 2,6 %
- Eco-contribution on graphic paper
 - 2022 : 65 €/T 2023 : 74 €/T
 - 2024 : ? LT Target 130 €/T

Spain and Portugal market report

Envelope Manufacturers

- Stability in the market where manufacturers have not undergone significant changes.
- Due to lack of workload danger from our competitors to reduce unnecessarily prices.
- Follow paper prices, gradual reduction of prices
- Concentration mailinghouses in Spain & Portugal

Envelope Market

- Increase of raw material cost.
- Sector strong reduction.
- Reduced activity of the Market due to the elections.
- Installed teleworking continues, slowly returning to presential work
- Pressure from customers to reduce prices.
- Continuous digitisation.
- Reduction of transactional volumen.

Post and Postal Partners

- Increase Postal rates 5%
- Postal package National 2%

E-Commerce / E-substitution

- E-commerce, returning to the natural levels.
- E-Commerce trend is growing year on year

Miscellaneous

	<i>Spain</i>	<i>Portugal</i>
- GDP:	2,4 %	2,7 %
- Inflation	+ 3,1 %	+ 4,4 %
- Unemployment	12,9 %	6,9%
- Population:	47,6 Mio	10,3 Mio

Envelope Suppliers Report

MACHINERY / W+D

Manufacturers

- Implemented a dedicated sales team for modifications to address this market segment with higher attention
- Mail new equipment sales team responsible extended to our Hudson Sharp bag business to use a regional and technical synergies

Environmental

- W+D i-Jet 3 next generation for digital printing on envelopes - 1st machine sold in US and for EMEA official market launch is planned during Drupa 2024
- Development of full W+D 628 family - after RC, C and BC version, the W+D 628 is available now also as KC version - 2 machines of a KC version have been sold already
- W+D 449 E-COMMERCE - 1st machine already sold

Market

- Commercial Printer and Mailing Houses continue with the trend of starting an inhouse production of envelopes
- Still high demand for ease of use machines (shortage of skilled operators), end of line automatization (reduction of operators) and more efficiency
- Paper bag and padded mailer production for diversifying into other market environments - valid for existing and new customer groups

Miscellaneous

Participation in Drupa, the most important exhibition for W+D

Exhibits:

- W+D i-Jet 3 (new digital overprinting press) W+D 820+ (new high speed inserter)
- Meridian (Laser anilox roll cleaner)
- Same time at W+D NR - option to demo W+D 449 E-COMMERCE and ENV Converting machines (e.g. W+D 628KC & W+D 410KC)

Paper Suppliers Report

GASCOGNE PAPIER & FLEXIBLE

Manufacturers

- Strong decrease in demand for brown Kraft from most branches of industry in 2023
- No significant turnaround in demand for Q1 2024
- Gascogne Flexible: 2023 results in line with objectives for laminated flexible packaging

Environmental

- 2023: carrying out self-diagnosis of the Group's 4 activities according to ISO 26000 methodology
- Gascogne Group will calculate its Environmental Footprint according to the PEF – OEF methodology (with measurements of our impacts on 16 indicators, including climate change, i.e. the calculation of the carbon footprint).

Market

- 2023: fall in demand up to - 25% from envelopes producers (paper, reinforced Kraft and siliconized paper) but appears to be stabilizing

Miscellaneous

- Gascogne Papier's new paper machine in Mimizan under construction, starting in 2025

UPM

Manufacturers

- Massimo Reynaudo appointed new President & CEO of UPM as of January 2024
- Antti Jääskeläinen has been appointed to act as interim EVP of UPM Communication Papers until a successor has been appointed, effective January 15
- Transfer of Steyremühl site to Heinzl Group officially concluded by beg of 2024
- Political strikes announced in Finland for cw5
- Continued focus on efficiency

Environmental

- UPM joined Forward Faster Initiative to accelerate the progress of UN's Sustainable Development Goals.
- The upcoming EU regulations, such as CSRD, EUDR, Green Claims regulation. We are working with different functions to ensure compliance
- Biodiversity: we are participating the SBTN pilot to set science based targets for biodiversity
- -30% from Scope 3 emissions by 2030 work started and we are developing a roadmap together with our suppliers to achieve the target

Market

- Pressure from in put costs continue throughout Q1
- Solid (re-) start of business activity in 2024
- Continuous destocking in the supply chain should be done, what is the new normal?
- Single digit decline in graphic paper market for 2024 but categories differ and some are more resilient than others
- Supply chain uncertainties remain due to political situation around the world

Miscellaneous

- Communication Papers business area continues to be one of UPM's pillars and therefore strong commitment to graphic papers
- Driving the value of paper and the sustainability perception of paper together as an industry
- We see increasing awareness around benefits of paper especially in learning/education

Window Films supplier report

BOPP WINDOW FILM / IRPLAST SPA ITALY

Manufacturers

- Due to the continuing Geopolitical conflict in Ukraine 2023 global business and volumes were slightly below our Budget expectation. The general packaging market is suffering since the geopolitical conflict continues and Q1-24 orders are weaker but we managed to give continuity on our production lines.
- We expect an increased order entry in Q2-2024 from stable and regular customers and also because new projects are starting very soon..

Environmental

- Fossil free sources (ISCC Plus certified) are growing with UCO source (used cooking oils) which is available.
- The PCR raw material (chemical recycling) is still short.
- For any marketing or advertising we can support all customers to get cost-efficient windowing on the package.
- For 2024 we booked 3000 tons bio based resin for the food/beverage /tobacco sectors but there is still UCO available (bio-circular used cooking oils)

Market

- Trends of products: Irplast is moving forward strongly with sustainable products as brand owners and package suppliers are investing in R&D to develop packaging variants
- Volume trends: we are all suffering the recession for the situation in the Middle East and orders are stable with a slight decrease. Hopefully it will be solved
- Some are adapting the bio-based content in the final products (ISCCPlus) for pricing reasons helping the market to grow.
- Export trends: 85% of our volume

Miscellaneous

- An important success at Interpack in DÜSSELDORF 04 to 10/05/2023 where we advertised all our sustainable products. Our Management also announced a great investment for a new Lisim line arriving in 2025 bringing a new boost for high-performance films dedicated to mono-material/recyclable flexible packaging
- The EU legislation is still confusing but we are all invited to find solutions with non-fossil materials.
- our contracted customers in the FMCG sector are growing and they are showing that it is possible to bring such items on the market paying the full cost of change.
- for window film it is possible to have it as Carbon Neutral certified product.

OPS

Manufacturers

- OPS Market remains stable
- High quality OPS window films still in favour for high quality envelope applications

- High Quality OPS windows mean process efficiencies by all means, resulting in savings at envelope producers

Environmental

- EU PPWR pending discussions (goal April `24)
CO² footprint reduction/biobased sources
Reuse, Reduce, Recycle, Compost
Beginning of life / end of life
Paper versus Plastic
No “one-fits-all” solution possible
Infrastructure / Labelling / Education
- Increasing demand for sustainable Window films or Window Patching

Market

- Overall volume trends: in line with market
- Inflation across Europe lower in 2023, but still high level
- Shortage in labour
- Germany in slight recession in Q3/4 2023

Miscellaneous

- **Covid is overcome**
- **Ukraine/Russia, now Middle east impact**
- **Climate Discussion / Strikes**
- **Economical Outlook: sluggish growth trend**

Adhesives suppliers report

EUKALIN

Manufacturers

- EUKALIN strengthened in 2023 its market position and demonstrated a clear commitment to its customer within the envelope industry. Adhesives for the envelope market, no matter which chemistry and technology is required, will remain a core activity for the company.

Environmental

- EUKALIN has developed new adhesive products with novel high bio contents. The product lines are suitable for e-commerce products as well as for bags and pouches. New ECOBond hot melts contain up to 50% bio content and are made for re-closure application. Complementary to these products product line we offer new cold glues with high bio content for side seam (longitudinal seam), improving sustainability balance for e-commerce products.

Market

- Raw material costs: Important raw materials for emulsions such as vinyl acetate monomer (VAM) had seen a slight decline in the first half 2023, stabilizing in the second half. Rollover into 2024. Manufacturers reduced capacities due to weak demand. Volume is tight but availability is good. Imports from ASIA getting expensive because of ocean freight increases.

Events and Activity update

FEPE Congress 2024

- **Venue:** Renaissance Hamburg Hotel- Hamburg.
- **Dates:** October 05, 2024, to October 8, 2024.
- **Accommodation:** Special group rate at 240 EUR per night.

FEPE Congress 2025 and 2026

- Sofia 2025
- Palma 2026

EU legislation. Presented by Cevi colleagues

Packaging and packaging waste regulation

- Phase Council and European Parliament have reached an agreement (pending approval)

Key requirements

- 2030: Packaging must comply with "Design for Recycling" criteria. The Design for Recycling is linked to performance grades A to E. Grade E is banned from the market.
- 2035: Packaging should be recycled at scale: collected, sorted, and recycled through installed state-of-the-art infrastructure and processes.

Package type/use obligations

- Differentiated Obligations based on the type and use of the package.

Regulation on deforestation

Goal

- Minimize Risks of products derived from supply chains associated with deforestation or forest degradation being placed on or exported from the EU market.

Obligations for operators and traders

- The regulation applies to operators and traders dealing with cattle, cocoa, coffee, palm oil, soy, wood, and rubber

Relevant chapters

- Ch. 44: Wood and articles of wood.
- Ch. 47: Wood pulp.
- Ch. 48: Paper and paperboard, articles of paper pulp, of paper or of paperboard (including packaging).
- Ch. 49: Printed books, newspapers, pictures, and other products of the printing industry.

Exceptions

- Products based on bamboo and recovered (waste and scrap) products.
- Products falling into the code 9619

Main obligations

- products placed on the EU market or exported from the EU market need to be:
- deforestation-free.
- must have been produced in accordance with the legislation of the country of production.
- they are covered by a due diligence statement

Geolocation requirement - Art.9.2

- Geolocation of all plots of land where the relevant commodities were produced, as well as the date or time range of production;
- where a relevant product contains or has been made with relevant commodities produced on different plots of land, the geolocation of all different plots of land shall be included;
- Geolocation means geographical location of a plot of land described by means of latitude and longitude coordinates corresponding to at least one latitude and one longitude point and using at least six decimal digits; for plots of land of more than four hectares, this shall be provided using polygons to describe the perimeter of each plot of land;

Timeline of implementation

- The Regulation entered into force on 29/06/2023
- 30/12 2023 Member states nominated Competent Authorities
- 2024
 - EC sets country benchmarking
 - The Information System is active
 - Obligations for Competent Authorities enter into application
 - Obligations for non-SMEs operators and traders enter into application
- 2025
 - 30/06 Obligations for SMEs operators and traders enter into application
- 2028
 - EC sets electronic interface based on the Single Window Environment for Customs

Green claims directive – protecting consumers from greenwashing

- The directive aims to provide clearer information about the sustainability of products and address greenwashing across all sectors.

- Two Main Legislations:
 - **Empowering Consumers for the Green Transition:** This legislation focuses on prohibiting certain unfair practices and generic claims that can mislead consumers.
 - **Green Claims Directive:** This sets guidelines on how to make and substantiate explicit environmental claims.

Key points of empowering consumers for the green transition

- Banning Generic Claims: Claims such as 'environmentally friendly', 'biodegradable', or 'biobased' are banned unless they can be substantiated.
- Specificity Requirement: Claims must specify whether they apply to the whole product or only parts of it.
- Ban on GHG Offsetting Claims: Claims based on greenhouse gas (GHG) offsetting schemes are prohibited.
- Ban on Legal Requirement Claims: Claims that simply state requirements imposed by law are banned.
- Accuracy in Comparisons: When comparing products, traders must not omit information about the method of comparison used.

Legislative process of green claims directive

- IMCO Vote: Took place on February 13th.
- EP Plenary Vote: Scheduled for March 11th.

TWO SIDES

ANTI-GREENWASH CAMPAIGN

- greenwash increasing around Europe
- Out of 4,526 corporations researched by Two Sides, 2,545 engaged, resulting in 1,126 changing their messaging.

LOVE PAPER CAMPAIGN

- The objective is to reshape public perceptions of paper and paper-based packaging.
- Advertisements under this campaign have reached 240 million consumers annually, with social media outreach impacting over 25 million consumers.

CONSUMER PERCEPTION AND ATTITUDES

- Only 18% of respondents believe the recycling rate for paper and paper packaging is over 60%.
- A mere 15% of EU consumers are aware that European forests are growing.

PREFERENCES AND ATTITUDES TOWARDS ADVERTISING

Online Advertisements

- 58% of consumers don't pay attention to online advertisements, in contrast to 42% who tend to ignore adverts received in the post.
- 51% actively try to block or avoid online advertisements, significant level of advertisement fatigue or annoyance in the digital space.

Printed and Mailed Ads

- 69% of consumers are either more likely to act on, or are neutral towards, printed or mailed ads.
- This same percentage (69%) also holds true for the trust level in print ads and direct mail.

Smithers – current e-commerce packaging trends in Europe

- Continuation of growth in e-commerce and associated packaging demand through to 2028, but at slower rates compared to 2019-2023.
- Growth rates for fibre-based e-commerce packaging are projected to exceed those for plastic alternatives.
- Sustainability-driven regulations will influence e-commerce packaging substrate and format choices starting in late 2024.
- Corrugated Boxes remain the dominant form in terms of volume and value in the European pre-made e-commerce packaging market.
- expected to see an increase in the use of Paper Mailing Bags as more converting capacity becomes available.
- Volume Growth Rates (2022-2027) Predicted at 8.1% for pre-made e-commerce packaging types.

UPU CONSULTATIVE COMMITTEE

FEPE Board Decision on UPU Consultative Committee Membership:

In a board meeting held in Rome, the FEPE board unanimously decided to apply for membership in the Universal Postal Union's (UPU) Consultative Committee. The application process is underway, involving submission to the UPU and seeking approval from the Belgian Institute for Postal Services and Telecommunications (BIPT). FEPE is actively preparing for membership while awaiting approval, demonstrating its commitment to enhancing its role in the global postal sector.

AOB

Next meeting in June (date TBD)

