

2012 Corporate Social Responsibility Report

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PRESIDENT'S LETTER

To whom it may concern,

Below we present you our second CSR report. We are very pleased to have implemented this improvement last year in our information system and adhered to the ten principles of the UN Global Compact, which gives more weight to our commitment to quality – defined from all aspects of business: management, environment, health and protection at work, safety. Our standards are: quality and responsibility towards people, human rights, health and protection at work, towards the environment, towards the professional and personal ethics of all of us.

The year 2012 has been a year of growth, change, to work on new projects, despite the difficult economic situation in our country and in our sector. It has been a year of not to be satisfied, to strive to continue improving, to achieve our goals and challenges, both locally in Andorra and internationally at Group level (For example, establishing a new card personalization center in Medellin(Colombia) new centers built and equipped with the latest technology in Warsaw and Riga).

Our company, during 2012, made significant investments in machinery, increased sales, both through our subsidiaries and through final customers. We made many efforts to improve competitiveness, flexibility and capacity to adapt to changes. We obtained the certificates of Quality Management ISO 14001:2004 and Environmental Quality in the Health and Safety at Work ISO 18001:2007. Our company also renewed the certification of ISO 9001:2008 Quality Management. The brand Discover certified TAG Systems as approved supplier to produce cards for their customers.

Our company is the ninth in the world in production of payment card with chip and sixth in Europe.

We have long way to go and many things to improve, but the delivery of our organization to comply strictly and transmit to all those with whom we relate our policy is absolute.

Will continue working to provide our part to settlement and internationalization of the ten principles, by transmitting our people, customers, suppliers, friends, our philosophy and business.

Joaquim Miró Castillo
President



About Us

About Us

The Company

TAG Systems SA is an Andorran company founded in 1999. The company initiated its activity as a plastic card manufacturer with the intention of selling its product in Europe and all over the world.



The 3000 m2 industrial plant of the company, located in the principality of Andorra, is equipped with latest technology machinery in a high security environment with a production capacity of over 80 million cards per year.

Presently, TAG Systems is a smart card manufacturer and distributor group company. Our portfolio of services covers all the needs of our customers and our proved experience has made us one of the top suppliers of Europe.

A few important dates:

1999 – 2000, TAG Systems Andorra obtained the certification to produce Visa and MasterCard cards.

2002, Opening of the first overseas company, Card Tag Spain in Barcelona, Spain, to focus on the competitive Spanish market.

2003 TAG Systems Andorra obtains certification of Visa and MasterCard for EMV.

2006 TAG Systems Andorra obtains CQM (Card Quality Management) MasterCard Quality Certification.

2007 Opening of TAG Systems Finland Oy , in Helsinki – Finland.

2007 Opening of TAG Systems Poland sp . z o.o. in Warsaw , Poland.

2007 TAG Systems Andorra receives ISO9001 quality certificate.

2008 TAG Systems Andorra obtains Diners Club International certification.

2008 Opening of TSG Norway AS in Mo i Rana , Norway.

2009 Opening of TAG Systems Smart Solutions SL in Madrid , Spain.

2011 TAG SYSEMS Andorra in collaboration of the Colombian company CADENA, begins its expansion into Latin America, with the creation of TAG CADENA SAS in Medellin.

2012 TAG Systems Andorra obtains ISO 14001 and OHSAS 18001 certification , issued by Applus.

2012 Opening of TAG Systems Finland Oy Latvia, in Riga – Latvia.

2012 TAG Systems Andorra obtains the certification for manufacturing Discover.

Our Subsidiaries

TAG Systems majority shareholders are Andorran, being located its headquarters and production plant in the Principality of Andorra.

The process of expanding the business continues, focusing our resources to places in Europe where we are not present and in South America.

PRODUCTION AND/OR PERSONALIZATION AND COMMERCIALIZATION

- Andorra (Andorra la Vella)
- Spain (Madrid)
- Finland (Helsinki)
- Poland (Warsaw)
- Latvia (Riga)
- Colombia (Medellin)

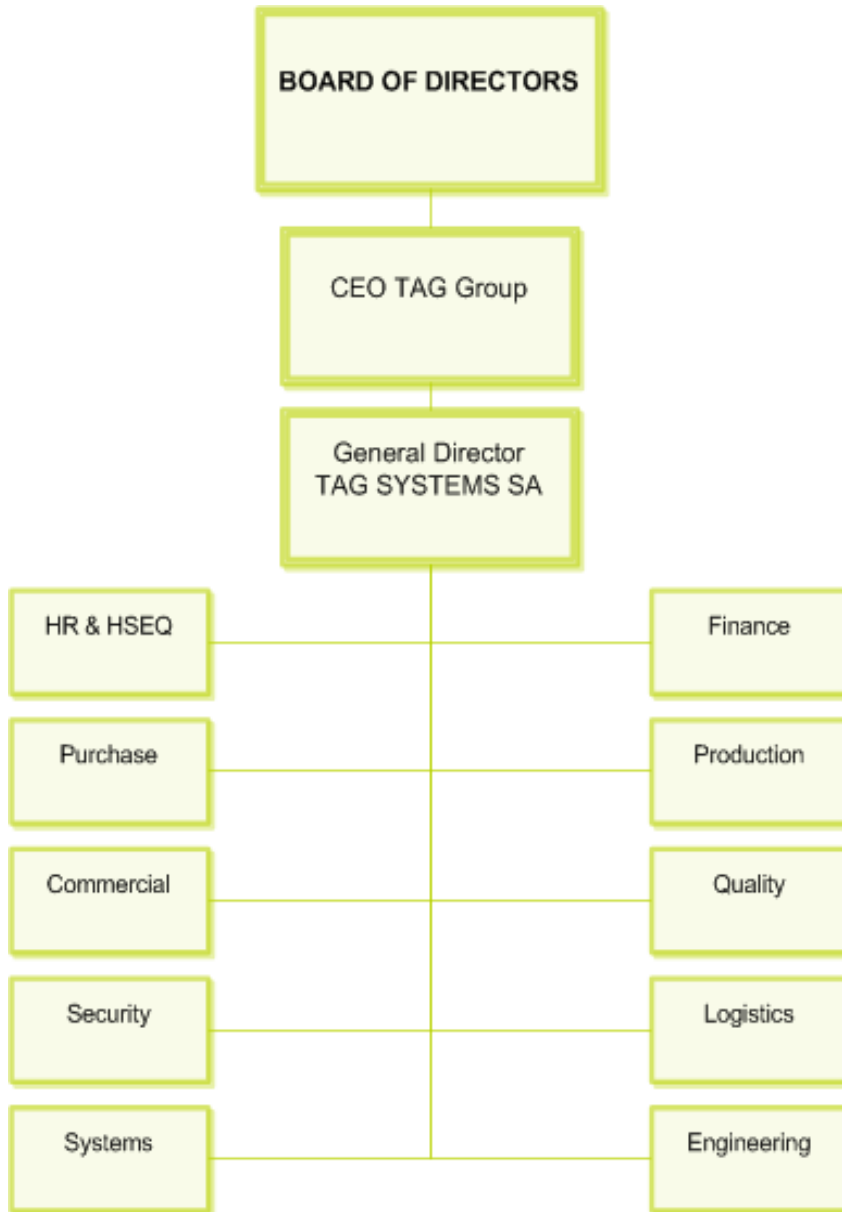
COMMERCIAL OFFICES

- Spain (Barcelona)
- Norway (Mo i Rana)



Organizational Structure

TAG Systems has an international organizational structure, of whom depend all the subsidiaries. In the case of TAG Systems Andorra (the biggest subsidiary) its structure is organized as follows:



Activity data

Produced cards

25.000.000

Orders

1600

Countries where we sell

50

Qualifications and certifications

- **CARD CERTIFICATION PROGRAMS**

- Visa Vendor Certification: Manufacturing, chip embedding, pre-personalization
- MasterCard Vendor Certification: Manufacturing, chip embedding, pre-personalization
- Diners Club International: Manufacturing
- Discover: Manufacturing and chip embedding
- Amex: in process

- **QUALITY PROGRAMS**

- CQM (MasterCard Card Quality Management)
- ISO 9001:2008 Quality Management System
- ISO 14001:2004 Environmental Management System
- OHSAS 18001: 2007 Occupational Health and Safety System

- **OTHERS**

- ICMA Association
- United Nation Global Compact Program
- Achilles JQS (Joint qualification system)
- SICPA (Security printing)



Products and Services

Product / Service	Products and Service Flow	Andorra	Finland & Baltics	Spain	Poland	Colombia
Card Bodies		✓				
Chip or Chip on Reels		✓				
Dual Interface products		✓	✓	✓	✓	
Chip Embedding & Pre-Personalization		✓	✓			
PIN Data Preparation and Print			✓		✓	
EMV Chip Data Preparation			✓		✓	
Card Personalization		✓	✓	✓	✓	✓
Consultancy, SW Development		✓	✓	✓	✓	✓

1. Smart cards and magnetic stripe cards

- Banking cards
- Identity cards
- Membership cards
- Health and insurance cards
- Loyalty cards

Experts in producing plastic cards with printing technique and special effects.

2. Chip platforms

- Chip
- Dual Interface
- Contactless

3. Personalization of commercial cards for the domestic market

- Project for banking cards personalization center under evaluation

4. Consultancy in projects of smart cards

5. Other products and services (outsourced)

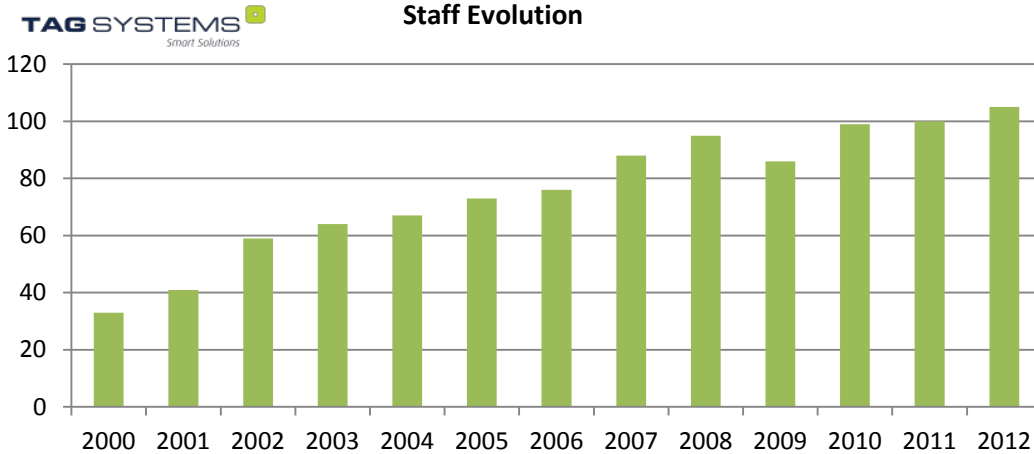
- “Stickers” MC
- Personalization desktop machines
- PKI development



Human Resources

Staff

During 2012 the staff of TAG Systems SA has increased by 5 people .



*65 % of the staff is part of the production department, while the remaining are involved administrative, commercials and management tasks.

Our staff is stable and loyal with the company, in the end of 2012, 98% of the employees of TAG Systems had a permanent contract.

The loyalty of company's staff is the evidence that year by year the average of seniority of all employees is increasing.

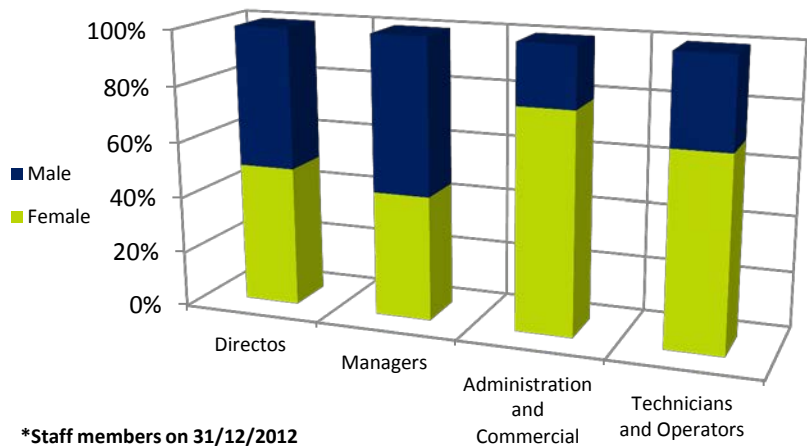
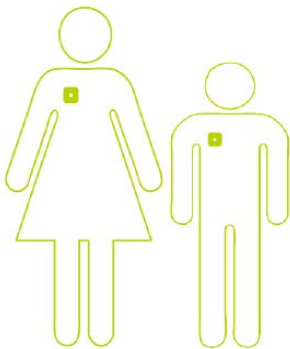


*Average age of last 4 years

Equal Opportunities

TAG Systems encourages to have a varied team and that is why the company guarantees the equal opportunities and the no discrimination on the grounds of sex, nationality, gender, age o others.

Although the percentage in 2011 (71%) has slightly decreased, the female employees that are part of TAG Systems, continue to represent 68% of the total staff. Over half of senior positions (directors and managers), are held by woman. The remuneration of our employees are always linked to their jobs regardless of the gender of the person in question, guaranteeing the equity and equality in remuneration policy.



*Staff members on 31/12/2012

*Total of employees TAG Systems
68% female 32% male

In regard to the age rank of our staff, despite being a young company with **an average age of 36 years**, TAG Systems values equally any employee regardless their age. Our employees range from 17 to 65 years old.

A part from our employees from the subsidiaries of, Norway, Finland, Poland, Spain, Latvia and Colombia, at the headquarters of Andorra, we have employees from **8** different nationalities.

Nationalities in TAG Systems Andorra:

- Andorran
- Spanish
- Portuguese
- Argentina
- Italian
- Ecuadorian
- French
- Latvian

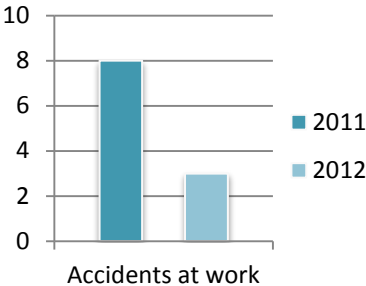


Health and Security

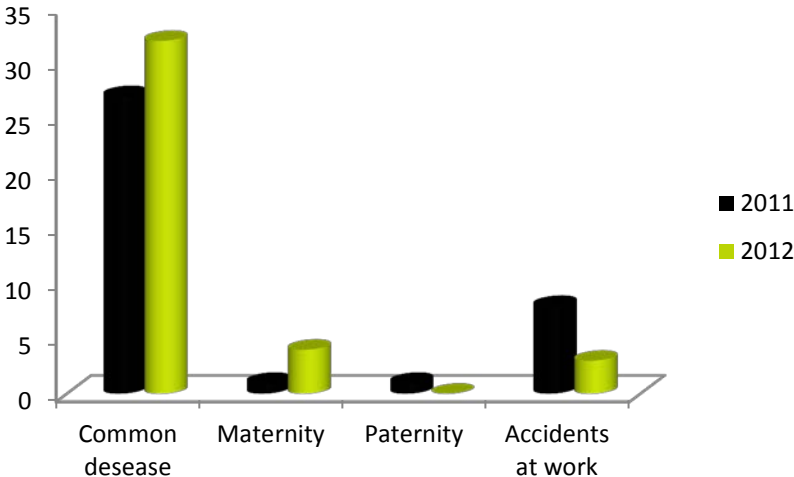
For TAG Systems it's essential and fundamental to ensure health and safety for all its staff, which is why the Health and Safety Committee of the company works to provide a safe and healthy work environment for all employees and meet legal requirements and those imposed voluntarily (OHSAS 18001) in order to ensure the health of the employees.

Accidents at work

During 2012 in TAG Systems there have been a total of 3 accidents, none of them were serious.



As for the rest of the absence, mostly were caused by common disease.

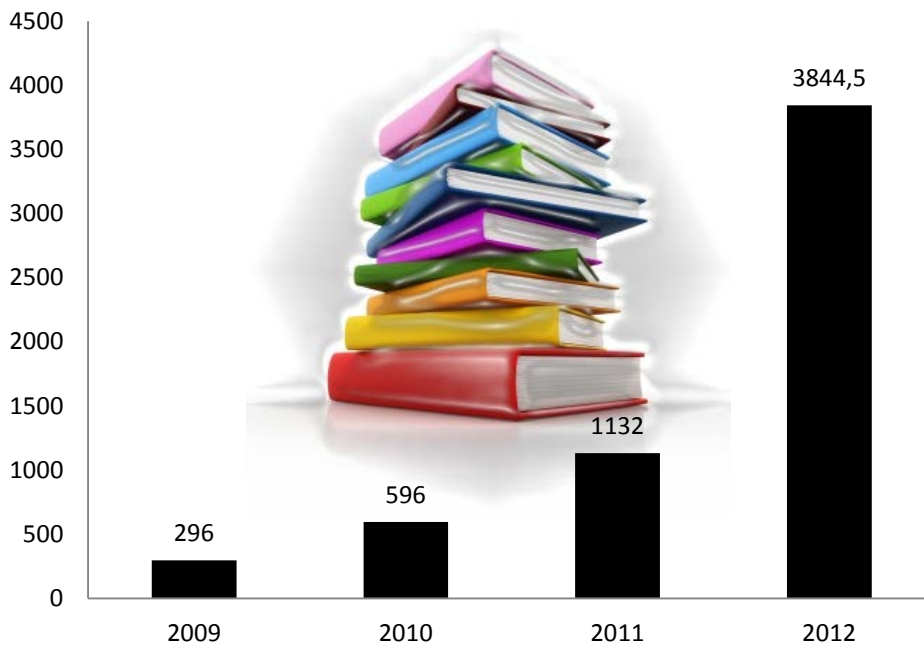


Training

TAG Systems strongly believes in providing training and professional development for all its employees, and that is the reason that each year TAG Systems assigns an important part of its budget in training and development.

During 2012, our company invested a total of 3,844.5 hours in training, increasing hours spent in 2011. Part of this increment is related to Occupational Health and Safety training in which all employees have actively participated, and another investment has been in courses of English classes.

***Hours of training**





Environment

Environment

TAG Systems considers that the development of its activity has to integrate sustainable development criteria to ensure proper management of the resources and environmental protection. For that reason in 2011, the company certified its Andorra la Vella center with ISO 14001

Our compromise with natural environmental respect goes beyond our legal obligations and focuses in a environmental management system integrated into its activities.

This is why, TAG Systems considers the following principles, which are a part of our integrated management policy:




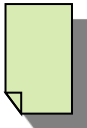
- Application of environmental and energy saving criteria in our processes, making rational use of natural resources and reducing residues and emissions.
- Fulfillment with environmental and energy laws, as well as other compromises voluntarily acquired.
- Training and providing for all the necessary resources for our partners to actively accomplish environmental objectives.
- Development of a continuous improvement effort in our integrated management system, which allows us to improve its performance and at the same time to be more efficient.



Environmental Indicators

Management of energy resources and consumption

One of the annual objectives of the company is monitoring the data and energy consumption, in order to improve each year with being more effective and try minimizing the environmental impact and the associated costs.

	2010	2011	2012
 Electricity consumption (MWh)	666,79	604,97	703,53
 Water consumption(m3)	9.031	8.214	8.399
 Diesel consumption (litres)	17.525	13.424	13.143
 Paper consumption (kg)	900	1.080	888

Not all energy resources consumption can be reduced annually, since many are directly related to the production process, however much importance is given to raise awareness to the staff of the rational use of these resources. If possible, we make technical investments in some of our installations in order to be more efficient in the use of these resources.

Residue management

Our company is certified by the Environmental Department of the Government of Andorra, as a producer of residues (PRP-0029/11), a document certifying that all the residues produced by the company are treated correctly under the law.

The main raw material consumed by TAG Systems is plastic, used in the card manufacturing process. However, throughout the production process, and also during other services offered by our company, other kinds of waste materials are produced, which in turn are also collected and treated properly.

Selective residue collection

Since 2011, TAG Systems has an internal procedure for residue collection, with the intention that all the employees of the company actively participate.

	2011 (data June-December)	2012
Paper (kg)	658	1.170
Lightweight containers(kg)	526	936
Batteries (kg)	No data available	39
Toners (kg)	10	49
Fluorescent lights (units)	No data available	11
Waste (kg)	528	1.091





Customers and Suppliers

Customers

The quality of our products is a vital matter for the company and based on the principle that quality is not controlled, is produced.

For this reason, we have several control spots arranged all through the different production stages in order to ensure a maximum quality level during all the manufacturing process.

Control spots are based on different regulations and standards specifying the requirements for the plastic card manufacturing.

We base our performance on the CQM program (Card Quality Management), which contemplates some of the following rules and regulations:

- ▣ ISO/IEC 7810
- ▣ ISO/IEC 7811-1, ISO/IEC 7811-2, ISO/IEC 7811-6
- ▣ ISO/IEC 7816-1, ISO/IEC 7816-2, ISO/IEC 7816-3
- ▣ ISO/IEC 10373-1, ISO/IEC 10373-2, ISO/IEC 10373-3
- ▣ Chip hardware functionality controls with terminals, according to EMV regulations.
- ▣ Design requirements according to Visa, MasterCard and Diners Club manuals.

Our Quality Control Department inspects all finished cards following our ISO AQL (Acceptance Quality Level) sample table.

We aim for a constant search for improvement in order to satisfy our customer's needs. For this reason, whenever we receive a claim, a complete correcting process is engaged. All necessary actions are then undertaken and the incidence is totally solved in order to avoid it occurring again in the future.

Suppliers

TAG Systems Andorra makes use of one of the bests raw materials in card production. These materials undergo a strict homologation process before they are processed.

When raw materials reach our plant, they go through several checkpoints where their suitability is determined. Owing to these entry controls we have achieved a considerable increase on final product quality, due to the fact that when faulty raw materials are detected, these are automatically discarded, and therefore, potential production issues are avoided from the very beginning.

In addition to this, we do not only give priority to quality on purchased raw materials, but we also value positively those suppliers who incur in a smaller environmental impact. One of our main requirements at the time of evaluating new potential suppliers are their environmental management systems.



Global Compact

SUPPORT TO GLOBAL COMPACT

TAG Systems Corporate Social Responsibility Report describes the measures adopted on the basis of the Ten Principles of the UN Global Compact, which we have been supporting since 2011.



HUMANS RIGHTS

TAG Systems respects human rights in every one of its activities and values very positively the adherence to the World Pact or other similar declarations respecting this principle on its partners, suppliers and customers.

LABOUR STANDARDS

TAG Systems respects all principles and regulations related to labour rights, both national and international.

Policies for non labour discrimination of any kind are enforced and all kinds of forced labour rejected, as well as any other kinds of work which violate any human or labour right.

ENVIRONMENT

Evaluation of the impact and the environmental effect of the environmental hazards prevention actions, being this of the key points on the company's policies.

ANTICORRUPTION

TAG Systems rejects all those activities that might incur into any kind of corruption, including extortion and bribery.