

Communication On Progress

2014



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.



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CEO's Declaration of Intent

Dueville, 27 January 2014

Following our commitment stated in the letter dated 15.05.2012, I am pleased to announce that Palladio Zannini Industrie Grafiche Cartotecnica hereby confirms its commitment to implementing the Global Compact's 10 principles on human rights, labour rights, environmental protection and the fight against corruption.

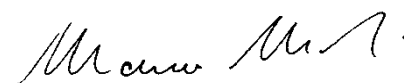
We are committed to maintaining the Global Compact (and its principles) as an integral part of our business strategy and culture in all our business activities. These activities focus on the protection of natural and human resources and their sustainable use.

This Communication on Progress describes the practices implemented by Palladio Zannini to comply with the principles promoted by the Global Compact and informs our stakeholders about the results achieved in a fully transparent manner.

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

Mauro Marchi

Chief Executive Officer



1. Our Organisation

Palladio Zannini was set up in 1946. The Company manufactures and supplies paper- and/or printed cardboard-based secondary packaging to the Pharmaceutical and Cosmetics Industries.

It carries out its activities at its Italian plants located in:

- Dueville - Vicenza (the registered office)
- Thiene – Vicenza
- Pontedera – Pisa

The Company has grown over the years and this

has led to an expansion of its production activities to the following foreign sites:

- Vršac (Serbia)
- Tullamore (Ireland)

The opportunity to enter the international market has widened our horizons from a commercial viewpoint and this has contributed to our growth, thanks to the contacts we enjoy with the surrounding communities and the foreign staff who work 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.



2. Production activities

The purpose of the Group's activities is substantially the same in the various sites and can be defined 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 specifically:

- ▶ folding cartons
- ▶ blister packs
- ▶ folded, flat and glued reel leaflets
- ▶ booklets
- ▶ self-adhesive labels
- ▶ bar-code stickers
- ▶ over-labeling on folding cartons
- ▶ printing on aluminium and laminated materials.

Our production is project-based, we follow guidelines and technical specifications provided by the customers.

All production activities are carried out by means of technologically advanced machineries and equipment with regards to safety, reduction of energy consumption and environmental protection.

Production supporting activities can be classified as:

- Computerisation 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

3. Corporate Mission

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

In line with its mission, Palladio Zannini has always invested in technologies and advanced equipment, often developed before anybody else thanks to the close relationships established with its customers and suppliers.

All this contributed and still contributes to provide a measurable added value in terms of logistics, productivity and lead-time.



4. Our Certifications and voluntary adherence

From the point of view of continuous improvement, Palladio Zannini has been using for a long time Industrial Management Systems which comply with the following standards:

- ISO 9001
- ISO 14001
- OHSAS 18001.

The Quality Management System was developed and is maintained taking into account the applicable GMP requirements too.

Recently the Organisation has also obtained the independent and voluntary certifications of traceability (Chain of Custody - CoC) of the products derived from FSC or PEFC certified forests. For this reason, the Organisation is committed also to not being involved, directly or indirectly, in activities that conflict with its quality, environment and safety policies. In 2013 also the foreign plant Zanini East obtained the FSC and PEFC Chain of Custody certifications.

These are the certifications of the various sites at 31/12/2012:

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



Although the foreign site Zannini Ireland has no Environmental and Safety certifications, they currently comply with the applicable binding legislation in force and the purchasing of forest raw materials is managed in accordance with the Sustainable Forest Policy and pursuant to the shared procedures and Vendor Lists.

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

For this, in addition our adherence 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

Our adherence to the initiatives supported by *Consorzio COMIECO*.



5. Main awards and prizes received in 2013

The several prizes and awards received over the years prove Palladio Zannini's commitment to responsible management.

In 2013 our Customer Johnson & Johnson awarded us with two major recognitions:

Supplier Performance Excellence Award

in recognition of our commitment as a supplier of excellence and our ability to maintain the gold level for 4 consecutive years



Sustainability Award

in recognition of the excellent environmental contribution as a supplier



Honorary Citizenship

On May 29, on the occasion St. Theodore's day (patron of Vršac) - the municipal feast-day - the Assembly of the Municipality of Vršac, in a solemn session, conferred the honorary citizenship of the City of Vršac for the year 2013 to Mr. Mauro Marchi with the following reasons:

"For his outstanding contribution to the economic development and promotion of the economic potential of our City."



6. Main activities carried out in 2013

Open recycling 2013

For over 10 years Palladio Zannini has been participating to the national initiative of COMIECO paper supply chain (the Italian consortium for the recovery and recycling of cellulose-based packaging). The Company is in fact aware of the relevance of this initiative and the importance of educating future generations to protect the environment.

Each year our plants 'open their doors' for two days and welcome groups of children and adults who are illustrated the recycling processes and methods.



Lions Global Compact meeting

In 2013 Palladio Zannini attended the Lions Multi-District Conference on Global Compact organised by Lions Club International.

Lions Club International is directly involved in the promotion of the UNGC via an agreement signed at the United Nations and through its representation at international organisations such as FAO.

The conference was centred on the Global Compact with the aim to spread adherence to this instrument that focuses on 10 principles relating to human rights, workers, environmental protection and the fight against corruption.

At the meeting we talked about our participation in the Global Compact and our actions in favour of the environment, labour, and sustainability. Consistently with our tradition, over the years these actions had already contributed to define our Company a socially responsible concern.

The Chairman of the Global Compact Network Italy, Marco Frey, attended the meeting too and highlighted the important prizes awarded to Italian companies at the Rio +20 conference on sustainable development.



Sustainability days

Involving and educating all our employees and their families on environmental issues by means of an immediate and impactful tool.

This is the goal promoted by the Company and for this purpose the 'Sustainability Days' were organised with the showing of the film *Home* by Yen Arthus-Bertran.



Home is a splendid documentary film promoted by the foundation Good Planet, produced by Luc Besson and simultaneously released on 5 June, 2009 in the cinemas of fifty countries (on the World Environment Day).



The projections were made in May in Tullamore, Ireland, in June in Vršac, Serbia and in October in Dueville and Pontedera in Italy.

Ecovadis Assessment

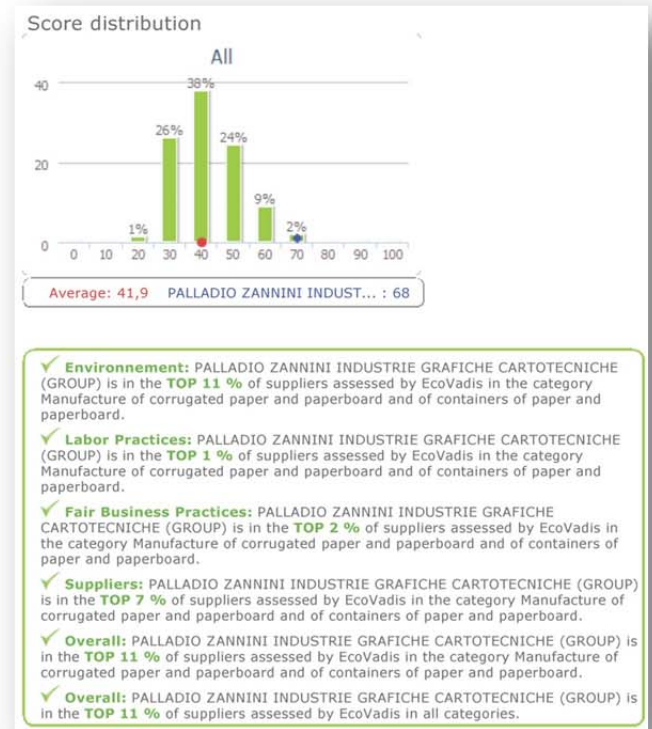
Palladio Zannini had to face the challenges of sustainable development, with the consequent need for a clear picture of the performance of its CSR (Corporate Social Responsibility).

We therefore asked a third-party body to perform a comprehensive assessment of our CSR with a detailed description of its strengths and weaknesses.

The report submitted at the end of this assessment (available on our website) allowed us to have an accurate picture to identify possible areas for improvement.

This activity put Palladio Zannini Group, with its score, in the top 2% group of all companies evaluated by Ecovadis.

We therefore were classified as *Advanced* and marked as *Gold* for our approach to Corporate Social Responsibility.



The United Nations Global Compact's 10 principles



7. Principles on Human Rights

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.

Policy

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

We are confident that the respect for human rights, the moral commitment and the strongly widespread business ethics, 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.

Business Commitment

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

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

Implemented actions and performance indicators

The corporate Code of Ethics sets that Palladio Zannini monitors compliance with the foregoing principles through an Ethics Committee which verifies the reported breaches of the Code and ensures that those who report non-compliant behaviours are not subject to any form of harassment.

Any report shall be considered only if submitted in writing and in a non-anonymous manner, but the confidentiality of the reporting person is guaranteed.

Palladio Zannini has never been involved in any complaints (fines or disputes) that could damage its repute.

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

To this regard, the Company has also set up the *Security and Safety Clubs* in order to promote interactive communication initiatives organised by the heads of the departments and 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 sanctions in relation to possible breaches of the corporate rules on safety.

	ITALY		
Year	2011	2012	2013
Total no. of working hours	542439	523433	536923
No. of accidents	19	15	14
No. of absence hours due to accidents	1086	2056	2376
Accident frequency rate	35,03	28,66	26,07
Accident severity rate	0,25	0,49	0,55

	SERBIA		
Year	2011	2012	2013
Total no. of working hours	128312	187211	223382
No. of accidents	3	6	2
No. of absence hours due to accidents	10	16	14
Accident frequency rate	23,38	32,05	8,95
Accident severity rate	0,01	0,01	0,01

	IRELAND		
Year	2011	2012	2013
Total no. of working hours	23787	25395	25718
No. of accidents	0	0	0
No. of absence hours due to accidents	0	0	0
Accident frequency rate	0	0	0
Accident severity rate	0	0	0

Furthermore, in accordance with its policy on "Health, safety and hygiene at work", employees are offered the opportunity to benefit from 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 foster their integration and strengthen the team spirit that distinguishes us.

We invest in training and improvement opportunities as we believe these are crucial for the personal growth of our staff. Precisely for this, over the years we have promoted 'recreational' activities whereby professional life experiences are coupled 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.

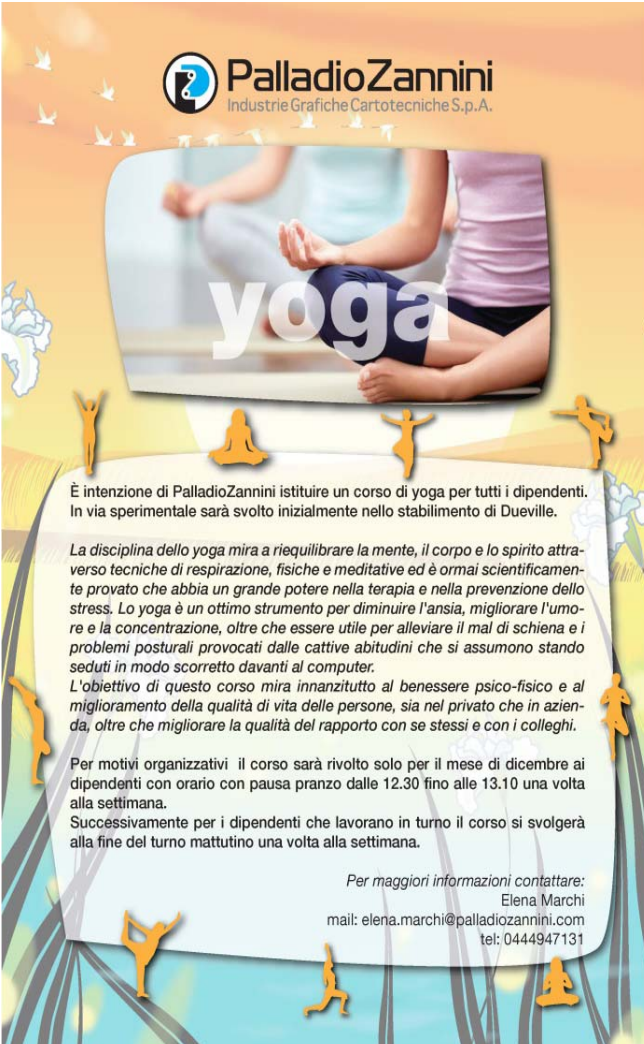
These meetings aimed at learning and experimenting some tools for the corporate team: the *Cooking Lab* day when cooking alternated with business briefs; and the *Bacchus & Management* event aimed at developing relational skills with customers and employees through an innovative and compelling methodology: wine-tasting.

In 2013 Palladio Zannini promoted a yoga class for all its staff.

As an experiment, it was carried out initially in the Veneto plants. In 2014 the course will be extended to the Tuscan plant.

Yoga is a great way to reduce anxiety, improve the mood and concentration, and it is also a helpful means to relieve back pain and postural problems caused by the bad habit of sitting incorrectly in front of the computer.

This activity has been implemented with the aim of increasing the psychological and physical wellbeing and, consequently, the quality of life of employees, both in their private lives and at work, as well as improving the quality of the relationship with oneself and the colleagues.



PalladioZannini
Industrie Grafiche Cartotecnica S.p.A.

yoga

È intenzione di PalladioZannini istituire un corso di yoga per tutti i dipendenti. In via sperimentale sarà svolto inizialmente nello stabilimento di Dueville.

La disciplina dello yoga mira a riequilibrare la mente, il corpo e lo spirito attraverso tecniche di respirazione, fisiche e meditative ed è ormai scientificamente provato che abbia un grande potere nella terapia e nella prevenzione dello stress. Lo yoga è un ottimo strumento per diminuire l'ansia, migliorare l'umore e la concentrazione, oltre che essere utile per alleviare il mal di schiena e i problemi posturali provocati dalle cattive abitudini che si assumono stando seduti in modo scorretto davanti al computer.

L'obiettivo di questo corso mira innanzitutto al benessere psico-fisico e al miglioramento della qualità di vita delle persone, sia nel privato che in azienda, oltre che migliorare la qualità del rapporto con se stessi e con i colleghi.

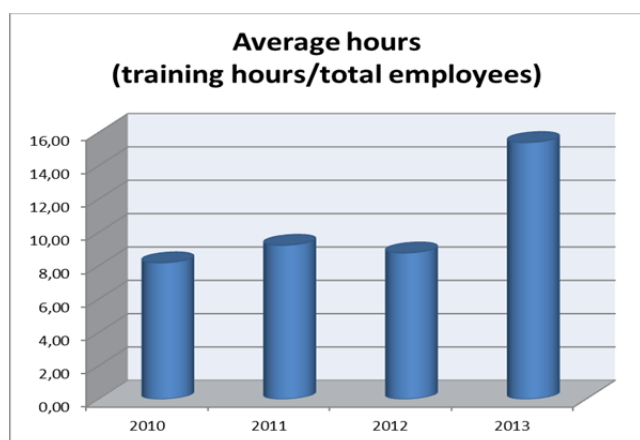
Per motivi organizzativi il corso sarà rivolto solo per il mese di dicembre ai dipendenti con orario con pausa pranzo dalle 12.30 fino alle 13.10 una volta alla settimana.

Successivamente per i dipendenti che lavorano in turno il corso si svolgerà alla fine del turno mattutino una volta alla settimana.

Per maggiori informazioni contattare:
Elena Marchi
mail: elena.marchi@palladiozannini.com
tel: 0444947131

The weekly meetings of all members of the trade and production sectors (via video conferences too) contribute to the building and growth of the participants' skills by sharing the know-how held by the mid-managers/executives.

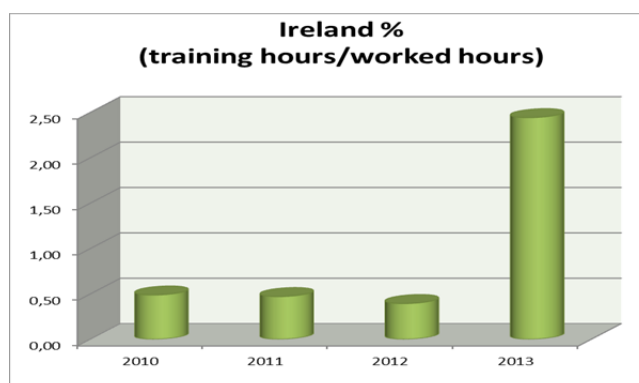
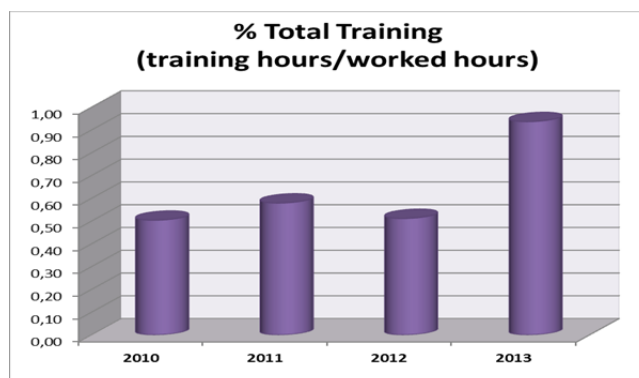
These meetings are not recorded in official records but an estimated can be made of approximately more than 4000 hours per year.



	Training hours/worked hours		
	ITALY	IRELAND	SERBIA
2010	0.53	0.49	0.35
2011	0.63	0.47	0.41
2012	0.61	0.39	0.25
2013	0.94	2.44	0.76

	Training hours/employee		
	ITALY	IRELAND	SERBIA
2010	8.53	7.33	6.43
2011	9.74	8.00	7.14
2012	9.70	6.67	5.01
2013	15.08	41.87	15.02

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 the companies it works with for the provision of products and/or services.

All Suppliers (contractors) who are selected for works to be done within our premises, are required, as foreseen by our procedures, to submit some documentation proving their compliance with the 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.

Since one of the basic principles is that Corporate Social Responsibility also involves raising awareness by the suppliers, we have initiated a process to evaluate their commitment to social responsibility. For the purpose of making them aware and ensuring that they carry out their activities in accordance with the principles of ethics and work management, a letter was sent to them together with a specific questionnaire. This activity began in 2012 and ended in 2013 with the results shown in the table below.

As reported in the table, 77 suppliers of materials were assessed out of the 127 we work with, which corresponds to 60% of the total. Of the 77 questionnaires sent out, 47 were returned, namely 61% of the total.

The unreturned questionnaires for the most part concern service providers (e.g. maintainers, contractors) who, however, are necessarily evaluated whenever they perform some work within our premises, as required by the

procedures and legislation in force.

Most suppliers have certified Management Systems (quality, environment, safety).

65% of them adopted a Code of Ethics and, in any case, all stated their commitment to abiding by the State laws, fighting against corruption, respecting fundamental human rights, protecting the environment, and promoting compliance with these requirements also by their suppliers.

OUTCOMES OF SUPPLIERS' QUESTIONNAIRES	
No. of total suppliers	127
% of evaluated suppliers	60
No of questionnaires sent out	77
% of returned questionnaires	61%
% of suppliers with quality systems	80%
% social certification	0%
% with Code of Ethics	65%
% willing to commit in social requirements	100%
% environmental certification	55%
% of suppliers who will obtain certification in the future	18%
% with an Environment responsible Function	38%
% with Safety certification	25%
% respecting EHS policy	100%

To confirm our respect for the principle of not being complicit, *even indirectly*, in the abuse of human rights, through the FSC certification we are committed to purchasing our raw materials in compliance with the principles promoted by the FSC Organisation. This includes the recognition and protection of the rights of indigenous peoples and other minorities (such as local communities) who are forest-dependent.

In 2013 Zannini East too obtained the FSC-CoC and PEFC-CoC certifications. The achievement of these certifications by Zannini East further strengthens our sustainable procurement policy which certifies that 100% of cardboard and paper we buy in our plants does not come from controversial sources.

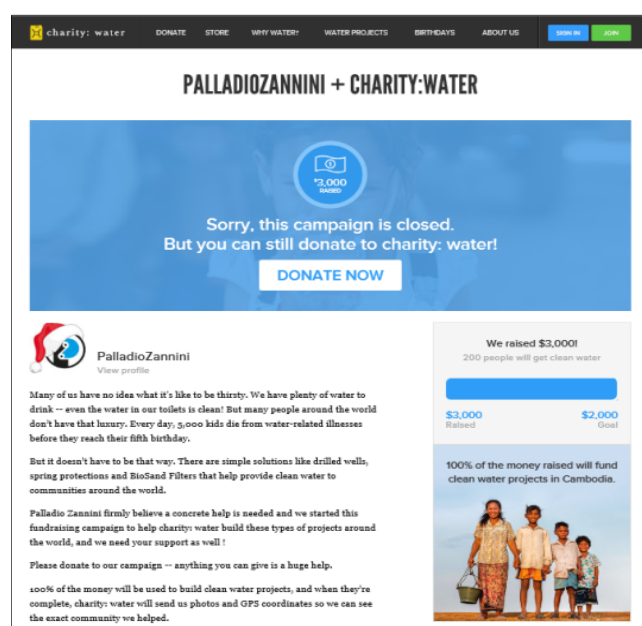
Also, we ensure that our control processes relating to the origin, traceability, production and use of these raw materials are carried out according to forest certification standards which are recognized worldwide.



In December 2013, in order to support the concept acknowledged by the UN General Assembly that "**Water is a Human Right**", we decided to support *Charity:Water*, a U.S. serious and reliable organisation, whose mission is to provide clean and easy-to-access water to the peoples and villages that are having difficulties.



As Christmas time was approaching, the Company decided to launch an initiative called *PalladioZannini + Charity:Water* with the aim of involving employees in these issues, by supporting this initiative through donations. The target we set was largely achieved.



8. Principles on Labour

Principle 3:

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

Principle 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

Policy

With reference to social responsibility, it seems essential to focus first on our employees to ensure their compliance with the above-mentioned principles, and then reach all stakeholders, thus checking all the 'players' who work with us.

Our policies fully support the labour rights promoted by the Global Compact, on the basis of the fundamental labour principles and rights issued by ILO (International Labour Organization), as these are key to a healthy and respectful partnership with our employees. All activities are carried out within the company in compliance with these principles.

Corporate commitment

Beside the various commitments made, our Charter of Values acknowledges:

- Unions relations
- Equal Opportunities
- Proper working conditions
- Condemnation of child labour and respect for the rights of children
- Respect for political and religious beliefs
- Integration of disabled people

Implemented actions and performance indicators

Relations with the unions

National Collective Labour Contracts are regularly in force at Palladio Zannini.

The Company recognizes all employees their rights to join trade unions, and this does not entail any benefit or disadvantage for these employees.

	2012	2013
No. of union members	94	89
No. of strikes	3 (257 hours)	1 (140 hours)
No. of labour disputes	0	0
No. of unions meetings	7 (544 hours)	10 (507 hours)

For this purpose, the trade unions can conduct their activities freely and no pressure or interference is made by the Company Management

The Human Resources Department has always been open to dialogue, is available to listen to and address any issues raised by the workers and seeks satisfactory solutions for complainants, always in compliance with corporate ethics and confidentiality obligations.

Through a voting system which guarantees confidentiality and anonymity, our employees elect their ERS (Employee Representatives for Safety) and TURs (Trade Union Representatives).

Proper working conditions

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

A public commitment to promoting and facilitating the social dialogue requires agreements with the unions to state that working hours at Palladio Zannini are determined so as not to prejudice the right of every employee to enjoy daily resting periods and to recharge his/her psycho-physical and mental energies.

Each worker fully benefits from holiday entitlements and sick leaves.

Our staff is paid an annual bonus to encourage active participation in the business and reward all those who contribute to 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 legal minimum wages.

In order to promote and encourage career developments, the results achieved by each

worker or the collective performances of their departments are assessed annually.

	2012	2013
Below-the-minimum wages	89.86%	89.52%
Annual wage increases	61.86%	46.03%
Economic bonuses	97.67%	97.67%
Benefits	6.42%	6.82%
Overtime hours	5.93%	5.49%
Hours of holidays	8.71%	7.79%
Disciplinary measures	1.55%	2.00%
Worked ordinary hours	722269	763871
Hours of holidays	68694	63161
Overtime hours	33918	43104

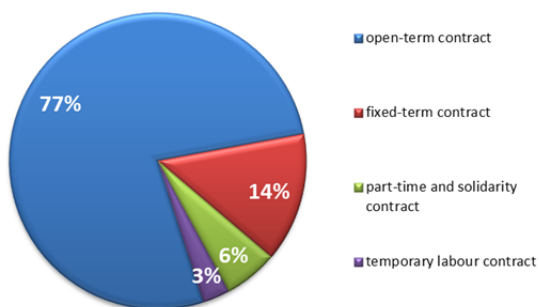
	2012	2013
Total male employees	338	379
Total female employees	93	109
Total employees	431	464
With an open-term contract	340	366
With a fixed-term contract	62	66
With a part-time and solidarity contract	26	27
Temporary workers	13	29
Members of trade unions	94	89
Disabled workers	22	22
Foreign workers	16	19

In-house and external training courses allow us to strengthen the skills of our human resources

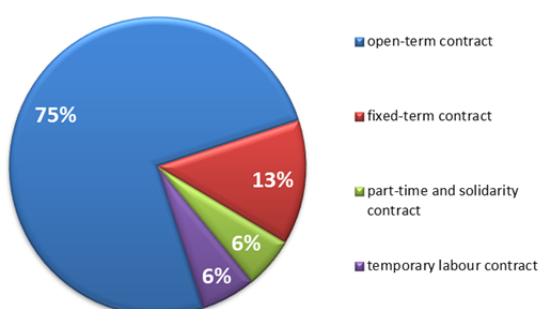
in order to encourage exchanges between departments and operations of internal mobility, where appropriate. This supports the Company's policy aiming to favour to internal recruitment.

Furthermore, in order to anticipate or mitigate any negative impact due to redundancies, the Company works with employment agencies for executing minor activities (e.g. portering, warehouse handling).

Labour contract breakdown - 2012



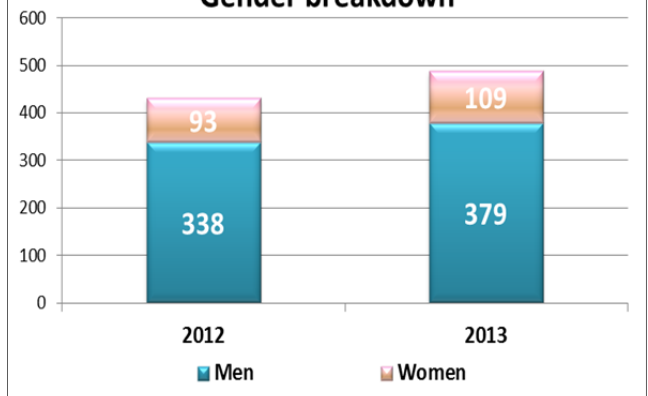
Labour contract breakdown - 2013



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

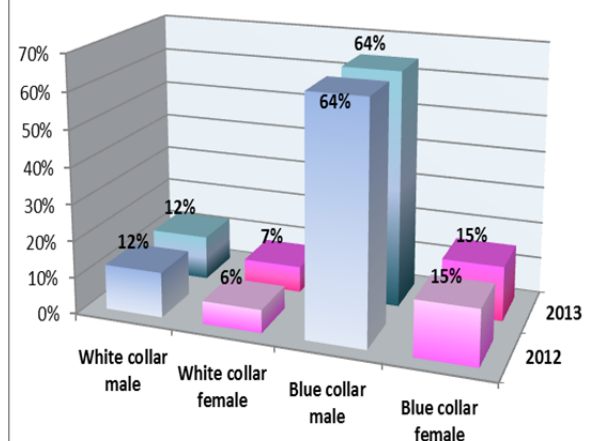
This condition is a prerequisite for establishing labour relations in compliance with the relevant legislation in the countries where we operate.

Gender breakdown



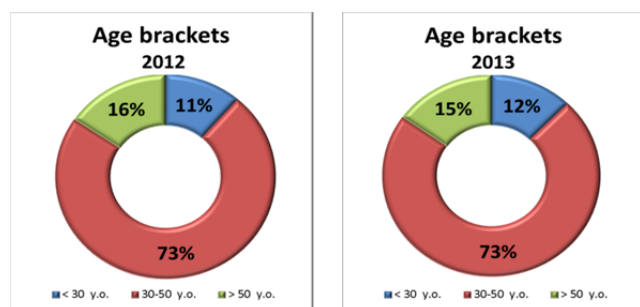
One of the objectives of our corporate policy is the right to equal opportunities and therefore any social, racial and religious discrimination is condemned while the integration between individuals and cultural exchanges are sustained.

Blue collar - White collar



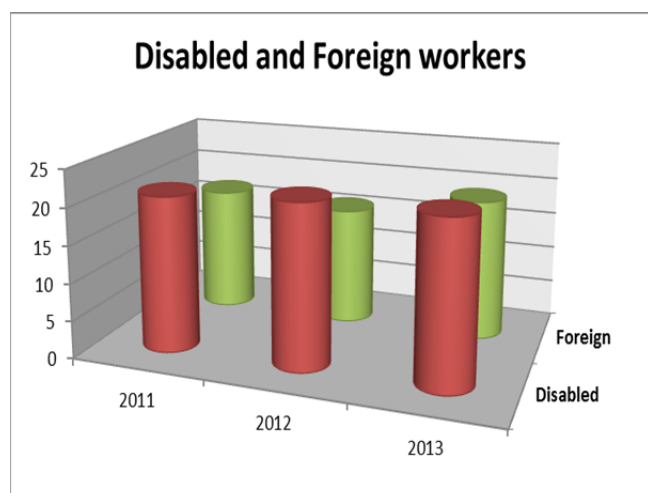
Wages are paid on the basis of the qualifications of the personnel, their personal experiences and skills.

All this in order to give adequate remuneration for equal work performed, irrespective of any discrimination and befitting each worker.



Notwithstanding the recruitment percentage of disabled people foreseen by the national laws in force - regularly fulfilled – in the attempt to ensure equal treatment, Palladio Zannini supports the integration of disabled people in the Organisation by assigning jobs which respect their disabilities.

The working conditions and the workplace are maintained/designed for permitting the mobility of disabled people.



Also 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 that does not respect the principles of labour, is condemned.

Age of employees < 30 y.o.	2012	2013
Men	42	46
Women	7	11
Male white collars	2	3
Female white collars	3	5
Male blue collars	40	45
Female blue collars	4	7
Managers	0	0

Age of employees 30-50 y.o.	2012	2013
Men	247	261
Women	68	74
Male white collars	40	39
Female white collars	18	22
Male blue collars	205	220
Female blue collars	49	51
Managers	3	2

Age of employees > 50 y.o.	2012	2013
Men	49	53
Women	18	17
Male white collars	11	14
Female white collars	6	6
Male blue collars	32	33
Female blue collars	12	11
Managers	6	6

	2012	2013
Mean age	38.18	38.52

9. Principles on the Environment

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.

Policy

Palladio Zannini is committed to respecting and safeguarding the environment. To this purpose a first step was the implementation of an Environmental Management System (integrated with the Health and Safety Management System) in the Italian plants in order to identify the main environmental impacts and mitigate them.

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

At a time when attention to this problem is increasing, we try by all means to reduce the sources of pollution and reduce waste of natural resources and Palladio Zannini is proud to give its contribution throughout its activities.

Business commitment

The environmental policy adopted by the Top Management aims at:

- Analysing and minimising our environmental impact.
- 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.

Implemented actions and performance indicators

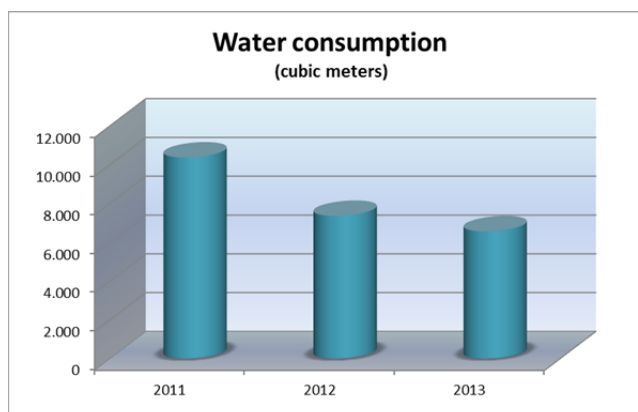
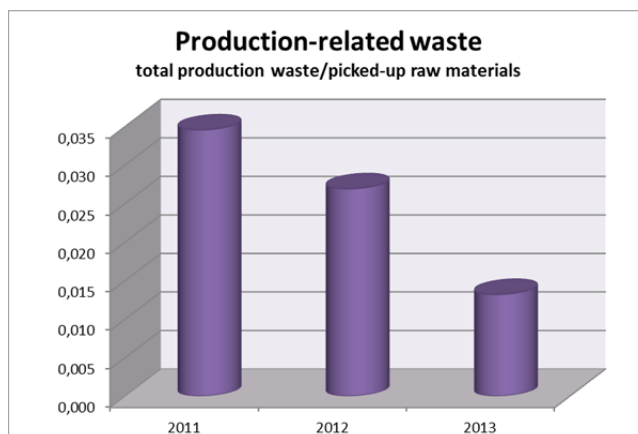
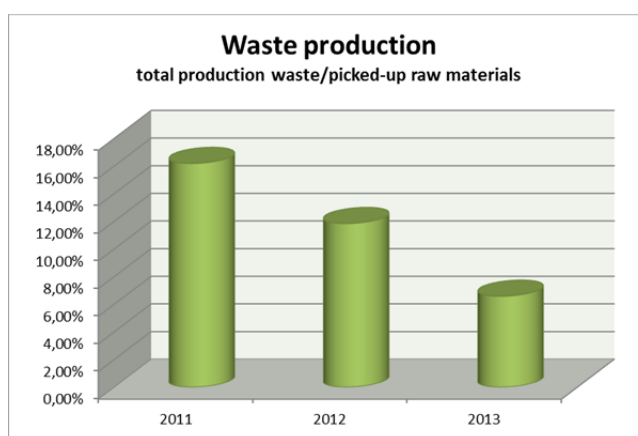
In relation to our activities, products and services, we identify our direct and indirect environmental aspects and the related impact factors.

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

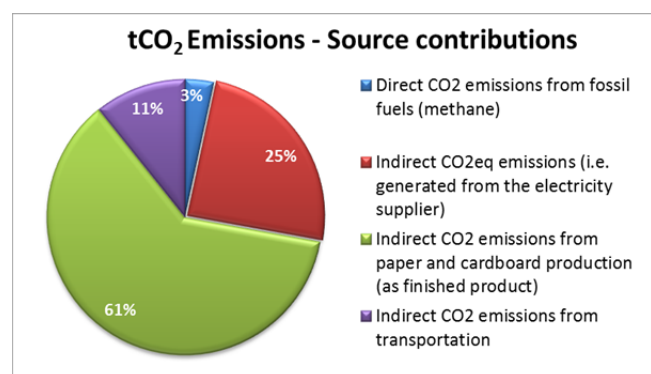
Our 'Logbook of Impact Factors' provides an overview of the most significant activities. In this context, the applicable legal requirements and other requirements endorsed by the Organisation are taken into account in the definition, implementation and maintenance of the Environmental Management System. Specific improvement targets are defined annually to allow us to improve our performances and reduce consumption resulting from wastage. In 2013 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 reduced and (in some cases)

eliminated substances that are harmful to the environment and to Health and Safety in the Workplace. This has allowed for a greater protection of our employees and a greater waste reduction of hazardous substances (such as the elimination of isopropyl alcohol from the printing process).

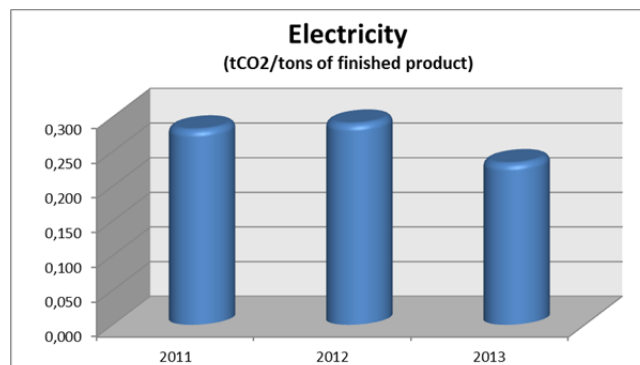
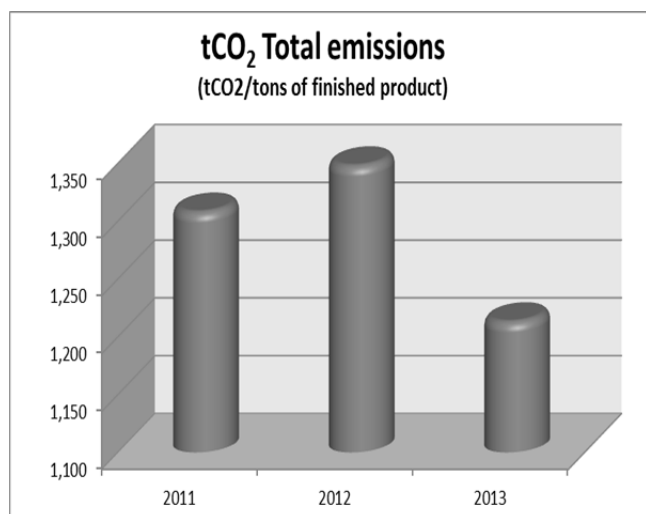


Another major step in the policy of waste reduction is the management of waste resulting from our raw materials (paper and cardboard). Most of this waste is handled as by-products.



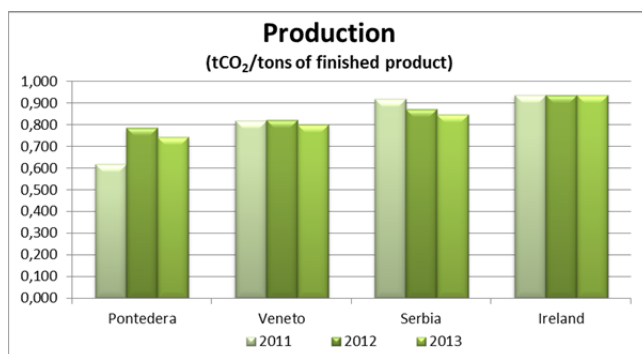
Since 2009 Palladio Zannini has been analysing its LCI starting to monitor the greenhouse gas emissions (GHG) due in particular to:

- Consumption of natural gas (direct greenhouse gas emissions)
- Consumption of electricity (indirect greenhouse gas emissions)



The Company checks the indirect impacts resulting from its production activities such as:

- Consumption of paper-based raw materials
- Transportation related to the purchase of paper-based raw materials
- Transportation related to 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 these reductions was measured through the assessment of the corporate Carbon Footprint for the years under examination (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).

Therefore, as we are unable to act directly on the products sold to the end consumers, we promote sustainable consumption with our customers. This is shown by some of our initiatives (e.g. the 'Pandora' project or the 'Green Procurement' project), which aim at reducing 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 rationalisation of the supplier's warehouse
- a greater flexibility in processing orders.

Palladio Zannini has been focusing on a number of environmental elements, including biodiversity. Surely, we do not operate in protected areas or where there are species in

danger of extinction. Rather, in adhering to systems of forest management, like FSC and PEFC, we prove our interest in this field.

Supporting the protection of forests and their wildlife and opposing the illegal trade in timber, seems only right in consideration of our type of production.

Staff awareness in this field is very high 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. All this to ensure that our vision and commitment to the environment are shared by them too.

10. Principles against Corruption

Principle 10:

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

Policy

At Palladio Zannini corruption is not tolerated at all.

What drives our choices is the value of 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 contact.

Business commitment

At Palladio Zannini:

- it is not allowed to promote role development and reward employees only with regard to the merits the latter demonstrated in their involvement, professional growth, achievement of objectives and sense of belonging to the Company
- it is not allowed to promise or offer items, services, performances or favours of worth (to Public Administration Managers, Officers or Employees or their relatives) in order to achieve an interest or benefit for Palladio Zannini. The offer of gifts or other benefits of little worth 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 the requests for contributions from non-profit bodies and associations with regular bylaws and articles of association or the requests for donations only for charitable purposes
- sponsorships may relate to social activities, environmental activities, sports, art and culture in general.

Implemented actions and performance indicators

Our business relations are based solely on trust relationships with our customers who selected us only for the embedded qualities of the products we supply.

Our suppliers are carefully selected and qualified and no special treatment is granted to any of them nor agreements are in place that could determine potential conflicts of interest.

Those who work with our Company should see us as valid trading partner and be aware that the way we do business is based on social ethics principles and values.

For this reason, from the point of view of Responsible Marketing, our customers and suppliers are sent a report containing the commitment by Palladio Zannini to Social Responsibility and trying to persuade them to operate in accordance with our principles.



We are aware that the fight against corruption is a global challenge and represents a major obstacle to sustainable development. Hence in 2013 we carried out a training initiative about this.

During this training, which involved all employees, managers and executives of the Italian and foreign sites, the topics listed in the Code of Ethics were treated globally with a focus on issues relating to the fight against corruption.



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

All payments to be made by the Company shall be commensurate with the performances offered and the 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.

In 2013 we also revised the Code of Ethics and a Whistle Blowing procedure was added.

While the Company opposes any activity likely to generate acts of corruption, on the other hand it is deeply committed to supporting charities that help the needy.

Over the years, we have made some donations to local and international non-profit foundations, such as:

The Foundation Citta' Della Speranza, Caritas, Italian Red Cross, the Mission Ciudad Del Nino, Charity Water, etc., as we are aware that a small gesture on our part is a great help.

	WHISTLE BLOWING REPORT
<small>Mod. WB eng - rev 02</small>	
I, the undersigned, employee of the Company Palladio Zannini S.p.A. - Plant of: hereby declare that I have read the Whistle-blowing procedure, included in the Code of Ethics, and I accept the constraints contained therein.	
Do you wish to remain anonymous? YES <input type="checkbox"/> NO <input type="checkbox"/> <small>Please note that the recipient of this report will always be aware of your personal data.</small>	
How do you prefer to be contacted? <input type="checkbox"/> telephone: <input type="checkbox"/> e-mail: <input type="checkbox"/> in person	
WHISTLEBLOWING REPORT	
What violation do you want to report?	
Do you have well-founded suspicions or are you certain about it?	
Where did it happen?	
When did it happen?	
Who do you think is involved?	
What is, in your opinion, the potential damage (financial or of other kind) for the company and the concerned parties?	
Do you think it is going to happen again?	
How did you find out?	
Have you reported this to your Supervisor first? (if not, why and if yes, with what result?)	
Do you know if other people are aware of it, although they are not personally involved?	
Do you have any tangible evidence that can be submitted?	
Further information	
DATE	SIGNATURE

