

# COMMUNICATION ON PROGRESS

# 2013



A company under the management and coordination of Gruppo Marchi Holding

Via Cresole 8 I-36031 Dueville (Vicenza) - Italy



IDA Business & Technology Park - Tullamore - Ireland



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**Mauro Marchi**

Chief Executive Officer

Palladio Zannini Industrie Grafiche Cartotecniche S.p.A.

## CEO'S DECLARATION OF INTENTS



H.E. Ban Ki-moon  
Secretary-General  
United Nations  
New York, NY 10017  
USA

15/05/2012

Dear Mr. Secretary-General,

I am pleased to confirm that *Palladio Zannini Industrie Grafiche Cartotecniche S.p.A.* supports the ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption. With this communication, we express our intent to advance these principles within our sphere of influence. We are committed to making the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly the Millennium Development Goals.

*Palladio Zannini Industrie Grafiche Cartotecniche S.p.A.* will make a clear statement of this commitment to our stakeholders and the general public.

We recognize that a key requirement for participation in the Global Compact is the annual submission of a Communication on Progress (COP) that describes our company's efforts to implement the ten principles. We support public accountability and transparency, and therefore commit to report on progress within one year of joining the Global Compact, and annually thereafter according to the Global Compact COP policy.

Sincerely yours,

*Mauro Marchi*  
Managing Director

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*Following the pledge made by the letter dated 15.05.2012, I am pleased to announce hereby that Palladio Zannini Industrie Grafiche Cartotecniche confirms its commitment to respecting the Global Compacts 10 principles on human rights, labour rights, environmental protection and the fight against corruption.*

*I am convinced that it is for a company to respect the social and environmental context in which it operates and therefore we are committed to maintaining the Global Compact (and its principles) as an integral part of our business strategy and our culture in all business activities. These activities are focused on the protection and compatible use of natural and human resources.*

*This Communication on Progress describes the practices implemented by Palladio Zannini to comply with the principles promoted by the Global Compact by communicating in total transparency the results to our stakeholders.*

*As CEO, I heartily thank you and I am honoured in pursuing this path together with the Global Compact of the United Nations.*

**Mauro Marchi**

*Mauro Marchi*

# 1. ORGANISATION DESCRIPTION

Palladio Zannini was set up in 1946 and operates in the Pharmaceutical and Cosmetics Industries to which it provides secondary packaging materials made of paper and/or printed cardboard.

Its activities are carried out at its national sites located in:

- Dueville - Vicenza (which also venue of its registered office)
- Thiene – Vicenza
- Pontedera – Pisa

Over the years, the company has enjoyed an expansion that has led to extend its production activities also in the following foreign sites:

- Vrsac (Serbia)
- Tullamore (Ireland)

The opportunity to enter into the international market has opened our horizons from a commercial point of view contributing to our growth, thanks to the contacts with the surrounding communities and the foreign staff working in our factories.

The picture below shows the countries in which we operate. In this Communication on Progress when reference is made to Palladio Zannini, the entire Group is meant.



Dueville (VI) - Italy



Thiene (VI) - Italy



Pontedera (PI) - Italy



Tullamore - Ireland



Vrsac - Serbia



## 2. PRODUCTION ACTIVITIES



The object of the Group's activities is substantially uniform in the various sites and can be referred to as "the design and production of packaging for the pharmaceutical and cosmetics industry."

Palladio Zannini is a paper and cardboard printing and packaging company that produces packaging materials, and in particular:

- ▶ folding cases and boxes
- ▶ blister packs
- ▶ folded, stretched and glued reel leaflets
- ▶ booklet leaflets
- ▶ stickers
- ▶ tags with bar codes
- ▶ box tagging
- ▶ printing on aluminium and laminated materials.

Our production is project-based, according to the information and technical specifications provided by customers.

All production activities are carried out using technologically advanced machineries and equipment from the point of view of safety, the reduction of energy consumption and environmental protection. Production supporting activities can be classified as:

- Computerization of management processes and production planning
- Supply of energy and natural resources
- Procurement/storage and use of raw materials, packaging materials and auxiliary materials (chemicals, films, aluminium plates, etc.)
- Maintaining equipment and facilities
- Shipping and Delivery
- Controlled management of waste produced by/at the sites (temporary storage and handling)
- Administration and Sales
- Training of staff.

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## 3. CORPORATE MISSION

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*"Building and maintaining - in compliance with the laws and corporate ethics - our competitive leadership in the market by creating innovation and value for both the customers and for the other stakeholders".* .

In line with our mission, *Palladio Zannini* has always invested in technologies and advanced equipment, often developed before anybody else thanks to the close relationship established with customers and suppliers. All this has contributed and contributes to provide a measurable added value in terms of logistics, productivity and lead-time.



## 4. OUR CERTIFICATIONS

From the point of view of continuous improvement, since a long time Palladio Zannini has adopted Industrial Management Systems which comply with the requirements of the following standards:

- ISO 9001
- ISO 14001
- OHSAS 18001.

The Quality Management System is developed and maintained taking into account also the applicable GMP requirements. Recently, the organisation has also obtained voluntary and independent FSC and PEFC certifications of sound management of forest products by undertaking not to be involved, directly or indirectly, in activities that are contrary to their policies of quality, environment and safety.

These are the site certifications at 31/12/2012:

- ISO 9001 and applicable GMP: all Sites
- FSC CoC: Italian sites
- PEFC CoC: Italian sites
- ISO 14001: Italian sites
- OHSAS 18001: Italian sites

Currently, although the foreign sites of Zannini East and Zannini Ireland have no Environmental and Safety certifications, they comply with the applicable legislation in force. Even purchases of raw materials from forests made in foreign sites, are managed in accordance with the Sustainable Forest Policy and pursuant to the shared procedures and Vendor Lists.



## 5. OUR VOLUNTARY ADHERENCES

We wish to remind you our commitment to ethics and social responsibility.

Thus, in addition to adhering to the UN Global Compact's 10 principles, we want to mention:

- Our Code of Ethics
- Our Charter of Values
- Our adherence to the Charter of Principles for Environmental Sustainability.

### ADHERENCE TO "OPEN RECYCLING "

For about 10 years now, Palladio Zannini has been supporting the national initiative promoted by COMIECO, the Italian consortium for the recovery and recycling of cellulose-based packaging. Every year for two days, the site opens its doors and welcomes groups of children and adults who are explained the production processes and recycling methods.

Since years Palladio Zannini has joined the COMIECO initiative as it is aware of its importance and the action of environmental education and awareness-raising of future generations performed.



CONFINDUSTRIA  
PER LA SOSTENIBILITÀ



## 6. MAIN PRIZES AND AWARDS

The several prizes and awards received prove the commitment to responsible management by Palladio Zannini:

- Through the Project on Labour, Safety and Best Practices promoted by the Provincial Authorities, the Prefecture, INAIL, ASL, DPL, and the Chamber of Commerce of Pisa, we were awarded for "Adopting technical and management solutions whose successful implementation allowed a significant improvement of levels of safety in the workplace and their sustainability over time."

- Johnson & Johnson rewarded us for Lean activities for the following reasons:

*"Congratulation has attained a Lean Maturity Phase of PULL as assessed using the Johnson & Johnson Lean Maturity Assessment Criteria. We want to THANK YOU for your continued efforts to remove waste and drive Lean Principles into your organization...as well as throughout our shared supply chain".*

- Abbott Corporate Purchasing - G.P.O. awarded Palladio Zannini the prestigious ABBOTT SUPPLIER EXCELLENCE prize for 6 consecutive years (an international prize aimed at those suppliers that stand out for the quality of services and products offered providing exceptional and constant support to the multinational pharmaceutical company).





## SUPPLIER PERFORMANCE EXCELLENCE AWARD 2012

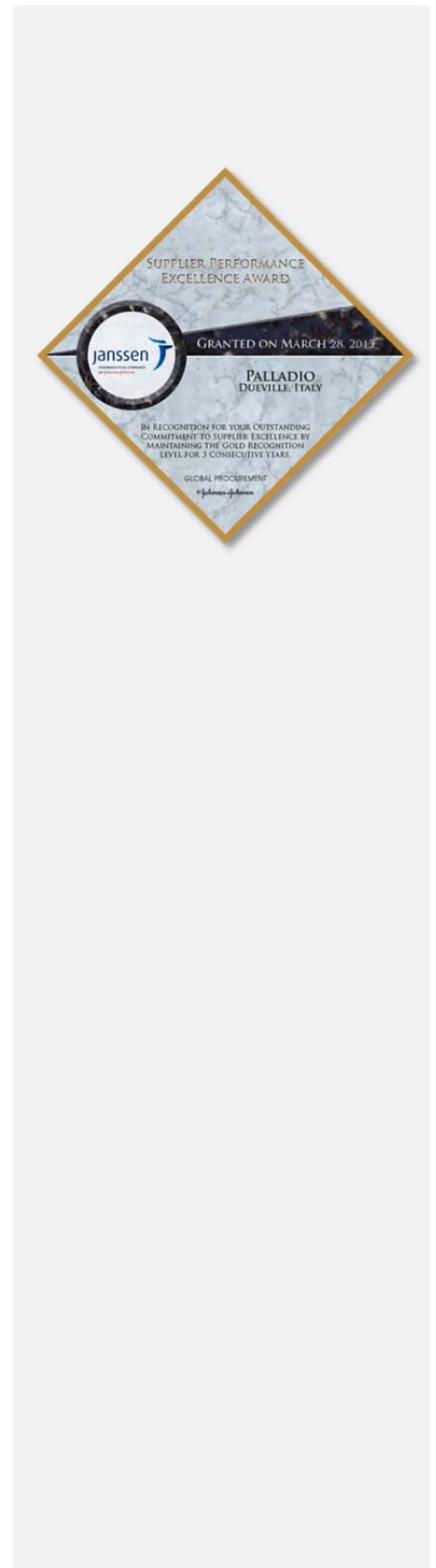
Having obtained for the third consecutive year the Gold award, in April 2012 in Turnhout (Belgium) we received the prize called Supplier Performance Excellence Award directly from the hands of Johnson & Johnson Vice President.

This is the reason:

*"This year we do not have a gold award, instead we have a Supplier Performance Excellence Award. This award is presented to suppliers who have maintained their gold level for two consecutive years or more.*

*Excellent Customer Service is the ability of an organization to constantly and consistently exceed the customer s expectations and this is what this supplier does.*

- *This supplier fully utilizes the lean methodology to improve their production efficiency.*
- *In terms of Sustainability: all the materials, from this supplier are FSC certified. This supplier combined innovation with sustainability by proposing an aesthetic solution which helped us eliminated the use of hot foil on certain products.*
- *This supplier sets a great example on supplier integration as they have successfully integrated SMICS, Janssen's Vendor Managed Inventory system into their planning system.*
- *Their delivery and quality performance has been excellent.*
- *This supplier shares a similar philosophy as our Credo which we treasured dearly. This company financially supports a foundation called "Citta della speranza" (City of Hope) that contributes to the building of a department of paediatric oncohematology."*



## 7. MAIN PLANNED ACTIVITIES FOR 2013

### SUSTAINABILITY DAY

In order to let people understand in full the issue of sustainability under all its aspects (economic, social and environmental ones), we have organised a participation day called *Sustainability Day*. This day is proposed to all our factories, be they Italian or foreign, and is devoted to our employees, their families and friends. In this day we also provide for the showing of the film "HOME". In fact, we have obtained the consent by GoodPlanet Foundation for such a public showing.

*Home* is a documentary film on the environment and climate change by Yann Arthus-Bertrand, produced by Luc Besson (Nikita, Fifth Element, Léon, Taken) and simultaneously released in June 5, 2009 in the cinemas of fifty countries, to coincide with the World Environment Day.

*Home* exposes the current state of the Earth, its climate and the long-term repercussions on its future.

### PEFC and FSC CERTIFICATIONS OF ZANNINI EAST

Purchases from suppliers of forest-based raw materials are managed in accordance with the relevant policy in all Group sites by using shared suppliers. In order to use the FSC and PEFC logos on the printed products at Zannini East plant, if our customers so wish, we will apply for the Chain of Custody Certification of the Serbian site.



*"We live in critical times. Scientists tell us that we have 10 years to change our lifestyles to avoid depletion of natural resources and prevent catastrophic evolution of the Earth's climate. Each should participate in the collective effort, and with the aim to raise awareness in as many people as possible, HOME has been conceived.*

*To disseminate this film as much as possible, it was necessary for it to be free. A patron, the PPR Group, has enabled it to be. Europa Corp, which ensures its distribution, has pledged not to take any profit as HOME has no commercial ambition. I hope that this film will also become your film. Share it, and act.*

**Yann Arthus-Bertrand,**  
President of GoodPlanet Foundation



## SUPPLY CHAIN ASSESSMENT

We assessed and implemented a number of measures in sustainable contracts and procurements in order to integrate the criteria of corporate social responsibility (CSR) in the supplier qualification while also amending the related procedures. First of all, we proceeded to send an information letter to our suppliers so that they could understand what we had implemented and, consequently, what Palladio Zannini was expecting they implemented in accordance with the principles of ethics and labour management.

The assessment of our supply chain was made through the administration of questionnaires that cover aspects related to Human Rights, Environment and Security/Safety.

These questionnaires allowed us to test and assess our main suppliers also in terms of their commitment to Corporate Social Responsibility.

## COMPANY RULES AND DISCIPLINARY CODE

Review of the Company Rules and Disciplinary Code in order to extend them to all plants. This Single Company Regulations should express the principles, values and standards of behaviour that should characterise all those who work, operate and cooperate within the Company.

## ALIGNMENT OF ENVIRONMENT AND SAFETY SYSTEMS IN Z.E.

In 2013, at Zannini East, the activities for aligning Environmental, Health and Safety at Work systems with the relevant requirements of ISO 14001 and OHSAS 18001 will start. The goal is to get a pre-assessment audit by the SGS certification body by the end of 2013.



### ENERGY WASTE REDUCTION AT Z.E. PLANT

In order to reduce CO<sub>2</sub> emissions at the Zannini East plant, we expect to find viable solutions that could lead to a 20% reduction in wastage of electricity (KPIs on machine hours worked).



# The UNITED NATIONS **GLOBAL COMPACT's** 10 principles





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## 8. PRINCIPLES ON HUMAN RIGHTS

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### **PRINCIPLE 1:**

*BUSINESSES SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS IN THEIR RESPECTIVE SPHERES OF INFLUENCE.*

### **PRINCIPLE 2:**

*BUSINESSES SHOULD MAKE SURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES, NOT EVEN INDIRECTLY.*

Palladio Zannini supports and respects human rights both in the workplace and in all areas of its spheres of influence.

By engaging in human rights, with a moral commitment and strongly widespread business ethics, we are confident that this will help the performance of our business.

The company always puts "people" first, ensuring respect for their rights and reporting any form of abuse against its workers.

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### 8.1 BUSINESS COMMITMENT

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In developing a policy of respect and promotion of human rights, we take into account the factors that contribute to comply with these principles:

- Protection of Human Resources who constitute the core capital for development and business success
- Sharing of policies and business objectives
- The involvement of employees in order to increase their skills
- The promotion of activities aimed at integrating the staff
- Verification of the requirements and respect of ethical principles in work management on the part of our suppliers.

## 8.2 IMPLEMENTED ACTIONS AND PERFORMANCE INDICATORS

The corporate Code of Ethics sets that Palladio Zannini monitors compliance with the foregoing principles through the establishment of an Ethics Committee which carries out checks of reported violations of the Code to ensure that those who report non-compliant behaviours are not subject to interference. Any report shall be considered only if submitted in writing and in a non-anonymous manner, while guaranteeing the confidentiality of the reporting person.

Palladio Zannini has never received any complaints (fines or contrasts) that could damage its reputation.

Protection of Human Resources goes through the implementation of an Integrated Safety and Environmental Management System (adopted in all plants and certified for the moment only in the Italian sites) that allows to guarantee proper conditions of work environments, keep monitoring potential risks to Health and Safety and engage employees in training and information activities.

In this regard, the Company has also set up the "Security and Safety Clubs", in order to promote interactive communication organised by the heads of departments involving the relevant staff. These clubs analyse safety data, the results of any reports received by employees and assess/share improvement opportunities.

In order to make the staff even more aware of the need to reduce so-called "anomalous" behaviours, a disciplinary code has been adopted to set the sanctions in relation to possible breaches of company rules on safety.



| ITALY                                    | 2010   | 2011   | 2012   |
|--|--------|--------|--------|
| Total no. of working hours               | 568766 | 542439 | 523433 |
| No. of accidents                         | 26     | 15     | 15     |
| No. of hours of absence due to accidents | 6537   | 1086   | 2056   |
| Accident frequency rate                  | 117.97 | 69.52  | 102.75 |
| Accident severity rate                   | 5.31   | 0.84   | 1.56   |

| SERBIA                                   | 2010   | 2011   | 2012   |
|--|--------|--------|--------|
| Total no. of working hours               | 105173 | 128312 | 187211 |
| No. of accidents                         | 0      | 3      | 6      |
| No. of hours of absence due to accidents | 0      | 10     | 16     |
| Accident frequency rate                  | 0      | 23.38  | 32.05  |
| Accident severity rate                   | 0      | 0.01   | 0.01   |

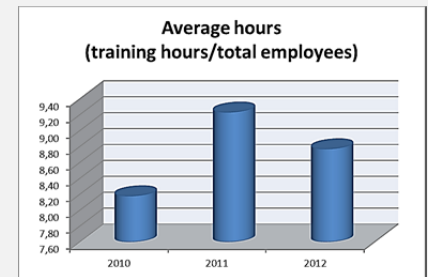
| IRELAND                                  | 2010  | 2011  | 2012  |
|--|-------|-------|-------|
| Total no. of working hours               | 27044 | 23787 | 25395 |
| No. of accidents                         | 0     | 0     | 0     |
| No. of hours of absence due to accidents | 0     | 0     | 0     |
| Accident frequency rate                  | 0     | 0     | 0     |
| Accident severity rate                   | 0     | 0     | 0     |

In addition, in accordance with its policy of "health, safety and hygiene at work", employees are offered the opportunity to join in free prevention programs, such as influenza vaccinations, tetanus vaccinations, etc..

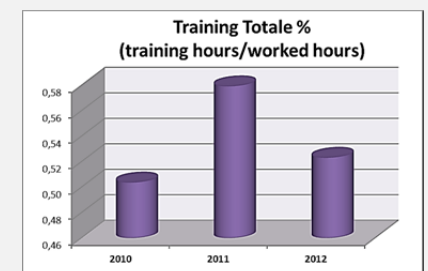
Consistently with our commitment, we deem indispensable to organise activities for our employees in order to increase their integration and strengthen the team spirit that distinguishes us.

We invest in training and opportunities for improvement because we believe these are crucial for the personal growth of our employees. Precisely for this, over the years we have promoted "recreational" activities in which professional life experiences alternate with the private sphere. Among the most significant activities, it is worthwhile mentioning the meetings organised by NLP Italy and held for two consecutive years in Tuscany and Lake Garda, with the aim to learn and experiment some tools to be applied within the corporate team; the "Cooking Lab" day when cooking alternated with business briefs; and the "Bacchus & Management" event aimed at developing capacity for relationships with customers and employees through an innovative and compelling methodology: wine-tasting.

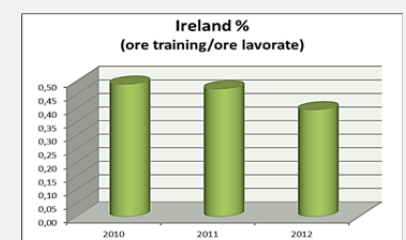
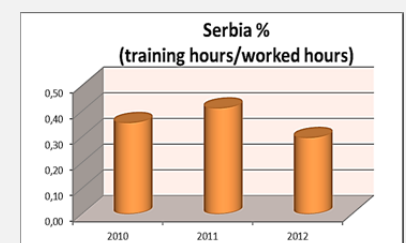
The weekly meetings by all members of the trade and production sectors (video conferences) contribute to the formation and growth of the assets of the participants' skills by sharing the know-how held by the executives. These meetings are not recorded in official records but their quantity can be estimated at approximately 3500-4000 hours per year.



|      | Italy<br>% | Ireland<br>% | Serbia<br>% | Total<br>% |
|------|------------|--------------|-------------|------------|
| 2010 | 8.53       | 7.33         | 6.43        | 8.18       |
| 2011 | 9.74       | 8.00         | 7.14        | 9.23       |
| 2012 | 9.70       | 6.67         | 5.90        | 8.77       |



|      | Italy<br>% | Ireland<br>% | Serbia<br>% | Total<br>% |
|------|------------|--------------|-------------|------------|
| 2010 | 0.50       | 0.49         | 0.35        | 0.50       |
| 2011 | 0.60       | 0.47         | 0.41        | 0.58       |
| 2012 | 0.60       | 0.39         | 0.30        | 0.51       |



The roles and responsibilities are well defined as shown in the documentation on the Management Systems and all our employees are treated on the basis of social equality and equal opportunities are guaranteed.

Palladio Zannini will not be complicit in the abuse of human rights, exercising its control over companies with which it cooperates in the provision of work and/or services. All Suppliers who are selected for work to be done within our premises, are required, as foreseen by our procedures, to submit some documentation proving their compliance with legislative and contractual obligations towards their employees, corporate social responsibility and compliance with the rules of conduct laid down by the Health, Safety and Environmental Management System of Palladio Zannini.

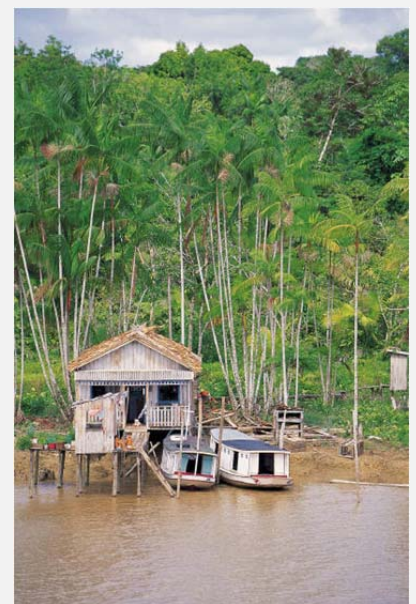
The other control tool used to verify the commitment of our suppliers to Social Responsibility is the information questionnaire sent to them.

The purpose is to determine if the suppliers abide by the requirements of the Ethics of Labour, or if they intend to engage in the pursuit of these requirements.

As a confirmation of the principle of not being complicit, even indirectly, in the abuse of human rights, we are committed through the FSC certification (good forest management system), to purchase our raw material in compliance with the principles promoted by the Organisation, including the recognition and protection of the rights of indigenous peoples and other minorities (such as local communities) who are forest-dependent



| SUPPLIERS' QUESTIONNAIRES  |      |
|--|------|
| No. of questionnaires sent   | 75   |
| % of questionnaires returned   | 55%  |
| % of suppliers with quality system s                                   | 79%  |
| % of social certifications   | 0%   |
| % with code of ethics  | 63%  |
| % available to commit themselves in respecting the social requirements | 100% |
| % of environmental certifications                                      | 51%  |
| % of suppliers who will certify in the future                          | 17%  |
| % with a function in charge of the environment                         | 34%  |
| % with security certifications   | 23%  |
| % of respect of Health & Safety at Work                                | 100% |



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## 9. PRINCIPLES ON LABOUR

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### **PRINCIPLE 3:**

*BUSINESSES SHOULD UPHOLD THE  
FREEDOM OF ASSOCIATION OF  
EMPLOYEES AND THE EFFECTIVE  
RECOGNITION OF THE RIGHT TO  
COLLECTIVE BARGAINING*

### **PRINCIPLES 4:**

*THE ELIMINATION OF ALL FORMS  
OF FORCED AND COMPULSORY  
LABOUR*

### **PRINCIPLE 5:**

*THE EFFECTIVE ABOLITION OF  
CHILD LABOUR*

### **PRINCIPLE 6:**

*THE ELIMINATION OF  
DISCRIMINATION IN RESPECT OF  
EMPLOYMENT AND OCCUPATION*

In the framework of social responsibility, it seems essential to ensure compliance with these principles focusing first on our employees, then reaching all stakeholders, passing through the control of all the "players" who collaborate with us.

Our policies fully confirm the labour rights promoted by the Global Compact, on the basis of the fundamental principles and rights at work issued by ILO (International Labour Organization), as they are fundamental for a healthy and respectful partnership with our employees.

All activities are carried out within the company in compliance with these principles.

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### 9.1 CORPORATE COMMITMENT

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Among the various commitments, our Charter of Values acknowledges:

- Dealing with unions
- Equal Opportunity
- Proper working conditions
- Condemnation of child labour and respect for the rights of children
- Respect for political and religious beliefs
- Integration of disabled people.



## 9.2 IMPLEMENTED ACTIONS AND PERFORMANCE INDICATORS

### RELATIONS WITH THE UNIONS

Palladio Zannini regularly apply the National Collective Labour Contracts.

The company recognizes all employees their rights to join trade unions as they wish, and this does not entail any advantage or disadvantage for these employees.

To this respect, the trade unions have the freedom to conduct their activities away from pressure or interference from the Company Management.

Since ever open to dialogue, the Human Resources Department is available to listen to and address any issues of workers by seeking satisfactory solutions to the complainants, always in compliance with corporate ethics and confidentiality.

Through a voting system which guarantees confidentiality and anonymity, our employees elect their ESR (Employee Safety Representatives) and UUR (Unitary Union Representative body).



|                        | 2011 | 2012             |
|------------------------|------|------------------|
| No. of unions members  | 79   | 94               |
| No. of strikes         | 2    | 3<br>(257 hours) |
| No. of labour disputes | 0    | 0                |
| No. of union meetings  | 9    | 7<br>(544 hours) |



|                         | 2011   | 2012   |
|-------------------------|--------|--------|
| Wages below the minimum | 90.05% | 89.86% |
| Annual wage increases   | 48.02% | 61.86% |
| Economic bonuses        | 71.43% | 97.67% |
| Benefits                | 4.89%  | 6.42%  |
| Overtime hours          | 5.33%  | 5.93%  |
| Hours of holidays       | 7.63%  | 8.71%  |
| Disciplinary measures   | 1.59%  | 1.55%  |
| Worked ordinary hours   | 673949 | 722269 |
| Hours of holidays       | 59387  | 68694  |
| Overtime hours          | 33701  | 33918  |

## PROPER WORKING CONDITIONS

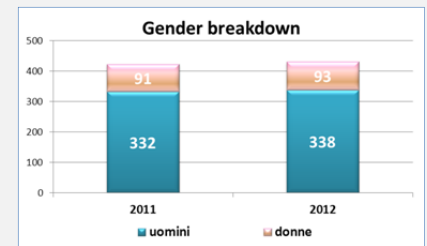
Within our company there have never been cases of forced or compulsory labour and our employees are guaranteed a suitable working time laid down by the national contract: overtime work is regularly paid and workers accept only on a voluntary basis to carry out any overtime work.

A public commitment to promote and facilitate social dialogue requires agreements with the unions, where it is stated that working hours at Palladio Zannini are determined so as not to jeopardise the right of every employee to enjoy rest periods, to refresh his/her psycho-physical and mental energies. Each worker fully benefits from holiday entitlements and sick leaves.

Our staff is paid an annual performance bonus to encourage active participation in the work of the company and to reward all those who contribute to the achievement of the excellent results of Palladio Zannini.

Through a rewarding mechanism based on meritocracy, employees are guaranteed super minimum wages (or equivalent) which are higher than the legal minimum wages.

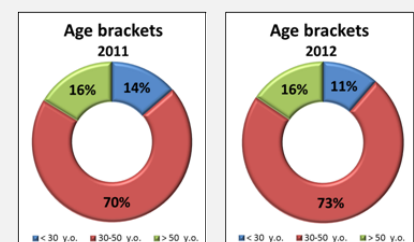
In order to promote and encourage career developments, all employees are assessed annually on the basis of their individual results or collective performances of their departments.



| Age of staff < 30 y.o. | 2011 | 2012 |
|------------------------|------|------|
| Men                    | 51   | 42   |
| Women                  | 7    | 7    |
| White collar men       | 2    | 2    |
| White collar women     | 3    | 3    |
| Blue collar men        | 49   | 40   |
| Blue collar women      | 4    | 4    |
| Managers               | 0    | 0    |

| Age of staff 30-50 y.o. | 2011 | 2012 |
|-------------------------|------|------|
| Men                     | 230  | 247  |
| Women                   | 66   | 68   |
| White collar men        | 37   | 40   |
| White collar women      | 23   | 18   |
| Blue collar men         | 190  | 205  |
| Blue collar women       | 42   | 49   |
| Managers                | 4    | 3    |

| Age of staff > 50 y.o. | 2011 | 2012 |
|------------------------|------|------|
| Men                    | 51   | 49   |
| Women                  | 18   | 18   |
| White collar men       | 14   | 11   |
| White collar women     | 6    | 6    |
| Blue collar men        | 31   | 32   |
| Blue collar women      | 12   | 12   |
| Managers               | 6    | 6    |



|          | 2011  | 2012  |
|----------|-------|-------|
| MEAN AGE | 37.53 | 38.19 |

In-house and external training courses allow us to increase the skills of our human resources in order to encourage, where appropriate, exchanges between departments and operations of internal mobility. This supports the implementation of the company's policy to give priority to internal recruitment.

Furthermore, in order to anticipate or mitigate any negative impacts due to redundancies, the company uses employment agencies for minor activities (e.g. portering, warehouse handling).

Palladio Zannini confirms its respect for the rights of children, publicly condemning child labour through the adoption of the Charter of Values and Code of Ethics.

This condition is a prerequisite for the purposes of an employment relationship in compliance with the relevant legislation in the countries in which we operate.

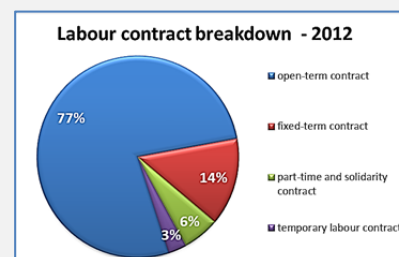
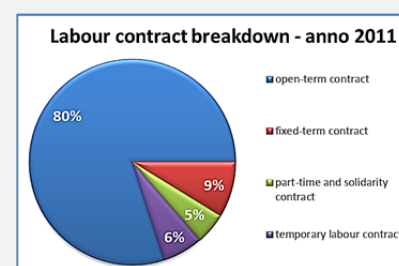
One of the objectives of the corporate policy is the right to equal opportunities and any social, racial and religious discrimination is condemned to favour the integration between individuals and cultural exchanges.

Employment is structured through the recognition of the qualifications of the personnel, personal experiences and capabilities. All this in order to assign - in a manner befitting each worker - the adequate remuneration for equal work performed, irrespective of any discrimination.

Notwithstanding the employing percentage of disabled people provided by the national laws in force - regularly fulfilled – in the attempt to ensure equal treatment, Palladio Zannini supports

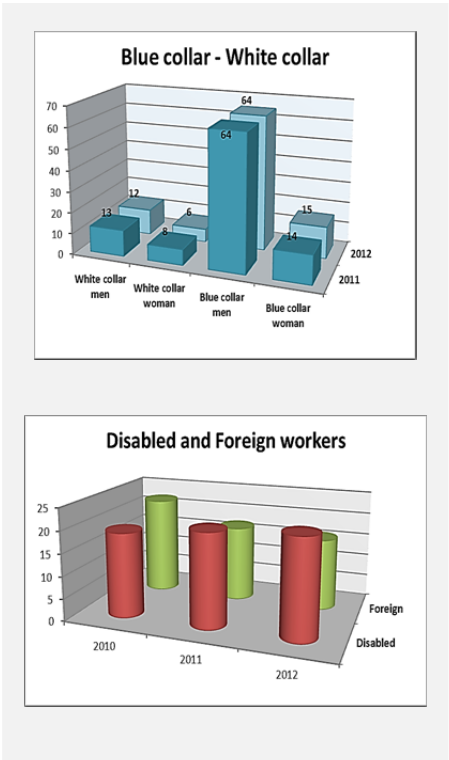


|  | 2011 | 2012 |
|--|------|------|
| Total male employees                           | 332  | 338  |
| Total female employees                         | 91   | 93   |
| Total employees                                | 423  | 431  |
| Of whom on an open-term contract               | 376  | 340  |
| Of whom on a fixed-term contract               | 41   | 62   |
| Of whom on a part-time and solidarity contract | 23   | 26   |
| Temporary workers                              | 30   | 13   |
| Members of trade unions                        | 79   | 94   |
| Disabled workers                               | 21   | 22   |
| Foreign workers                                | 17   | 16   |



their integration within the Organisation by assigning jobs which respect their disabilities. The working conditions and the workplace are maintained/designed for allowing the mobility of disabled people.

Even all those who work for and on behalf of the company must comply with these principles by adopting behaviours which are consistent with our goals. For this reason, any activity deemed illegal against the principles of labour, is condemned. The tables and charts in this section provide numerical data about what has been described hereto.



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## 10. PRINCIPLES ON THE ENVIRONMENT

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### PRINCIPLE 7:

*BUSINESSES SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES*

### PRINCIPLE 8:

*UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY*

### PRINCIPLE 9:

*ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES.*

Palladio Zannini is committed to respecting and safeguarding the environment. A first step was to implement, at the Italian factories, an Environmental Management System (integrated with the Health and Safety Management System) in order to identify the main environmental impacts and minimize them.

Our commitment over the years has brought significant improvements and increasing awareness also on the part of the corporate staff. At the foreign plants, although they not yet certified, environmental issues are managed and controlled in accordance with the relevant legal rules.

In an age when attention to this problem is increasing, we try by all means to reduce the causes of the increase of pollution and reduce waste of natural resources and Palladio Zannini is proud to give its contribution throughout its activities.

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### 10.1 CORPORATE COMMITMENT

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The environmental policy adopted by the Top Management aims at:

- Analysing and minimising our environmental impact.
- Do not allowing/preventing any form of environmental pollution
- Promoting the use of the best eco-friendly technologies
- Reducing the waste of natural resources
- Caring for biodiversity.
- Setting improvement goals for achieving greater environmental results.
- Joining the good forest management systems.
- Making the staff aware of environmental issues.



## 10.2 IMPLEMENTED ACTIONS AND PERFORMANCE INDICATORS

In relation to our activities, products and services, we identify our direct and indirect environmental aspects and the related impact factors.

According to their significance, we determine the most important ones. This is to keep them under control and prevent any risk to the environment.

Our "Register of Impact Factors" provides an overview of the most significant activities. In this context, the applicable legal requirements and other requirements endorsed by the Organisation shall be taken into account in the definition, implementation and maintenance of the Environmental Management System.

Specific improvement targets that are defined annually, allow us to improve our performances. We have carried out a study aimed at defining and editing procedural methods and structural interventions that have led to a reduction in consumption resulting from any waste. This goal has brought considerable benefits as it can be inferred from the data given in the charts and tables of this section.

The use of advanced technologies helps our policy of respecting the environment. In recent years, thanks to technological and effective processes, we have achieved reductions and (in some cases) the elimination of substances that are harmful to the environment and to Health and Safety in the Workplace, allowing for greater protection for our employees and more waste reduction of hazardous substances (such as the elimination of isopropyl alcohol from the printing process).



**Targets results**

|               | 2010   | 2011  | 2012  |
|---------------|--|---|---|
| Carbon        | 2% reduction in Carbon footprint<br>7% reduction                                 | 1% reduction  | 10% reduction in Carbon footprint<br>17% reduction from 2009<br>Removed 179 tonnes of carbon from controlled emission |
| Deforestation | 50% Raw material (paper and board) from sustainable sources<br>FSC certification | Assessment for PEFC certification   | 100% Raw material (paper and board) from sustainable sources<br>PEFC certification                                    |
| Waste         |  | 1% reduction in kgwaste/kgpaper<br>Removed 5% kgwaste/kgpaper to disposal | 5% reduction in kgwaste/kgpaper<br>Removed 16% from 2009 kgwaste/kgpaper to disposal                                  |

Another major step in the policy of waste reduction is the management of waste resulting from our raw material (paper and cardboard). Most of this material is no longer treated as waste but is handled as a by-product (the end of the life cycle of the product).

Since 2009 Palladio Zannini has analysed their LCI starting to monitor their greenhouse gas emissions (GHG), due in particular to:

- Consumption of natural gas (direct greenhouse gas emissions)
  - Consumption of electricity (indirect greenhouse gas emissions)
- Check of the indirect impacts resulting from production activities such as:

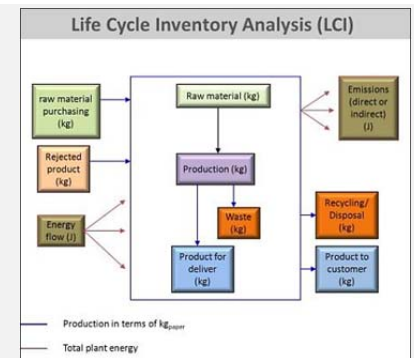
- Consumption of paper-based raw materials
- Transportation arising from the purchase of paper-based raw materials
- Transportation from the sale of finished products.

Following the assessment of environmental impacts (LCIA), in relation to the annual production, our consumption levels were monitored for the purpose of intervening significantly in setting objectives aimed at:

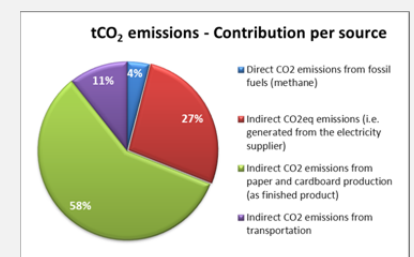
- Reducing waste of natural resources
- Reducing the contribution to Global Warming.

The extent of reduction was measured through the assessment of the corporate Carbon Footprint for the years considered (the Environmental Sustainability Report provides more details).

Palladio Zannini works on a contract-base and shall comply with the requirements of the customer who, on top of specifying the type of raw material and the supplier to be used, also decides the graphics and text to be reproduced (pharmaceutical packaging).



| Life Cycle Impact Assessment (LCIA) |  |  |
|-------------------------------------|--|--|
| Impact categories                   | LCI  | Factor of analysis                         |
| Climate change                      | Carbon Footprint (Direct and Indirect Emissions) | $tCO_2/tpaper$                             |
| Ground pollution                    | Waste  | $kg_{waste}/kg_{paper}$                    |
| Deforestation                       | Raw material only from sustainable source        | $kg_{paper/board}$ from sustainable source |



### CO<sub>2</sub> tons - Italy

|   | 2011   | 2012           |
|---|--------|----------------|
| Direct emissions from combustion  | 554    | 484<br>-70     |
| Indirect emissions from electric distribution   | 2,454  | 2,222<br>-232  |
| Other indirect emissions (Processing of raw materials + Transports)- "non controlled" emissions | 7,632  | 7,509<br>-123  |
| Total $tCO_2$   | 10,640 | 10,215<br>-425 |
| Total $tCO_2$ share of emissions "controlled" by the company                                    | 554    | 484<br>-70     |

Therefore, as we are unable to act directly on the products sold to the end consumers, we promote sustainable consumption with our customers as it is proven by some of our initiatives (e.g. the "Pandora" project or the "Green Procurement" project), which aim to reduce the weight of cardboard or the use of recycled cardboard, thus helping to implement:

- a positive action on the environment
- a reduction of cardboard waste
- economic savings for customers
- a rationalization of the supplier's warehouse
- a greater flexibility in processing orders.

One of the environmental elements on which Palladio Zannini has been focusing, is biodiversity. Surely, we do not operate in protected areas or where there are species in danger of extinction, but by adhering to systems of forest management, like FSC and PEFC, we confirm our interest in this field.

Supporting the protection of forests and wildlife there, as well as opposing ourselves to the illegal trade in timber, seems only right in consideration of our type of production.

Staff awareness in this field is very strong and the company promotes initiatives that directly involve employees, and in some cases their families, through advertising campaigns of our sustainability activities by means of leaflets, posters and visits to our facilities, to ensure that our vision and commitment to the environment are shared also with them.

#### CO<sub>2</sub> tons - Ireland

|   | 2011 | 2012         |
|---|------|--------------|
| Direct emissions from combustion  | 45   | 31<br>-14    |
| Indirect emissions from electric distribution   | 120  | 125,68<br>+5 |
| Other indirect emissions (Processing of raw materials + Transports)- "non controlled" emissions | 387  | 377<br>-10   |
| Total tCO <sub>2</sub>  | 552  | 533<br>-19   |
| Total tCO <sub>2</sub> share of emissions "controlled" by the company                           | 45   | 31<br>-14    |

#### CO<sub>2</sub> tons - Serbia

|   | 2011  | 2012           |
|---|-------|----------------|
| Direct emissions from combustion  | 134   | 112<br>-22     |
| Indirect emissions from electric distribution   | 1,472 | 1,928<br>+456  |
| Other indirect emissions (Processing of raw materials + Transports)- "non controlled" emissions | 2,175 | 2,995<br>+820  |
| Total tCO <sub>2</sub>  | 3,781 | 5,035<br>+1254 |
| Total tCO <sub>2</sub> share of emissions "controlled" by the company                           | 134   | 112<br>-22     |



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## 11. PRINCIPLES AGAINST CORRUPTION

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### PRINCIPLE 10:

*BUSINESSES SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY.*

For Palladio Zannini there is no tolerance for corruption. The value that guides our choices is based on meritocracy and ethics, and we reward our employees only in consideration of this. We take into account this principle also in managing our customers, suppliers and any authority with which Palladio Zannini has any relationship.

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### 11.1 CORPORATE COMMITMENT

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At Palladio Zannini:

- It is allowed to promote the development of roles and reward employees only with regard to their merits demonstrated in terms of participation, professional growth, achievement of objectives and a sense of belonging to the company.
- It is not allowed to promise nor offer items, services, performances or favours of value (to Managers, Officers or Employees of the Public Administration or their relatives) in order to achieve an interest or benefit for Palladio Zannini. The offer of gifts or other benefits of little value are permitted only if this is consistent with legitimate usages or customs.
- No parties, their representatives or candidates are funded and no pressure (direct or indirect) is exerted on politicians.
- It is allowed to comply with requests for contributions from non-profit bodies and associations with regular bylaws and articles of association or requests for donations only for charitable purposes.
- Sponsorships may relate to social activities, environmental activities, sports, art and culture in general.



## 11.2 IMPLEMENTED ACTIONS AND PERFORMANCE INDICATORS

Our business relations are based solely on trust relationships with our customers who choose us only for the intrinsic qualities of the products we supply. Our suppliers are carefully selected and qualified and there is no favouritism for any of them or agreements in which potential conflicts can be found.

Those who work with our company should see a valid trading partner in us and be aware that the way we do business is based on principles and values of social ethics. For this reason, from the point of view of Responsible Marketing, our customers and suppliers are sent a report underlining the commitment of Palladio Zannini to Social Responsibility and trying to persuade them to operate in accordance with our principles.

In this perspective, any operation or accounting transaction is based on the accuracy, completeness and authorization of the basic information for the relevant accounting entries. Our financial statements are subject to review by Reconta Ernst & Young to assess their compliance with the regulations governing their drawing.

All company payments to be paid shall be commensurate with the performances offered and contractual rules and cannot be made to a person/entity other than the contracting party.

Any type of omission or falsification of which the employees become aware, is immediately reported to our Ethics Committee. While the company opposes any activity likely to generate acts of corruption, on the other hand it is deeply committed to supporting charities that can help others. Over the years, we have made some donations to local non-profit foundations, knowing a small gesture on our part is a great help for them.



| ITALY                                     | 2011 | 2012 |
|---|------|------|
| Employees informed on ethical issues      | 80%  | 100% |
| Reports sent to main customers            | 1%   | 100% |
| Reports sent to main suppliers            | 0%   | 100% |
| Reports/violations of the code of conduct | 0.6% | 0.6% |

| IRELAND                                   | 2011 | 2012 |
|---|------|------|
| Employees informed on ethical issues      | 1%   | 100% |
| Reports sent to main customers            | 0%   | 100% |
| Reports sent to main suppliers            | 0%   | 100% |
| Reports/violations of the code of conduct | 0%   | 0%   |

| SERBIA                                    | 2011 | 2012 |
|---|------|------|
| Employees informed on ethical issues      | 3%   | 100% |
| Reports sent to main customers            | 1%   | 100% |
| Reports sent to main suppliers            | 0%   | 100% |
| Reports/violations of the code of conduct | 0%   | 0%   |