



2013

COMMUNICATION ON PROGRESS

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Dear Mr General Secretary,

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

I'm pleased to confirm, again, 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.

The annual communication about our progress is henceforth part of our practices and is totally in our approach to progress, transparency and continuous improvement.

As 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
CEO



October 2013

SOLYSTIC's presentation

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 Bagnaux, 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 90 million euros in 2012 and more than 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 walks 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 customer. 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 essential for us to define and design future solutions for postal operators.



XMS™

Social Responsibility

SOLYSTIC, global leader in design and implementation of solutions for different postal operators, provides its development by innovation and listening to its customers.

SOLYSTIC, aware of the economic and social issues, registers its strategy and governance into a Corporate Social Responsibility – Sustainable Development approach, and associates all its stakeholders: workforce, customers, partners, suppliers, institutions, residents, ...

This type of governance, based on respect, human rights, transparency, responsibility, teamwork, ethical behaviour, compliance with legal requirements and the support of our employees to shared values, leads us to commit to:

■ **Respect the interest of the customers and end-users**

- By offering efficient and quality products and services, economically competitive and able to meet customers' requirements, relying especially on the ISO 9001 standard certification
- By anticipating, from the design, materials and technologies that limit the risks for environment, health and safety, and consume less energy throughout the product life cycle.

■ **Be a responsible employer**

- By taking measures to prevent health and safety risks while improving working conditions
- By acting in respect for diversity, equality of opportunity and contributing to fight against all forms of discrimination
- By managing skills in a proactive and sustainable way
- By a will of basing and sustaining our practices and social relations in trust, respect, listening and dialogue

■ **Adopt a sustainable procurement strategy**

- Incorporating sustainable development criteria in our procurement practices, by involving our suppliers
- Promoting in geographical regions in which we operate our business activities
- Focusing, in our own activities, on supplies developed in the respect of the environment

■ **Limit the impact of our business on the environment**

- By taking preventive actions against all forms of pollutions, reducing waste, among others, and relying on the ISO 14001 standard certification
- Contributing to the fight against climate change

■ **Apply to ethical principles**

- By stating the rules of programs management and main principles of the parent company

■ **Practice the Corporate Social Responsibility**

- By joining in 2009 the United Nations Global Compact

To carry out these commitments, we:

- Transmit information to all the managers
- Rely on compliance with legal, regulatory or other requirements
- Provide the necessary and sufficient means
- Inform, consult and involve our employees and their representatives, to whom we ask to collaborate and actively participate in this approach
- Set up, monitor and review our targets in a continuous improvement approach
- Be sure of the efficiency of our management system

Pierre IGOU
CEO
January 2nd, 2013

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Human rights



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Businesses should:

- 1 Support and respect the protection of internationally proclaimed human rights
- 2 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.

SOLYSTIC acts in favour of diversity, equal opportunities and contributes to fight against all forms of discrimination.

■ Action undertaken in 2013

Professional equality commission works done.

■ Context

The law dated May 9th, 2001 considers the establishment of basis in collective negotiation, that establishes a true professional equality, based on an annual situation report, compared between women and men.

This report is particularly important, because it is the instrument for measure, communication and negotiation for the company.

The article L. 2323-57 of the Labour code specifies that:

« Each year, in the companies with at least three hundred employees, the company manager submits for notice to the Works committee or, otherwise to the Staff representatives, directly or via the planned commission, a written report about the compared situation of the general conditions of employment and training for women and men in the company.

This report includes an analysis that appreciates, for each professional category of the company, the situation for women and men, on hiring, professional promotions, qualification, classification, work conditions, effective compensation and relationship between the work and the practice of family responsibilities. »

Relevant indicators are:

- general conditions of employment,
- remuneration -statistical data by gender and according to employment categories held in the sense of the classification grids of sectors / occupations,
- trainings -statistical data by gender, distribution by professional category,
- labour conditions -general data by gender, distribution by work station.

Specific indicators may be added, taking into account the specific situation of the company.

■ Purpose

While complying with regulatory requirements, SOLYSTIC adopted a consolidated approach of control of all its data representative of the situation of its staff, as well as continuous improvement. As such, and to have a better view of the undertaken works, SOLYSTIC developed specific indicators.

This approach of progress is the thread allowing to generate, step by step, a strong evolution of the social approaches within the company.

■ Approach and implementation

In 2012, the Professional equality commission set up four specific indicators, for which a follow-up is done since the beginning of 2013.

These specific indicators are:

- follow-up of career evolution between men and women for certain key-occupations,
- the mix of job titles within the company,
- follow-up of the evolution of part-time employees,
- follow-up of the career evolutions of the social partners.

For each of these above mentioned purposes, the Professional Equality Commission decided several actions that benefit from implementations done with the Human Resources Department.

For example, for all the indicators concerning wages and classifications, the commission ensures that the Required Annual Negotiations (NAO in French) includes a specific waging budget dedicated to salary adjustments (especially for the women and social partners) and to follow-up of absence for maternity / paternity and parental leaves.

■ Result

- **Follow-up of the career evolution of women and men, for a certain number of key-occupations :**
The follow-up of this new indicator mixing evolution of hierarchical and salary levels will assess the possible difference of speed of career progress between women and men.
- **Mix of job titles within the company :**
A list of all the job titles of the company was realized by the Human Resources Department, some proposals of mixed job titles was suggested to the commission. This commission validated and completed this list and the corresponding titles that were modified on payslips as well as in the SOLYSTIC's Human Resources Information management System.
As a "visible symbol", internally or externally, the concerned women were asked to modify their title on their e-mails and all the official documents where their titles were indicated (name, title, and signature).
- **follow-up of the career evolutions of the social partners :**
These studies are in progress and will be presented to the members of the commission during the last quarter of 2013.

In addition to the new specific points:

- **The follow-up of the number of women :**
In five years, the feminization rate increased from 20.6% in 2008 to 21.7% in 2012.
- **Compensation for women :**
The differences of remuneration have been reduced these last two years, for the grade 4 (employees), where the wages for the women are even 1.8% higher than the men's. Concerning the grade 2 managers, the difference was -4.87% in 2012 while it was -6.5% in 2011.
For the Workers and grade 3 managers, however, the difference have widened for the last two years. The wages for women of grade 3 moved from -1.7% in 2011 compared with the men's, to -4.1%. For the managers, the -6.91% difference moved to -8.7%.
- **Women classification :**
The percentages of women in the grades 3, 5 and manager III increased, from, respectively, 16.6% to 20%, from 24.4% to 27.4% and 21.2% to 21.7%. Concerning all the other classifications, the distribution has remained substantially the same, with a slight decrease for the grade 4 classification (from 30.8% to 26.2%).

- **Equitable access to trainings :**

The percentage of women trained in 2012 within the Workers and Executive categories was identical to its representation in the category:

- 11% of the Workers women trained for a representation of 12%,
- 18% of the Executive women trained for a representation of 18%.

However, the Employees category is still late: it seems important to understand why and then, a dedicated action plan is set up for next years 2013-2014.

In total, SOLYSTIC trained 19% of its female population, with also a request by an Employee woman for a Validation of Acquired Experience (VAE in French), accepted by the management and 100% financially supported, according to the commitments taken in the agreement about professional equality.

- **Commitment to recruitment free for any form of discrimination :**

For the recruitment of an Executive engineer, realized in 2012 for the Engineering department, three resumes from women were received on a total of 20, and one women candidate was interviewed.

Labour



Businesses should:

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

Our commitments, our policy

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

SOLYSTIC uphold the elimination of all forms of forced and compulsory labour and the effective abolition of child labour.

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 and in the prevention of hard physical situations.

The main actions engaged are identified in the Annual Prevention Plan, updated each year.

In the corporate collective agreement concerning senior employment, for the year 2012, SOLYSTIC has set a goal to maintain a percentage of more than 55 year-old employees equivalent to 18% of the total workforce, and commits to realize an ergonomic study on each site, in priority about the positions held by employees aged 45 and more.

These goals have been expanded in the generation agreement signed in October 2013.

■ Action undertaken in 2013

Physical Risk Prevention for hard occupations

■ Context

- **A proactive approach from SOLYSTIC** for the improvement of labour conditions and risk prevention

The senior agreements set up since three years, renewed each year, instituted the realization of ergonomic studies of working positions.

A particular attention is paid on the desire of settlement, expressed by senior employees from the '*nomad*' occupations.

- **Gradual lengthening of the working life**

The legal age for retirement in France is 62.

The French law dates November 9th, 2010 that established this reform, inserted an obligation of agreement negotiation, before January 1st, 2012, to set up prevention measures of work painfulness for the companies that employ at least 50 persons.

The decree dated July 7th, 2011 brought some precisions on the exposure threshold of the employees to the risks linked with painfulness (by introducing, in particular, the threshold of 50% of the employees exposed, so that the company must implement a company agreement or action plan).

Finally, in October 2013, a new law project in discussion at the French National Assembly, should introduce, in the end, a personal account of painfulness prevention.

SOLYSTIC naturally committed, from 2011, in this prevention approach and tried to identify the work situations called painful, as well as the exposure times of the employees to these painfulness factors.

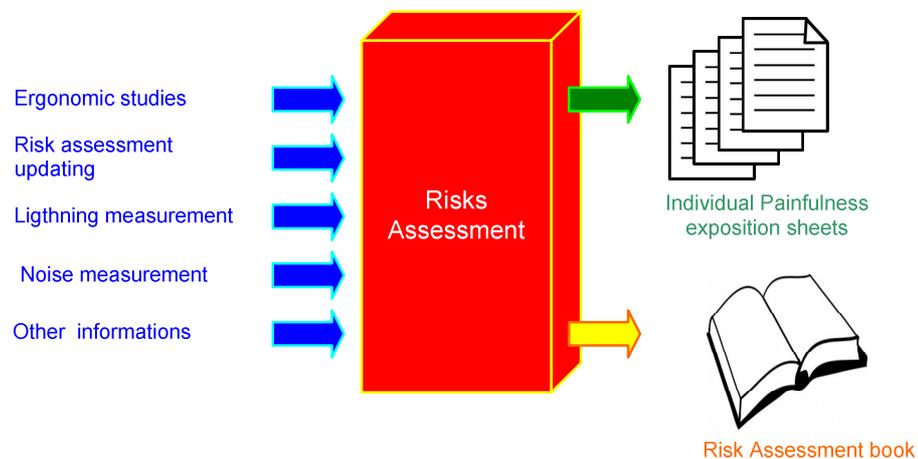
■ Purpose

- **Identify** the workstations that may represent factors of painfulness risks and set up individual records of exposure.
- **Continue** the effort of prevention and reduction of painfulness and keep older employees at work

■ Approach and implementation

The census of work situations that could involve risks linked with painfulness is naturally supported by the assessment of professional risks, that could especially edit the Risk assessment book.

The approach should be summarized by this scheme:



From the end of 2011, a first analysis showed that only 25% of the SOLYSTIC total workforce was actually submitted, occasionally or marginally, to risks linked with handling, forces joint positions, vibrations, noise.

SOLYSTIC does not fall into within the scope of law enforcement, and is not required to negotiate an agreement on the prevention of painfulness, nor establish an action plan.

However, SOLYSTIC decided to go beyond, committing, with the social partners and the occupational doctors, to work on the diminution of painfulness in the work situations to improve working conditions.

SOLYSTIC also continued and refined its analysis of the exposure rate of its employees to the factors of risks linked with painfulness.

■ Result

- **Identify** the workstations that may represent factors of painfulness risks and set up individual records of exposure

A first update of the occupation list was realized at the end of December 2012. Then, the threshold of involved employees reduced from 25% to 23%. A second revision was held at the end of September 2013 where the threshold was reduced again from 23% to 18%.

Individual painfulness exposition sheets are being developed. This document will follow the employee throughout his career.

These actions will optimize the risks assessment at work.

- **Continue** the effort of prevention and reduction of painfulness and keep older employees at work

Ergonomic study at the Head office

At the end of 2012, a first ergonomic study was held to five employees in positions that could be related, occasionally, to painful positions.

The results of this study were presented to the social partners for approval and implementation of the action plan, in particular the provision of little materials reducing the difficulty of constraint positions. For example: headlamp for works in poorly lightened areas, protections for knees, transport carriages, ...

Mid-2013, a second study was conducted within the framework of the preparation of relocation of the head office from Gentilly to Bagneux. A particular attention was paid to the fitting of the 4 000 sq.m and the work situations of the employees (brightness, ventilation, surface area, type of furniture,).

Studies within Bourg-lès-Valence location

Ergonomic studies of the work situations were realized for the occupation of fitter, cable layer and controller from the Production & Services department.

These studies will allow SOLYSTIC to appropriate for a methodology of risk assessment linked to ergonomics.

They concerned the assembly line of sorting machines modules and the assembly of subsets.

Three painfulness factors were particularly analysed:

- the painful postures involving forced joint positions,
- the manual handlings of loads,
- repetitive work.

An appropriate action plan was set up:

- Provision of material and specific supports to the employees, to limit postural constraints and efforts,
- Sharing of tasks: a regular change of activity allows phases of muscle and joint recovery and limits mental and physical load
- Identification of the best practices and sensitization to all the company.

**For more information, please contact:
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Environment



Businesses should:

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- 7 Support a precautionary approach to environmental challenges
- 8 Undertake initiatives to promote greater environmental responsibility
- 9 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 2013

Scanning of suppliers invoices

■ Context

SOLYSTIC, as an industrial company, uses, like others numerous companies, paper for its administrative activities. Committed in an environmental approach for a few years, it has implemented various actions to reduce the impact of the use of the paper.

These efforts focused on two axes:

- **Optimization in the choice of raw material and recycling of the used paper**
 - Generalization of the use of a labelled paper from sustainably managed forests,
 - Removal of colour paper.
 - Generalization of paper sorting in all the offices with separation of the paper from other waste,
 - Paper waste treatment by adapted recycling companies.

- **Reduction of paper consumption**
 - Substitution of photocopiers by multifunction centres (printer, scanner, fax) and implementation of the functionality of document scanning on all workstations,
 - Default print settings on both sides,
 - Significant reduction of various documents associated to the production process
 - Proposal to our customers of a scanning version of the documentation of our products
 - Addition of a reference at the bottom of each email to encourage people not to print them
 - Staff awareness to a good use of the paper and realization of a booklet identifying good practices.

The scanning of suppliers invoices is a new step in the reduction of paper consumption.

Like sustainable development, this operation contributes to the convergence of three purposes:

- Economical purpose by an optimization of the function of invoices processing,
- Social purpose by the removal of boring and not rewarding tasks
- Environmental purpose by the reduction of natural resources consumption.

It naturally takes its place in the SOLYSTIC's Social Responsibility.

■ Approach and implementation

To carry out this action, SOLYSTIC has used, like all main evolutions of our information system, a method of project management.

A first step consisted in choosing a software package to meet the needs:

- Writing specifications, involving different persons concerned by the project (Purchasing department, Accounts payable department, end-users)
- Census of the market tools likely to meet the need and having an interface with our company's integrated software package (SAP)
- Benchmarking of products, on the basis of a preferential list
- Product selection.

The second step was dedicated to the implementation of the software package.

The different phases of the projects were respected:

- Design (initialization and execution)
- Acceptance,
- Commissioning.

As for every IT project, success depended on a change management.

Several training sessions were organized, to the key users first, and then to the end-users.

Different internal stakeholders, involved in the processing chain of suppliers invoices, and external ones, even suppliers, were also involved in this project.

The aim was to minimize the large numbers of invoices copies, circulating within the company.

To achieve this aim, it was necessary to convince the users to do without paper and then change their behaviour. Sensitization actions have been conducted in this way.

■ Result

Significant results were recorded after almost one year of operation of the product:

- Stop of the transmission of duplicated invoices by a majority of suppliers,
- The number of photocopy and printings has significantly decreased.
During one year, for 1.3 page per invoice and for about 15 000 invoices (that is 20 000 pages), so nearly 12 000 photocopies have been economised.
- Users' satisfaction to not make boring tasks,
- Time and efficiency saving in the invoices processing.

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Fight against corruption



Businesses should:

- 10 Work against corruption in all its forms, including extortion and bribery

Our commitments, our policy

Subsidiary of Northrop Grumman, SOLYSTIC, like all the group's subsidiaries, applies the Ethics code established by its parent company.

SOLYSTIC implemented an organization to deal with potential subjects related to ethics (Ethics department and « open line » for the employees seeking for advice or sharing a suspicion.

■ Action undertaken in 2013

Training: 'Performance begins with Ethics and Integrity'

■ Context

Each year, SOLYSTIC makes its salaries conscious of the ethics principles established by its parent company Northrop Grumman.

During these sessions, internal rules to prevent all forms of corruption are explained and commented.

■ Purpose

- Be sure that all SOLYSTIC's employees know the rules and principles concerning ethics.
- Provide information to work at the higher level of performance.
- Encourage questions, debates, get messages.

■ Approach and implementation

Beforehand, a note from SOLYSTIC's Executive management was sent to all the employees to inform them of this training and their participation to it.

In this document, it was reminded that « *integrity is the foundation of our success and is part of the responsibility of each employee. A strong commitment concerning ethics applies to everyone, whatever its position in the company* ».

Sensitization sessions were organized on all SOLYSTIC's locations: head office, Bourg-lès-Valence and in Belgium. All the employees were invited.

The purpose was to present to the employees the results of the activity of the 'Open line' of Ethics Department of Northrop Grumman.

The contacts for the last six months were about:

- requests for information (advice, clarifications),
- misallocation of expenses,
- respect of quality and manufacturing procedures,
- misuse of company resources,
- business gifts,
- conflict of interest, ...

These meetings also reminded the different rules applicable in these fields.

These sessions, based on exchange, raised questions especially concerning:

- internet use,
- business credit card use,
- business gifts,
- improper or fraudulent allocation of expenses,
- harassment.

Among the different themes, business gifts and others invitations are potential sources that may cause corruption act.

That's why this point is more developed.

Definitions have been specified:

- **Business gift:** gift, tips, entertainment or other favour provided or received from a business relationship with no paid market value,
- **Business relationship:** person or entity who establishes or wishes to establish business with SOLYSTIC: customer, supplier, sub-contractor, consultant and more broadly all stakeholders.

Generally, SOLYSTIC's employees do not have to give or receive gifts within the frame of business relationship.

In the case of invitation or gifts, feedbacks within the group were classified:

- firstly, good practices (what is recommended),
- secondly, sources of concern (which can be a problem).

These events could be guiding lines to act with integrity. They were presented during the sensitization sessions and gave answers to concrete situations.

Good practices

- A business gift has a nominal, customary and reasonable value.
- A business gift has a professional use (not personal);
For example, it can be exposed at the office.
- Invitations are related to the business purpose.
- Money gifts are never given to business relationships.
- Business gifts must wear a logo.
- Do not give business gifts to customers when taken imminent decisions.
- Talk with managers and ethics correspondent before accepting any invitation or initiative of acceptance.
- Provide invitation letters describing the proposed event.
- Ensure accurate accounting.

Sources of concerns

- Businesses appear of secondary importance, before the entertainment.
- Expenses are luxurious.
- Invitations are frequent.
- Gifts do not comply with local customs.
- The recipient has a strategic position to award the contract or promote the company.
- The gift could be considered as compensation to the granting of a contract, or an unfair advantage.
- Spouse or children are invited.
- Expenses are directly paid to the business relationship.
- The business partner could not or do not want to get a written agreement from his company for his expenses.

Concrete examples and behaviour rules to adopt:

- A supplier organize an introductory meeting to technology solutions, directly applicable to the company's business: the supplier proposed to pay for the expenses and meals.

An honest behaviour consists in accept this invitation with the agreement of the supervisor but only the meals provided to the other participants could be accepted ; travel and accommodation expenses remain the responsibility of the company's invited participant.

- During an exhibition, a drawing of lots attributed a gift to you
It is permissible to accept this gift, on condition that the drawing of lots was been opened and accessible to all participants, and that the gift stays modest and customary.

- A customer from a foreign country gives a gift from his country during one of his visits
Such gifts, often exchanged during international visits, are acceptable on condition that the gift is customary, modest and occasional. The gift becomes the property of the company.

■ Result

All SOLYSTIC's employees got this annual sensitization.

For this, about 30 sessions were organized on the three locations, by the Ethics correspondents.

The duration of each session was one hour.

Ethics and integrity are known notions, shared and promoted within SOLYSTIC.

These sessions served to remind the ethical principles applicable at SOLYSTIC, as well as the rules of conduct with our business relationship.

Many exchanges occurred between participants and Ethics correspondents.

They also helped to clarify particular situations and brought answers to questions like:

- The authorized costs for business gifts and type of gifts,
- The use of business credit card for personal expenses,
- The running of '*Open line*'.

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**«Respect the principles of the Global compact, beyond a simple commitment, is for us,
Joining a social model based on mutual respect and dialogue with all the stakeholders,
Implementing concrete actions on values that we share
Committing in a process of continuous improvement and progress»**

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