



Annual communication on progress

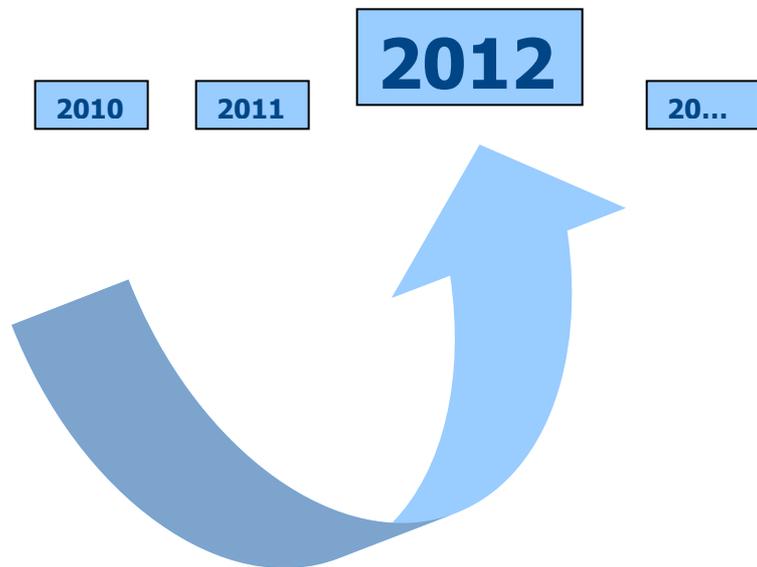


Table of contents

Commitment of the CEO	p 3
Solystic's presentation	p 4
Corporate social responsibility	p 5
Human rights	p 6 to 8
Labour	p 9 to 12
Environment	p 13 to 17
Anti-corruption	p 17 to 19



Dear Mr General Secretary,

SOLYSTIC decided to join the Global Compact and upheld its values in October 2009.

Today, I'm pleased to confirm our commitment to the ten principles of the United Nations Global Compact, related to human and labour rights, protection for the environment and anti-corruption.

I would also like to assure you of my intention to promote these principles both among SOLYSTIC's employees and within our sphere of influence, namely our customers, partners, suppliers ...

For us, supporting the Global Compact is a means of committing wholeheartedly to a sustainable development strategy. This commitment is one of the founding principles of our Corporate Social Responsibility.

Under the communication about our progress in 2012, and for the first time since we joined, the actions chosen to illustrate our approach cover all the ten principles of the Global Compact.

As Chairman and CEO, I have my heart set on supporting this approach daily and involving all of my teams.

I'm proud that SOLYSTIC, through its support, contributes to the initiative launched by the UNO.

Yours sincerely,

Pierre IGOU
Chairman and CEO



Introduction to SOLYSTIC

SOLYSTIC is a French subsidiary of the Northrop Grumman group, designing, manufacturing, installing and maintaining postal sorting equipment to process letters and flat objects. Its activities are divided into the head office, based in Gentilly, its assembly plant in Bourg-lès-Valence in the Drôme region, and a Belgian subsidiary dedicated to the maintenance of the postal equipment in this country. With a turnover of 141 million euros in 2011 and nearly 500 employees, SOLYSTIC is one of the two leading companies worldwide in the postal sorting sector.

A range of services, including consulting, support, tutoring or the optimization of existing processes, is proposed throughout the lifecycle of a solution.

Finally, SOLYSTIC relies on the expertise of its partners in a global offer for the operation of a sorting center.

The SOLYSTIC™ range includes:

- MARS : a compact machine designed to prepare postal rounds and sort mail in private companies
- STAR : a letter-sorting machine capable of processing 53,000 objects an hour
- TOP 2000 : this machine sorts flat objects including newspapers, catalogues and plastic-covered items
- XMS™ : this new solution will treat 95 % of the large and letters flow
- Address recognition and interpretation systems for both handwritten and typed addresses
- Systems for centralization of information and supervision, developed by teams of software engineers
- It adapts its offer to the specific needs of each client. It relies on simulation and modelling tools to determine the best configuration

SOLYSTIC invests about 5% of its turnover in Research & Development. These investments are vital for us to define and design future solutions for postal operators.



XMS™ solution

Corporate Social Responsibility

SOLYSTIC has adopted a strategy of Sustainable Development based on mutual respect between all its stakeholders – employees, customers, partners, suppliers, regional and local authorities, etc.

For SOLYSTIC, undertaking a sustainable development approach means:

- Being a responsible employer :
 - by taking full measures to prevent health and safety risks while improving working conditions,
 - by fostering diversity and equal opportunity and by helping to fight all forms of discrimination,
 - by managing skills in a proactive and sustainable way,
 - by working to instil social practices and relations that are rooted and maintained in trust, respect, listening to and exchanging with others.
- Making customer interests our priority, supplying efficient, high-quality and economically competitive products, services and advice, whilst limiting environmental impact by :
 - designing our equipment around technology that pollutes less and that consumes less energy, throughout the product lifecycle.
- Adopting a sustainable procurement strategy by :
 - incorporating sustainable development criteria in our procurement practices,
 - involving our suppliers in the company's sustainable development approach,
 - concentrating our interests in the geographical regions in which we operate our business activities,
 - procuring supplies for our own business activities that have been developed under environmentally-friendly conditions.
- Helping fight climate change by :
 - minimising our own greenhouse gas emissions,
 - reducing the energy we use for our infrastructures and employee travels.
- Limiting the impact of our business on the environment :
 - by taking preventive action against any form of pollution and controlling waste.
- Practising corporate governance promoting values based on the respect and information exchange by :
 - disclosing our values and ethics charter,
 - committing to the United Nations Global Compact,
 - promoting internal communication and training tools.

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Human rights



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- 1 Businesses should support and respect the protection of internationally proclaimed human rights
- 2 Businesses should make sure they are not complicit in human rights abuses

Our commitments, our policy

SOLYSTIC respects Human rights and applies the French law, especially the French Constitution from October 4th, 1958, foundation of the regime of the current Fifth French Republic.

This Constitution includes, in its preamble, the full Declaration of the Rights of Man and Citizen of 1789.

Generally, SOLYSTIC joins the principles of this Universal Declaration of the Rights of Man and Citizen from December 1948.

SOLYSTIC engages suppliers and sub-contractors to respect these Rights, through its Charter for responsible procurement.

■ Action undertaken in 2012

Insert a "Charter for responsible procurement" in the supplier's contract

■ Context

SOLYSTIC has been working to integrate sustainable development criteria into its procurement strategy.

A charter for responsible procurement was written in 2011.

All the purchasers have been aware of this concept of responsible procurement.

The implementation of this charter is an important step for the promotion of the respect for human rights, and the sharing of best practices with our suppliers.

■ Objective

Associate our main suppliers to the respect of the Human rights and labour conditions, and formalize this commitment

■ Approach and implementation

Contracts are established with the main suppliers, especially for the following services:

- technical assistance for studies,
- construction or maintenance on both facilities,
- services associated to both facilities (cleaning, security, catering, etc.),
- installation of our products to the customers', potentially worldwide,
- transportation and delivery of our products,
- assembly sub-contracting.

These contracts are built from a « frame », mentioning a pre-determined number of detailed provisions in each of the individual constituting items.

An article explains the requirements for risk prevention and person's safety; another one, the requirements for the respect of the environment.

The principle used to formalize the commitment of a supplier to respect Human rights was to complete the contract by a written article "Responsible procurement":

"A copy of the charter for responsible procurement, dated August 31st, 2011, is attached as an annex to this contract.

The supplier acknowledges having read this document and commits to respect the principles set out in the different aspects of its relations with SOLYSTIC.

Compliance with legal requirements for Human rights, labour law, health, safety and environment, as well as compliance with applicable standards, are essential elements that must be taken into account in the implementation of products or services provided to SOLYSTIC."

The charter for responsible procurement also mentions clearly the commitment required by the supplier in respect with Human rights:

“ SOLYSTIC’s suppliers commit to respect Human rights and labour law in each country where they produce or provide services for SOLYSTIC. They do not call undeclared or illegal work. They commit to ensure these aspects throughout the duration of the contracts with SOLYSTIC.”

Becoming aware of the charter and the suppliers’ commitment to respect the clauses are formalized by initialling each page of the contract, including its annex.

■ Results

The document « Charter for a responsible procurement » is now in annex of each new contract signed between SOLYSTIC and its suppliers.

As part of the strategy of follow-up of its suppliers, SOLYSTIC may, in individual cases, conduct audits to ensure that the terms of the contract are met.



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Labour



P R I N C I P E S

- 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- 4 Businesses should uphold the elimination of all forms of forced and compulsory labour.
- 5 Businesses should uphold the effective abolition of child labour.
- 6 Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Our commitments, our policy

SOLYSTIC respect the French labour law, especially laws related to the freedom of association and collective bargaining.

SOLYSTIC commits to inform and consult the Central Work Council about the company's strategy at a 3/5 year-term and its foreseeable significant effects on skills and employment.

SOYSTIC, responsible employer, acts in favour of diversity, for equal opportunities and contributes to fight against any form of discrimination. As such, it signed a three-year agreement on employment and skills management, with all the representative trade unions. This agreement is built on an innovative commitment on senior employment, renewed each year since 2009 and on principles outlined in the three-year agreement on professional equality between women and men, the result of the work by the Professional Equality commission.

The competence of this commission is, moreover, extended to other categories of employees who may be subject to possible inequalities (seniors, disabled, employee representatives, part-time employees, long-term sick persons, etc).

SOLYSTIC takes all necessary measures to prevent risks for health and safety, and work in improving work conditions.

■ Action undertaken in 2012

Management awareness to discrimination prevention

■ Context

Thoughts from works from the Professional Equality commission composed of employees and elected members from the Work council, from discussions from negotiations from the senior and professional equality agreements, and the implementation of the Corporate Social Responsibility led SOLYSTIC to focus more specifically on discrimination.

The first senior agreement was signed on November 26th, 2009 and specified:

“SOLYSTIC undertakes, in any external recruitment but also internally, not to practice discrimination based on the age.”

According to this agreement, hiring made allowed us to appreciate the difficulty of keeping such a commitment.

Was there not a form of discrimination, even if unintentional or unconscious, to the senior candidates?

The idea of providing a potential training to non-discrimination, among the different persons involved in recruitment, has sprouted.

This training would aim, at first, to non-discrimination in hiring seniors.

In order to refine our thinking and understand the topic, we invited in 2011 a representative from the HALDE (High Authority against Discrimination and for Equality – Rights Defender) to inform thirty volunteer employees, members of the Professional Equality commission, or from various employee representative bodies.

This intervention allowed us to explore different types of discrimination. It was particularly focused on the legal aspect. This organism vocation is to assist victims of discrimination in their efforts to assert their rights.

Our aim is not exactly the same, because it is based on prevention; this information was not communicated to the Managers.

However, this intervention has generated debates and has helped us refining our expression of needs and expand the scope of the proposed trainings for our Managers, to all discriminatory practices, concerning recruitment but also on any action (behavior, speech, writing, non-verbal language, etc) which could lead to a possible discrimination connotation or simply perceived like this by a listener.

This have been beneficial to our Managers, often from technician and engineer trainings, who do not have the “human resources” feeling, or were not trained to understand such a subject in all its complexity.

■ Objective

Raise awareness all the Managers to the prevention of discriminations and give them a legal and practical vision of the possible discriminations that may arise in their workplace.

The aim is to help the Managers to have tools to identify possible discrimination situations – if possible, before it happens – in their daily work; whether they are actors (during meetings, individual evaluation interview, a follow-up with a member of their team, or witness).

■ Approach and implementation

- Project steering

The Human Resources manager, in charge of this approach, has developed the specifications of the content of the awareness. To carry out this project, it was decided to rely on an outside help, an expert firm, who could bring their past experiences and real-life examples. Our need was to benefit from exact guidance and to discuss operational practices objectively.

- Key elements of the specifications of the sensitization

Provide basic legal concepts related to discrimination at work.

Give simple tracks to allow the Manager to have the reflex to change his behaviour or the one of others.

Conduct a session, short, concrete, supported by real-life examples or likely to be encountered.

Use educational and fun elements that can assist in the transmission and the appropriation of the message.

Introduce the notion of direct or indirect discrimination.

- Conducting of the sensitization

In June 2012, a first leading session was prepared and provided to nearly ten volunteer Managers. It lasted a half day. This session was highly participatory and allowed us to adjust with the external firm the content to the more concrete requests from the Managers.

Role plays were inserted to allow everyone to practice to a possible confrontation of a type of discrimination in the context of his missions.

The following sessions, lasting three hours each, took place in two parts:

- **notions**

The definition of discrimination, criteria, legal context, direct or indirect discrimination notion, equal treatment, protected employees, behaviours bearing potential discrimination.

- **situations**

Works in little groups and synthesis on situations of discrimination, appropriate behaviours.

■ Results

At the end of September 2012, all Managers, nearly 60 employees in four three-hour sessions, were informed.

The preparatory work, realized with many internal and external actors, was very rich for our company. It has allowed us to get onto a sensitive subject; taking the dimension of the discriminations that were not necessarily experienced at SOLYSTIC's and measure risks.

It also gave us the opportunity to stop a moment with our Managers to discuss a topic that does not seem priority at first, but ultimately, made us think about our daily practices and the perceptions that anyone could have.

It is this new sensitivity, this acuity that we would like to develop with our Managers, in order to develop teamwork, dialogue, and trust as an improvement and a productivity benefit

It will remain to take stock of this sensitisation with the social partners and the Professional equality commission at the end of 2012 and to assess the impacts of this work in a medium term.

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Environment



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- 7 Businesses should support a precautionary approach to environmental challenges.
- 8 Businesses should undertake initiatives to promote greater environmental responsibility.
- 9 Businesses should encourage the development and diffusion of environmentally friendly technologies.

Our commitments, our policy

SOLYSTIC contributes to the fight against climate change by minimizing emissions of greenhouse gas emissions and by saving energy for the operation of its facilities or during travels of its employees.

SOLYSTIC acts preventively against all form of pollution, by reducing wastes, among other actions.

SOLYSTIC limits the environmental impact of its products and services by the implementation, from the design of innovative technologies, cleaner and that use less energy.

■ Action undertaken in 2012

Energetic pre-diagnosis for the facilities of Bourg-lès-Valence and action plan implementation.

■ Context

Within the scope of its environmental policy, SOLYSTIC has the target to reduce its energy consumption in its infrastructures.

SOLYSTIC participates in the works of a Sustainable development club, whose aim is to share good practices and, as such, maintains regular contacts with local stakeholders.

The Drôme Territorial Chamber of commerce and industry (CCIT) provides its support to these works through environment project Managers.

This relationship initiated the approach « energy visits », proposed by the CCIT, for the Drôme facility of SOLYSTIC.

This service is to achieve energy pre-diagnosis. It is part of the support actions undertaken with local companies.

It is realised with the support of the Agency for Environment and Energy Management (ADEME), the Rhône-Alpes region and the Drôme CCIT.

All these organizations and institutions work together for a national action plan to reduce energy consumption. This support is more specifically dedicated to small and medium-sized companies in the industrial sector in the country.

The proactive approach of reduction of the energy consumption is not recent in our company. Analysis and measures have already been implemented. The updating of this analysis and the will to detect new possible sources of reduction are part of our continuous improvement.

■ Objective

The energy pre-diagnosis contributes to the achievement of three objectives:

- prepare an initial assessment of the energetic situation of the facility,
- identify areas of elementary actions of energy savings,
- raise awareness and support the company for a long-term commitment in the control of energy consumption, to move toward an approach of energy management.

SOLYSTIC intends to implement the recommended actions following this pre-diagnosis. For those requiring a specific budget, an opportunity study will be made, taking into account budgetary constraints and returns on investments.

■ Approach and implementation

Energetic pre-diagnosis

- Be informed of the work and the energetic constraints of the company
The definition of the business activity, its operation mode, schedules, etc has contributed to a more detailed analysis.
- Collection of existing data
This essential phase consisted in providing the maximum amount of data about energy consumption: billings, previous studies, detailed records and various measurements.
Communication of these data was facilitated because the CCIT is an independent organization, not providing this kind of services.
- Facility visit
It confirmed the various elements previously transmitted and helped suggest obtaining information.
- Preparation of the report and validation by SOLYSTIC

The report gave an overall result of the consumption of energy, water, gas and electricity, as well as different pricing and more detailed, by use (lighting, heating, cooling, etc). It describes the characteristics of the system of production, distribution, control and regulation, all this supported by associated consumption records. At this stage, potential energy savings are released. These different elements were then collected into a list of recommendations, categorized by use, hierarchically. Tracks were also provided to go further into the energetic diagnosis approach.

This study was approved by the company before final transfer.

- Presentation of the report and recommendations of savings to SOLYSTIC's management

In a consensual approach, this presentation has enabled the company to:

- appropriate the result of the study,
- discuss the advisability of a particular measure,
- decide on the application of the fastest priority measures to implement,
- trigger a further technical-economical study, for the actions with major financial impact,
- not keep actions deemed impractical or ineffective.

SOLYSTIC's action plan

- Preparation of the action plan, selection of the actions and planning
This plan is developed and followed up by the department responsible for the infrastructure maintenance.
- Implementation of the actions
During the implementation of various solutions of economy savings, information is regularly communicated to the employees, particularly through the Health, Safety and Working Conditions Committee (CHSCT).

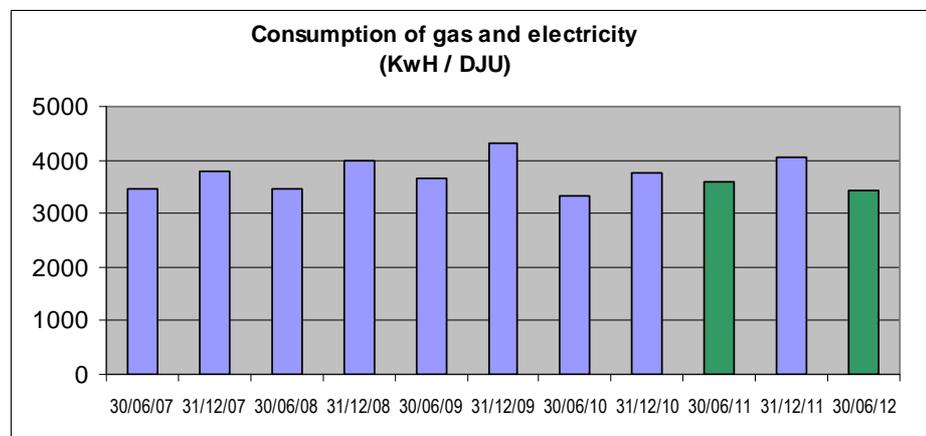
Results

- Do an energetic diagnosis of the gas boiler by a third party, in order to determinate the real heating needs and identify the best technical solutions
 - An assessment study was made as a proposal for future budgets.
- Identify the causes of residual electricity consumption, outside the activity
 - After further investigations, practical actions were carried out, such as cutting air handling plants at night.
- Recover heat from air compressors to heat the close buildings
 - The study is planned at the end of 2012.
- Reduce heat loss when opening the access hatch of workshops
 - A first hatch has been optimized through a better design space and the installation of a fast door. The second one will be done at the end of 2012.
- Check for leaks in the supply network of compressed air, and add stop valves
 - Most of the leaks have been detected and stop valves installed.
- Reduce the consumption of conditioning air by solar protections on the windows of the offices
 - External light-absorbing blinds or filters directly placed on windows are progressively installed.
- Use twilight commands in the rooms that do not benefit from natural light, and without permanent human presence

- This is applied in all the renovation works.
- Provide a lighting by zone in the workshops
 - Study in progress. A special budget will be asked for this operation.
- Install electronic ballasts, clean the lighting systems
 - New ballasts are installed at each change of lighting. Devices are cleaned when lamps are changed.
- Train employees to turn off or disconnect the electrical equipment in case of extended shutdown of use
 - Actions are implemented by poster or via the internal information newsletter.
- Integrate the « Energy Star » label for the purchasing of office equipment
 - This measure applies.

The first effects of these actions, led in the continuity of the energy pre-diagnosis (finalized at the beginning of the second quarter 2011) are felt on the general evolution of the energy consumption of both facilities during the last twelve months.

Consumption fell by 4.7% between 06/30/2011 and 06/30/2012



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Anti-corruption



Businesses should work against corruption in all its forms, including extortion and bribery

Our commitments, our policy

As a subsidiary of the Northrop Grumman group, SOLYSTIC applies, like all the other subsidiaries, the Ethic code established by its parent company.

SOLYSTIC has set up an organization to deal any issues related to ethics (Ethics department and open line for employees seeking advice or suspicion).

■ Action undertaken in 2012

Prevent any potential conflict of interest.

■ Context

The Ethics code of the group set out specific principles and rules of business management as guide and reference to any SOLYSTIC's employees.

In this code, a whole chapter deals with the relations with our customers and suppliers.

Relation with customers

- We expect them to choose our products for quality and price reasons; we do not seek to influence their decisions improperly.
- We manage our business in an honest and open manner as part of our contract.
- Any donation or grant offer in their favour is prohibited, as it could be considered as a bribe.

Relation with suppliers

- We strive to maintain a procurement process that is objective and effective in accordance with our procedures.
- Our employees commit not to solicit or accept any donation, payment or compensation from our suppliers.
- Any significant financial interest held by an employee with a supplier or a business seeking to become one, must be reported.

In addition, this code explains in detail the concept of conflict of interests as it applies in the group:

“A conflict of interest is a situation where an employee is influenced or is perceived to be influenced by personal relationships; that is to say, any conflict between the private interests of an employee and its duty, its actions and its loyalty to the company. There is a conflict of interests when both parties in relation receive or grant an unfair advantage or a preferential treatment in order to gain a personal advantage.”

Situations of conflict of interests are also describes in order to clarify the situations to avoid.

■ Objective

To prevent any potential conflict of interest, SOLYSTIC shall annually submit a questionnaire to its employees.

The aim is:

- to identify any conflict of interest or any situation likely to become a conflict of interest,
- to handle potential conflicts of interest by appropriate corrective actions before they lead to a real problem.

■ Approach and implementation

Employees directly related to SOLYSTIC’s customers and suppliers are first identified. They are mainly part of the Commercial, Purchasing, Project or Financial Departments.

Any concerned person would be in contact with customers or suppliers (in case of respond to tender, commercial prospecting, purchasing negotiations, business management or equipment delivery, etc).

Each employee whose mission can cause a potential conflict of interest receives:

- a letter from the CEO explaining the concept of conflict of interest, mentioning examples of situations for which personal, financial or other interests are opposed to their responsibilities,
- a declaration of conflict of interest with seven questions, concerning different situations that could lead to a conflict of interest and for which the answer is “yes” or “no”.

At the end of this questionnaire, the employee certifies having understood his responsibilities and undertakes to apply the rules governing the SOLYSTIC’s business management. If the answer is “yes” for one of these questions, the document needs the signature of the supervisor. Then, the document is analyzed by the Ethics

correspondent to determine if a conflict of interest really exists, and how to treat it.

The seven questions deal with these situations:

- case of a SOLYSTIC's employee, who is also employee, representing or manager of an entity, who maintains or seek to maintain trade relations,
- case of an employee with a substantial financial interest in an entity being in business with or wishing to be with SOLYSTIC,
- case of advantages (gift, travel, invitation, gratification, remuneration, etc.) received directly or indirectly, in a potential trade relation context,
- case of debtor / creditor relationship with a business,
- case of disclosure of information, property of the company, to unauthorized persons or use of information, property of the company, to promote specific economic activities of an employee, or his personal interest,
- any case where an employee would have an interest or would be involved in an agreement that could lead to a violation of the principles and rules of the business management, or that could lead to a conflict of interest, real or perceived.

■ Results

With a workforce of around 500 people in 2011, 115 employees, by their positions within the company, potentially exposed to situations of conflict of interest, were solicited in the context of this action of awareness and census. This represents 23 % of the staff.

No situation that could lead to a conflict of interest, or perceived like this, has been detected.



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“ Respecting the principles of the Global Compact is adhering to a social model based on mutual respect and dialogue with all the stakeholders, implementing concrete actions that carry values we share, engaging a process of continuous improvement and progress.”

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