

This Corporate Social Responsibility Report of 2012 is the seventh such report of the company. The electronic versions of reports are available on *PakMarkas'* website: <http://en.pakmarkas.lt/social-activity-reports.html>

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United Nations "Global Compact": principles and activity

Human rights

Principle 1:

Businesses should support and respect the protection of internationally proclaimed human rights;

Principle 2:

Businesses should make sure they are not complicit in human rights abuses.

Labour

Principle 3:

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4:

Businesses should uphold the elimination of all forms of forced and compulsory labour;

Principle 5:

Businesses should uphold the effective abolition of child labour;

Principle 6:

Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7:

Businesses should support a precautionary approach to environmental challenges;

Principle 8:

Businesses should undertake initiatives to promote greater environmental responsibility;

Principle 9:

Businesses should encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10:

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

The United Nations (UN) "Global Compact" is the largest global corporate social responsibility initiative having over 10,000 members from 140 countries. It was established in 2000 in order to promote the responsible attitude on a global scale. The central idea of this compact is to align operations and strategies with the ten universally accepted principles in the areas of human rights, labour, environment protection and anti-corruption. The participating organisations are obliged to publish their annual corporate social responsibility reports.

PakMarkas has been the member of the UN "Global Compact" since June 2005. Following the 10 principles of the Global Compact, the company submits annual social progress reports, thus, emphasizing its care about the welfare of the persons related to company's activity, preservation of clean environment and promotion of transparency in the business environment.

In 2005, *PakMarkas* also joined the National Responsible Business Network (NRBN), which unifies Lithuanian companies that are the members of the UN Global Compact. The central mission of the network is to promote the development of responsible business in Lithuania as a condition of sustainable development. By participating in the network's activity, the companies have an opportunity to share their knowledge, experience and innovations, to conduct joint trainings, improve corporate business strategies, co-implement projects that are beneficial to the society and, thus, contribute to the sustainable development in Lithuania.

Executive letter



Thank you for reading our *Corporate Social Responsibility Report*.

There is a range of significant things that we have to deal with in our daily life, and which very often slow down the company's socially responsible activities, notwithstanding good intentions they are based on.

It is crucially important to achieve established goals, to meet plans set out or, simply, to timely and appropriately carry out our daily assignments. Properly conducted activities determine our own and our family's welfare.

Also, a highly important role is largely entrusted to the overall performance of the company, profit of a specific period, return on investment and capital. The company should be managed in such a manner so as to possess sufficient resources for the development, to remove any doubt concerning the continuity of activities, and that clear projections would include a not-too-distant future.

In addition to the aforementioned, no less important role is played by our socially responsible business initiatives.

Everyone of us has been in a situation where we faced difficulties or when expenses exceeded performance results. Despite the fact that such circumstances are uneasy to go through, let us not give up the already started social projects; let us not suppress socially responsible practices. After all, social groups supported by our projects find themselves even in worse conditions.

Hard times pass, but recollections about them deeply stuck in our memory, and make us stronger.

By this manifestation I would like to encourage people not to abandon activities in progress when encountering difficulties.

Yours sincerely,
Virginijus Gumbaragis

A handwritten signature in black ink, appearing to be 'V. Gumbaragis', written in a cursive style.

Description of company's activity

Our company is one of the largest and most experienced companies in the area of product packaging and marking in Lithuania. The company is engaged in three main areas of activity: label printing, trade in packaging and marking equipment and trade in spare parts.

During the 19 years of activity we have strongly developed the processes of production and expanded the range of our goods and services. Therefore, today our clients are the manufacturers and trade institutions from various areas of industry (food, beverages, cosmetics, chemistry, pharmacy, etc.).

We base our everyday activity on the values that help us to unite the team and collectively seek for the set goals.

Our values

- **Consideration for a client**
We are always considering what is best for our client because we understand that our welfare depends on the welfare of our client.
- **Constant improvement and competence**
We are able to win even under the most difficult and volatile conditions because we are constantly updating and applying our knowledge.
- **Teamwork**
We believe that if we work together as a team we will achieve our aim much faster.
- **Respect for employees and business partners**
We understand that respect serves as the basis upon which long-term reliable relationships are formed.
- **Desire to have the lead**
It is a driving motive helping us to make new strides.

Our products and services

- **Flexographic roll print:** adhesive, shrink and banding labels, single-colour label printing, blanks of adhesive labels.
- **Trade in packaging materials:** packaging films, containers, vacuum bags, bands.
- **Packaging and marking equipment:** packaging, marking, transportation and control equipment for various purposes of use; design and manufacture of packaging lines.
- **Spare parts:** electric motors, reducers, frequency converters, couplings, etc.

PakMarkas started its activity in 1994. The main activity of the company is pursued in Lithuania, in a building of the area of 7,000 sq. metres, equipped with modern facilities and located in Nemėžis Eldership, Vilnius District. A branch in Riga (Latvia) was opened in 1997.

Office addresses:

UAB "PakMarkas"
Daržininkų k., Nemėžio sen., Vilniaus r.
LT — 13034

SIA "PakMarkas"
Ropažu iela 19a, Rīga, Latvija
LV - 1039

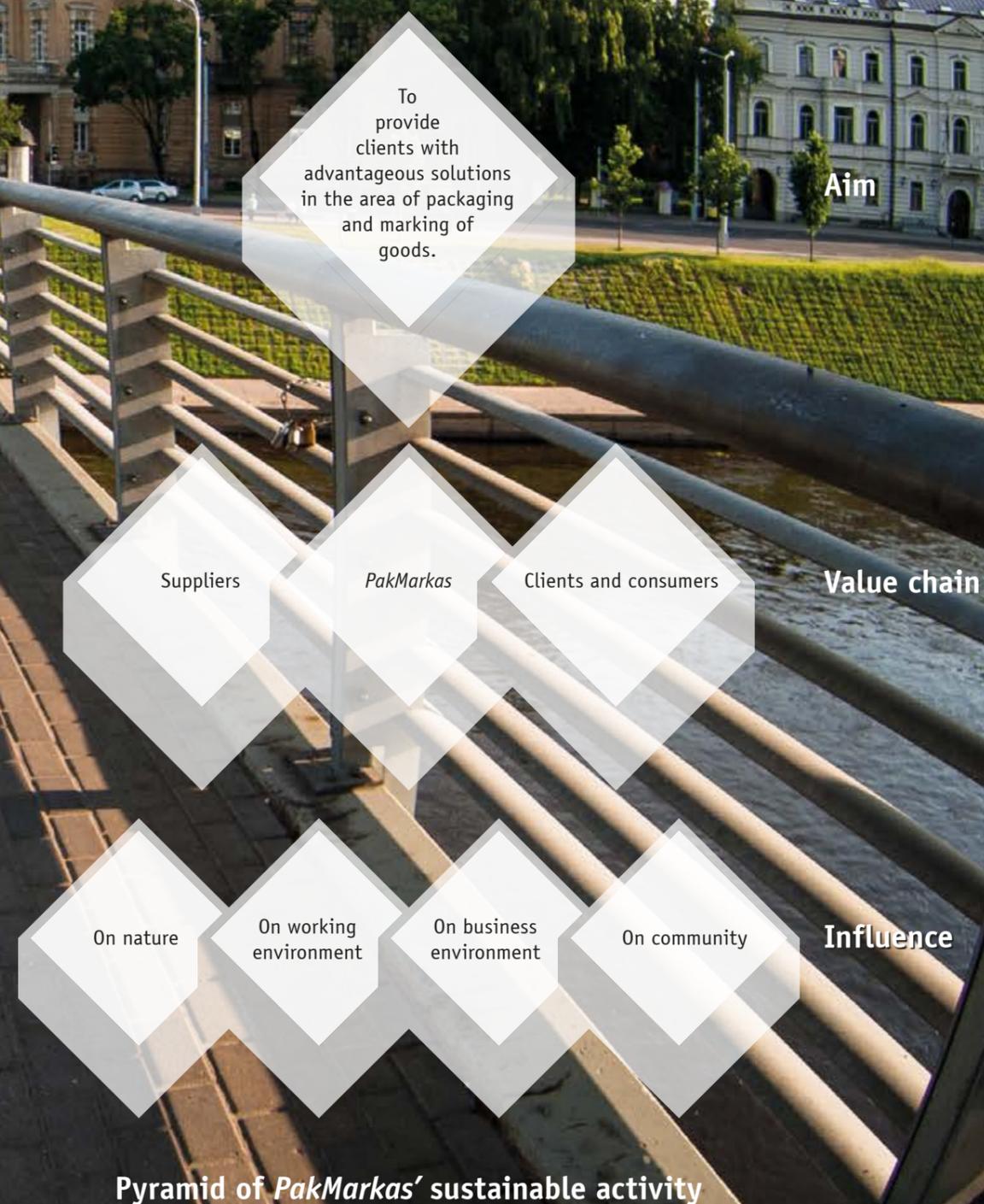
More information on our company is available on website www.pakmarkas.com

The main company's indices:

Sales income (excl. VAT, thousand LTL)	2010	2011	2012
Lithuania	49.84	50.45	62.06
Latvia	9.04	10.40	11.9
Total	53.06	54.52	67.05

Number of employees (as of December 31)	2010	2011	2012
Lithuania	159	154	161
Latvia	22	22	23
Total	181	176	184

Sustainability and responsibility



PakMarkas sees social responsibility as an improvement of company's activity processes by aligning them with the interests of company's employees and community and preservation of the quality of environment.

We understand our economic and social responsibility and the influence of company's activity on the environment. Thus, when adopting the solutions, we consider the expectations of concerned parties and willingly contribute to the enhancement of the common welfare.

Value chain

Suppliers. When selecting our suppliers, we rely on the indices of the evaluation of quality of supplier's activity—we evaluate the compliance of raw-materials with the requirements of the EU legal acts, applicable standards, fulfilment of obligations, image, experience in the market, etc.

PakMarkas. We carefully observe and inspect each stage in our production chain starting with the reception of raw-materials and finishing with the delivery of goods to the client. Our aim is to supply the market with the products meeting the highest quality requirements.

Clients and consumers. We cooperate with Lithuanian and foreign manufacturing companies and trading organizations from various areas of activity, which are characterised by strong brand names. We meet the highest requirements applicable by the market leaders. Although we are engaged in the B2B area and have no direct contact with the end customers, they are still one of the most important parts of our supply chain. Therefore, we supply our clients with safe packaging materials and reliable packaging and marking solutions only.

Involvement of stakeholders

Each year we revise the participation of stakeholders in our company's activity as the condition for sustainable growth and reduction of business risk. Our stakeholders include each person or organization that is potentially influenced by our activity, i.e.:

- Shareholders
- Employees
- Potential and current clients and partners
- Suppliers
- Community
- Associations, organisations the company participates in.

Stakeholders	Our involvement programmes of 2012
Shareholders	Management analysis Social Responsibility Report
Employees	Complaint/suggestion box Monitoring and development of SR activity indices Column in the Intranet
Clients	Research on the client satisfaction with company's activity
Suppliers	Commitment Evaluation of suppliers
Local community	Ongoing projects with educational institutions Student traineeship in the company Blood donation initiative Excursions inside the company
Associations, organisations	Participation in the National Responsible Business Awards Active Participation in the activity of National Responsible Business Network

Working environment

The long-term success of PakMarkas is conditioned by harmonious team of managers, specialists and workers; therefore, we make every in the creation of safe and motivating working place. PakMarkas tries to be an attractive employer by involving, helping to improve and keeping qualified persons in a professional working environment.

Human rights

We maintain the international human rights and respect the dignity of all our employees as it is defined in the Universal Declaration of Human Rights, the principles of the United Nations Organisation and PakMarkas' Policy of Ethical Employment and Working Conditions:

- We do not use and do not support children, prisoners' or forced labour;
- We do not practice and do not support discrimination or persecution in respect of age, race, religion, sexual orientation, marital status or political views;
- We respect the right of employees to join trade unions;
- We ensure a fair wage system and social guarantees.

Personnel

The improving national economic situation led to the further growth of our company and created favourable conditions to welcome new members into our team. On 31 December 2012, there were 161 employees in our company (in 2011 – 154 employees). Characteristics of employees:

By positions (2012):

Senior managers — 8
Middle managers — 16
Specialists — 82
Workers — 56

By education (2012):

Higher education — 87
High education — 41
Secondary education — 33
Basic education — 1

New employees:

2010 — 18
2011 — 24
2012 — 28

Social responsibility management

On 9 January 2013, we implemented the Social Responsibility Standard SA 8000 and obtained a confirmation certificate. The document certifies that our company cares for the social welfare of its employees, does not apply child and forced labour, follows health and safety requirements, does not tolerate psychological pressure and discrimination, ensures equal career and wage opportunities, encourages the suppliers to follow standard requirements, follows all laws regulating the working conditions.

In 2012, we realized the requirements applicable to the company grounding its activity on this standard:

- We created and wrote down the Policy of Ethical Employment and Working Conditions stipulating the company's attitude towards the human rights and freedoms and practice of harmonious employment.
- We selected the representative of management — a person who ensures the fulfilment of the requirements of this standard.
- We selected the representatives of employees for information exchange with the management in the area of social responsibility issues.
- We approved the minimum wage, which exceeds the minimum wage stipulated by the law of the Republic of Lithuania.
- We created and wrote down the procedure on the basis of which each employee has an opportunity to notify on the violations of employee rights anonymously and confidentially: we installed complaint/suggestion boxes and created a special e-mail address.
- We identified the main SR indices which are filled in the SR activity monitoring programme twice per year (employee turnover, change in the number of accidents at work, distribution of the number of employees in terms of sex, age and other indices).
- We started to carry out the management analysis twice per year.
- We periodically carry out the intermediate evaluation of social responsibility of our suppliers.

Occupational health and safety

Safe and healthy working environment is our central obligation towards our employees. Thus, we are pleased to inform that in 2012 we managed to reduce the number of accidents at work to 0. We achieved this result by applying and highly focusing on various preventive actions, i.e.:

- We revised and updated the occupational and fire-safety guidelines.
- We enhanced the introductory trainings to our new employees in the area of general health and safety issues.
- We organized training in the area of safe usage of chemical substances for production employees that were followed by the examinations of each employee.
- We invited several fire-safety and occupational safety specialists to carry out the audit in the company, to monitor the working personnel and to record all notes that must be addressed.

Number of accidents at work

2010 — 3

2011 — 2

2012 — 0

Monitoring of equal opportunities

Due to operational specifics, there are more men than women working in *PakMarkas* — there are more men working in the factory, where a physical toughness is usually required, as well as in the engineering department — this profession is traditionally more popular among men.

We are oriented into long-term working relations. Fixed-term employment contracts are concluded under certain circumstances only. The increase in the number of employees working under fixed-term employment contracts in 2012 was conditioned by the following circumstances: recruitment of personnel temporarily replacing the employees at maternity/paternity leave, seasonal work and temporary project.

Equal opportunities monitoring indices

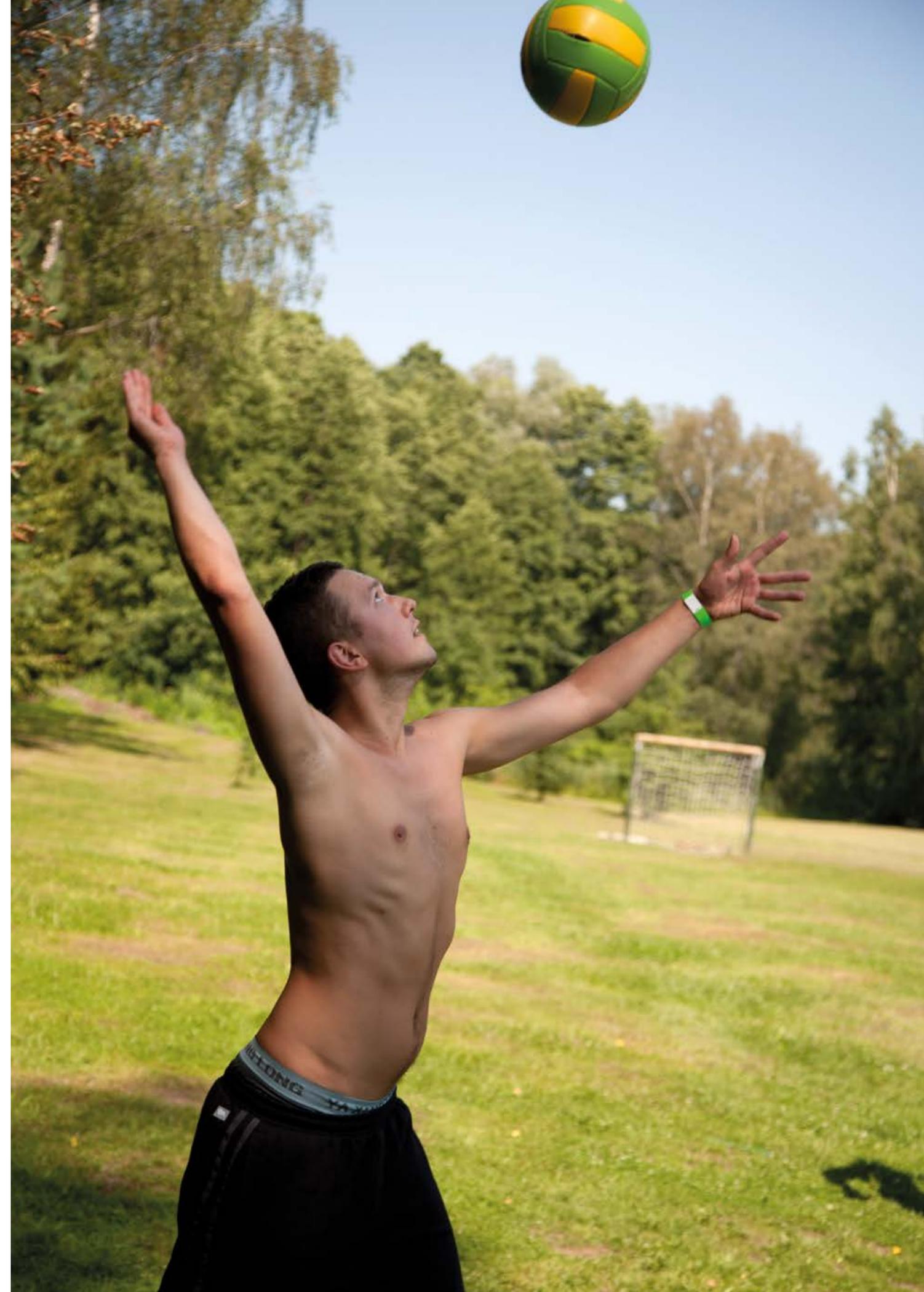
	2011	2012
Ration of women and men staff	W — 23% M — 77%	W — 22% M — 78%
Age average (age)	W — 35 M — 34	W — 36 M — 34
Fixed-term employment contracts (number)	W — 1 M — 0	W — 3 M — 1
Indefinite employment contracts (number)	W — 31 M — 122	W — 32 M — 126
Maternity/paternity leave (number)	W — 4 M — 0	W — 5 M — 2
Employed disabled people (number)	M — 1	M — 1

Additional benefits

All employees are provided with additional benefits: they are provided with vaccination against flu, benefits in case of death of parents, children, spouses, bonuses on wedding occasions; benefit for employees attaining the pension age and leaving the company.

Additional benefits in respect of the nature of work include a vehicle, a mobile phone, a stationary or portable computer, trainings and qualification enhancements.

In 2012, we started the implementation of project of improvement of company's organisational structure and wage system. The aim of project is to ensure the fairness of inside wages by keeping clear links between a wage and results of activity as well as the place of position in the organizational structure.





Development of competencies

The growth of company is directly related to the employee competencies and individual attitude towards the client. Thus, we are highly focused on the development of employee skills — the personnel participate in seminars, various exhibitions, internships and business missions.

Number of hours dedicated to employee trainings:

2011	2012
Managers — 411 hours	Managers — 887 hours
Administration, specialists — 1,181 hours	Administration, specialists — 1,042 hours
Production workers — 472 hours	Production workers — 15 hours

A portion (of operational costs) used for trainings excluding European funds (%):

2011	2012
1.22	1.01

Implemented and ongoing actions

Actions in 2012	
Implementation of Social Responsibility Standard SA 8000	Implemented
Reduction in the number of accidents at work up to 0	Implemented
Implementation of Project "Prevention against Professional Burnout Syndrome"	Implemented
Indication of the main indices related to the company's social activity	Implemented
Revision and update of company's values	Postponed due to temporary changes of personnel structure

Actions in 2013	
Installation of the rest zone in production premises	
Marking of packages of hazardous substances located in production premises in the Lithuanian language	
Establishment of the conditions for the employees to travel to/from work using company's transport	
Implementation of project of improvement of company's organisational structure and wage system	

Business environment

Today, competitiveness and sustainability are complementary definitions. The companies that maintain harmonious relations with inner and outer environment are more likely to survive in the market. In the business environment, we follow the laws of the Republic of Lithuania and principles of the ethical and fair business.

Anti-corruption attitude

We respect our clients and preserve the company's reputation, therefore, we do not tolerate any forms of corruption. We publicly declare our anti-corruption attitude on our company's website (<http://en.pakmarkas.lt/social-responsibility-policy.html>), where it is stated that trying to be responsible the company will not offer, promise or give, directly or indirectly, any financial or other advantages to any government official, politician, political party or any private person for the purposes of obtaining or retaining business or a business advantage. We also provide the contact information that can be used by our business partners to inform us in case of observation of any corruptive actions of our employees.

Involvement of suppliers

We also promote social responsibility among our suppliers. In 2012, we sent our main suppliers a questionnaire by signing which the companies confirmed the compliance with the main principles of social responsibility within the scope of their activity. We complemented the list of indices of economic evaluation of the quality of supplier's activity with the index of social responsibility. We are planning to carry out the evaluation of social responsibility of selected suppliers from 2013.

Product and service quality management

PakMarkas is obliged for constant improvement of product and service quality. We have implemented and now work in accordance with the quality management system complying with the requirements of standard ISO 9001 and operate in accordance with the requirements of the Good Manufacturing Practice and constantly improve the production organisation process in accordance with the LEAN system.

We maintain constant contact with our clients and search for effective and win-win solutions. Each year, we carry out client surveys that encourage meaningful discussions how to improve the satisfaction of our clients with the provided services.

Responsible communication

When act responsibly and fairly in any marketing, communication and advertising activity — we follow the provisions of the laws on advertising, electronic communications and personal data protection of the Republic of Lithuania. We believe that fairly provided information creates and strengthens the relations.

Exchange of social responsibility (SR) practice

We are certain that being responsible in the economic, social and environmental area we can also encourage our business partners to be more responsible.

In 2012, the company's executive Virginijus Gumbaragis read the presentation in the seventh conference of the National Responsible Business Network — "Economical Benefit of Corporate Social Responsibility: What is the Return of Investment into Corporate Social Responsibility?". The participants of conference were familiarized with the results of *PakMarkas'* research of economic benefit and long-term influence of social responsibility on business. The research which was initiated by the audit company "Ernst&Young" aimed at evaluation of direct and indirect value to the company and familiarization of business representatives with the results.

Implemented and ongoing actions:

Actions of 2012	
The first familiarization of suppliers with the application of <i>PakMarkas'</i> socially responsible practice	Implemented
Actions of 2013	
Audit of social responsibility of selected supplier	
Research of customer satisfaction with company's activity	

Environmental care

Restricted or slowly renewing natural resources stimulate the thinking about what situation in our yard we will see when stepping outside after ten, five years or even earlier and about how we actually want it to look like. Therefore, we support all environmental initiatives that encourage the environmental care and protection. We believe that we can contribute to the preservation of clean and healthy environment.

Environmental impact monitoring

We organize company's activity processes pursuant to the environmental management standard ISO 14001 and company's environmental policy. The Quality Assurance Department is responsible for the compliance with the environmental procedures.

We have identified and constantly monitor the following environmental indices:

Indices		2012
Electricity		
1. Consumption of electricity	KW/h	1,942,116
2. Saved electricity due to the application of measures stimulating the effectiveness	KW/h	3,000,000
Sources of pollution		
3. Volumes of emissions	kg	131 (waste) 3,725 (gas)
4. Pollution tax (fines)	LTL	-
Raw-materials and waste		
5. Consumed packaging materials	m ²	12,127,473
6. Waste (by type)	m ²	1,952,350 (labels) 694,917 (sleeves) 376 (photo-polymers)
7. Waste delivered for recycling (by type)	kg	Cardboard - 6,440 kg Cellulose (office paper, magazines, etc.) - 70 kg BOPP - 5,337 kg PE - 1,998 kg PVC - 18,220 kg
Water		
8. Consumed water	m ³	311

Implemented and ongoing actions:

Actions of 2012-2013	
To increase the effective usage of paper labels in production up to 77%	76.5% (ongoing)
To increase the effective usage of film label-sleeves in production up to 82%	81.6% (ongoing)
Ensure that the effectiveness of polymers usage would not be lower 80%	81.3% (implemented)
To reduce the volume of adhesive paper and films generated in the production by 4 times and to reuse them effectively	The project was postponed due to failure to receive EU funding
To improve the motivation system of production employees to encourage them to use production raw-materials cost-effectively	Ongoing (expected to be implemented in 2014)
To create a solid corporate information system that will not only lead to the simplification of operation process management, but will also significantly contribute to the reduction of consumption of company's office paper.	Ongoing (expected to be implemented in 2014)

Community



Implemented and ongoing actions

Actions in 2012 - 2013

Public activity

We are closely cooperating with various educational and scientific institutions, therefore, it is increasingly difficult to image us without curious looks of the young ones observing the operation of printing machines, or without students, who carry out the traineeship and enrich their knowledge baggage with practical skills. In 2012, same as every year, we had a visit from the kindergarten and school. 7 students were admitted for traineeship and 3 of them stayed at our company.

We were invited and kindly accepted the invitation to sponsor the National Artworks Competition *Dizmeiker'is* 2012, which is annually organized by the students of Kaunas University of Technology. The event stimulates creativeness and development of thoughts of young persons. We expect to become constant sponsors of this event and, thus, symbolically contribute to the artistic expression of students and encouragement of the search for original solutions.

In summer 2012, we provided assistance to the neighbouring animal shelter "SOS gyvūnai" (SOS animals) and decorated the environment of shelter so that the people who came here to take a new pet would be welcomed by a nice surrounding.

Our fundamental aim is to develop long-term relations with the community looking for the new forms of cooperation and to remain socially active and responsible.

To be sensitive is one of the most important values and we apply it in our everyday activity by willingly and openly discussing with the representatives of the community and by supporting social initiatives.

We appreciate all feedbacks from our concerned parties about PakMarkas' attitude towards the sustainability and responsibility in general.

If you want to express your opinion, please contact us via e-mail:

pm@pakmarkas.lt

or

phone +370 85 205 28 71.

Contact person:

Jurgita Bagdonavičienė Marketing Manager

