



PakMarkas

Sustainable Development Report

2015

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Manager's Letter



In the 21st century, rapid technological development encourages interest in novelties, mastering them and increasing efficiency of work. Growing global competition directly affects all companies. Innovations emerging in one country spread throughout the world in a blink of an eye.

A faster pace of life and continuous pursuit of better results throws us into never-ending vortex of work and very often a thought that we spend too little time with our families and people we care about crosses our mind.

And yet, no matter how high company or personal achievements are, we must always bear in mind that we remain members of the society. Thus, we should always remember it is important to find and devote time to people and organisations, communities we are part of. Noticing and helping to meet the needs of adjacent towns or schools makes our activities so much more meaningful.

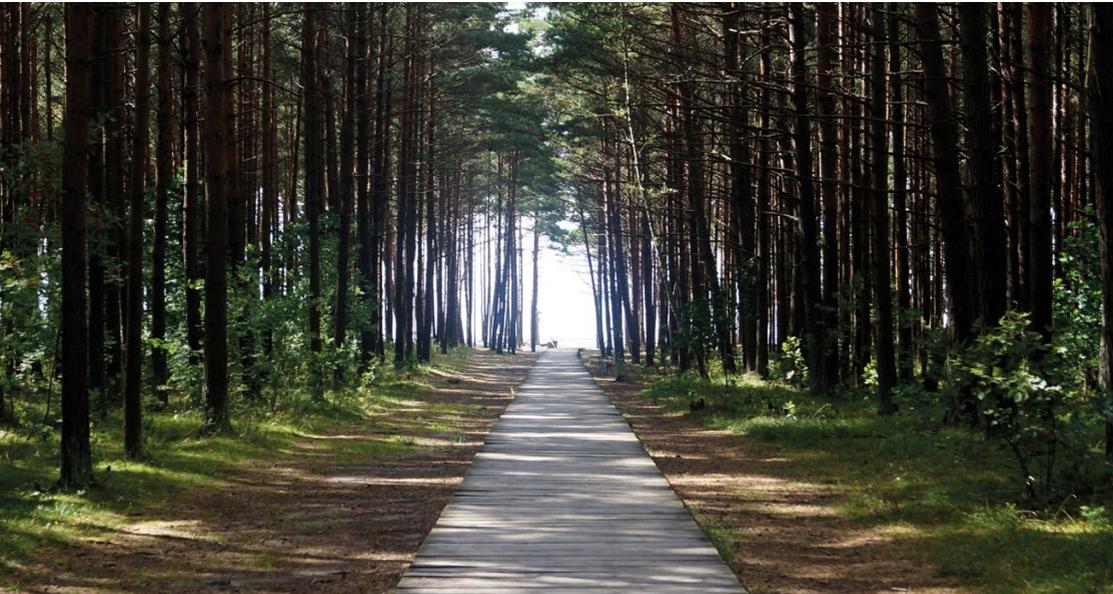
I personally find development and activities of companies, which pay a lot of attention to the environment, communities around them, and mutual assistance, more sustainable.

So why don't we devote more time and attention to those around us and make our life even more fulfilling.

Virginijus Gumbaragis
General Manager

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

Sustainable Future Goals



Our sustainable development goals are targeted to three key areas, in which we can accelerate the positive impact of the business:

people,
environmental protection,
society.

INTEGRATION OF SUSTAINABILITY GOALS INTO THE COMPANY'S ACTIVITIES, RISK REDUCTION AND PERFORMANCE IMPROVEMENT HAS ALSO BEEN PROVIDED IN THE SUBSEQUENT STRATEGIC OBJECTIVES OF PAKMARKAS FOR 2016 – 2018.



About the Report



You are now reading the 10th report on development and implementation of sustainable activities by PakMarkas. We shall show you the progress of the company with the help of the Global Reporting Initiative, GRI G4, recommendations. In the chart of disclosure of the GRI indices (page 28) you shall be able to find the chapters, where certain information has been provided. Topics in this report have been divided in accordance with the following colours:

- GD** General Data
- EP** Environmental Protection
- LR** Labour Relations
- SC** Society



Please, also view previous sustainable development reports of PakMarkas:
<http://en.pakmarkas.lt/social-activity-reports.html>

We always look forward to your opinions and suggestions
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Preparation of the Report Content

Annual overview and assessment of sustainable development of the company is a particularly important component of success of the company's business strategy. Here we shall introduce to you the economic, social, and environmental aspects of the progress of PakMarkas, which might be of interest to parties concerned. The report covers the period from January to December 2015.

Guaranteeing accuracy of information

We accept full responsibility for the accuracy of the report content. When preparing it, we follow the principles of objectivity, professional competence, confidentiality, and ethical conduct. The data for the report is collected using other internal reports and interviews with the responsible staff of departments.

PakMarkas at a Closer Look



WE HAVE BEEN GROWING SINCE 1994

THINKING ABOUT THE FUTURE – INVESTING INTO THE FUTURE –
PURSUING SUSTAINABILITY NOW AND IN THE FUTURE

PakMarkas in figures 2015



22

years professional experience in providing labelling, packaging and automation solutions.



226

employees in Lithuania and Latvia



7000

sq. m of area of the administrative and industrial premises



21

million euro consolidated turnover



32

% export of products and services



>1000

clients in the Europe and CIS countries



300

thousand euro investments into the company's technological renewal



11

years membership in the UN Global Compact Network

Products and Services



The main export countries



Estonia Poland Germany England



Ukraine Belarus Russia Kazakhstan

Main fields of our activities



Printing of labels, packing

Labels: self-adhesive, shrink sleeves, two-layer, banding, washed off, screen printed, laminated, cold or hot stamped, embossed, with Braille text.



Engineering packing solutions

Production line design and manufacturing, conveyor manufacturing, sales of labelling and standard packing equipment, technical support services.



Mechanical gears and automation systems

Wide range of electric motors, gearboxes, couplings, frequency converters, sensors and other automation systems.

Clients (markets)



Food



Beverages



Chemicals for vehicles, household chemicals



Cosmetics



Pharmacy



Logistics



Industrial equipment



Construction



Preparation of wood

Involving Stakeholders



Participation of stakeholders in the company's activities helps us to form strategic actions, to optimize performance and actively participate in social life, to build trust, to reach a common understanding and consensus.

WE SEEK TO CREATE THE MOST FAVOURABLE CONDITIONS FOR EACH STAKEHOLDER GROUP TO ENGAGE IN OUR BUSINESS PROCESSES.

Stakeholders	Our obligations	Why it is important to engage them	Methods of involvement 2015
Customers	<ul style="list-style-type: none"> Professional and reliable partner; Guaranteed quality of products and services; Available innovations. 	Satisfied clients are the essence of our business. Developing their confidence, we have to manage business risk throughout the supply chain.	<ul style="list-style-type: none"> Customer satisfaction survey; Satisfied customer rate (SCR) (feedback forms); PakMarkas website; Social media.
Employees	<ul style="list-style-type: none"> Safe and motivated work environment; Employee involvement. 	People make the company unique. Their passion for work and skills contribute to implementation of the company's mission.	<ul style="list-style-type: none"> Internal communication (e-mail, daily meetings); Anonymous suggestions-complaints box; Annual Meeting.
Shareholders	<ul style="list-style-type: none"> Increasing long-term value of the company; Clear, timely communication. 	Capital and investment support is necessary for the company's growth. Company's development depends directly on the success of their management.	<ul style="list-style-type: none"> Annual and interim reports; Meetings.
Suppliers	<ul style="list-style-type: none"> The long-term cooperation oriented partner. Creation of added value; Compliance with the principles of socially responsible activities. 	Suppliers help us to supply customers with quality products and services. Their involvement contributes to our business continuity and efficiency.	<ul style="list-style-type: none"> Regular visits to suppliers, Audits, Commitment to social responsibility principles.
National regulatory authorities	<ul style="list-style-type: none"> Compliance with legislation; Transparency of taxes. 	Our relations with regulatory authorities allow us to contribute more to the country's prosperity: economic, social and environmental objectives.	<ul style="list-style-type: none"> Participation in debates; Acceptance in the company; Regular reports.
Society	<ul style="list-style-type: none"> Attention to the environment we live and work in. 	Our current and potential employees, customers, friends, acquaintances are part of society. We are part of society; therefore, it is natural that when someone faces hardships – we help, when someone is happy – we are happy too.	<ul style="list-style-type: none"> Support; Acceptance in the company; Tours; Participation in public debates.

Partners and Membership in Associations



WE TAKE AN ACTIVE PART IN VARIOUS BUSINESS AND SOCIAL ORGANIZATIONS. ACTING IN THEM, WE SEEK TO BRING TOGETHER INTERESTS OF THE COMPANY AND OTHER PARTIES.

The approach of the associations whose members we are to the sustainable development of the country is important to us, therefore we carefully choose where to participate in the pursuit of common objectives. Currently we enjoy the membership in these organizations:

- United Nations Global Compact,
- Lithuanian Responsible Business Association (LAVA),
- Lithuanian Printers' Association (LISPA),
- Lithuanian Packaging Association (LPK),
- German-Baltic Chamber of Commerce (AHK),
- Vilnius Industry and Business Association (VPVA),
- Lithuanian Engineering Industry Association (LINPRA).

Virginijus Gumbaragis, PakMarkas Director General's thoughts about the membership in the Lithuanian Responsible Business Association:



“Membership in this organization allows us to see the difficulties and challenges, which other responsibly operating companies are facing. Here we can find a lot of proven examples of best practices, to share our own. But perhaps the most important is that here we can meet a crowd of congenial people – experienced and aware that it shall not necessarily be easy, but you can live and work better and more interesting.”

Sustainability in the Supply Chain

International companies operating on a global and regional scale supply to us raw materials used by PakMarkas in the manufacture of products. We work according to strict procedures, where requirements to suppliers ensure safety of the product from the acquisition of raw materials to the product delivery to the user.

Most of our suppliers publicly declare zero tolerance to corruption, human rights abuses, including child labour, improper treatment of employees, forced or compulsory labour.

All suppliers are required to confirm in writing the pledge form prepared by PakMarkas that they comply with the principles of socially responsible business and ensure respect for human rights.

Labour Relations



Our objective:

To create a safe and healthy workplace, a motivating work environment.

Our approach:

We value the contribution by our employees to the success of the company. We believe that only mutual responsibility and trust is the basis for a united team.

Our priorities:

- to care about the employees' health and safety;
- to increase the employees' involvement in the activities of the organization;
- to increase the employees' diversity.



Zero occupational accident rate has been maintained

0



In 2015, the amount of money for training per employee increased by

↑ 43%



At the moment women make up about one third of the company's employees. The number of female employees has increased by

↑ w 6%

(31 December)	2014	2015
Number of employees	179	196
Part of women employed, %	23	29
Part of men employed, %	77	71
Full-time employees	96	97
Part-time employees	4	3
Under contracts of indefinite duration	98	98
Under fixed-term contracts	2	2

(31 December)	2014	2015
Employees by managerial, non-managerial jobs		
non-managerial staff	153	170
managers	26	26
General staff turnover, %	20	23
Voluntary turnover, %	14	14
The average age of employees, years	35	36
Diversity by age groups, %		
16 - 29	35	29
30 - 49	54	60
> 50	11	11
Employees with disabilities, %	1	1
Money for training per employee, euro	170	244



Family and gender equality

In 2015, eight employees of PakMarkas went on the maternity/childcare leave and seven men on the paternity leave.



Men's and Women's Remuneration System

PakMarkas complies with the principle of equality between men's and women's remuneration. In 2015, we increased the minimum salary from €347.5 to € 430 (gross).



Staff Training and Certification

We strictly and continuously monitor compliance with safety at work rules in the company.

First, we focus on the areas that are subject to increased health and safety risks. People who work with chemicals, lifting mechanisms must annually receive special safety training. Every 5 years, part of the staff receives training and certification in radiation protection, electrical safety and working with auto loaders.

Additional Benefit Cart

In 2015, we maintained these additional benefits and guarantees for PakMarkas employees working in the company for more than 3 months:

- An extended health insurance. Employees have the discretion to choose which services are relevant to them: spa treatments, a swimming pool or other medical services;
- The company pays for the employees' participation in a variety of running, cycling or other sports events;
- The conditions are provided to reconcile the work and family needs by allowing to choose working time;
- Supplementary allowances are granted on the occasion of a first marriage, retirement and leaving the company. Also, in the event of an accident in a worker's family.



Ensuring Human Rights

Social Accountability Standard (SA 8000) is one of the key documents that guide the implementation of the workers' rights. The company has elected the management representative for social responsibility issues and the representatives of employees, whose objective is to respond appropriately and to report the human rights violations.

Every six months, an independent third party carries out a social responsibility audit in the company.

Labour relations' document:

<http://en.pakmarkas.lt/social-responsibility-policy.html>

IN 2015, NOT A SINGLE INCIDENT RELATED TO VIOLATION OF HUMAN RIGHTS OR FREEDOMS WAS RECORDED.

Environmental Protection



Our objective:

To constantly improve environmental indicators in all areas of the company's activities.

Our approach:

We are committed to reducing the company's impact on the environment, to continuously monitoring and reporting regularly the environmental indicators. Our environmental policy is based on the ISO 14001 environmental management standard. In addition, we are taking the initiative to implement environmental projects that are not mandatory under the legislation of the Republic of Lithuania.

Our priorities:

- Saving energy resources;
- Reducing the amount of waste.



↓ 18 %

less water used



↑ 7 %

more production waste was provided for recycling.

SOME OF THE INDICATORS HAVE INCREASED IN 2015.
WE ACCEPT LIABILITY FOR REVIEWING THE CAUSES OF THE INDICATORS' INCREASE AND FINDING THE WAYS FOR THEIR REDUCTION, GIVING AS MUCH TIME AS NEEDED.



↑ 12 %

growth of energy consumption. This was the result of greater volume of production.



↑ 65 %

more waste-water was released into the nature

Key Environmental Indicators

			2012	2013	2014	2015
	Electrical power consumption	KW/h	1,942,116	2,040,000	2,120,371	2,371,628
	The amount of power saved through application of efficiency-enhancing measures	KW/h	300,000	100,000	150,000	10,000
	Waste-water released	kg	131	197	155	256
	Amount of mobile pollution sources (petrol, diesel, gas)	l		38,884.03	27,164.61	23,322.00
	Charges (penalties) for environmental pollution	eur	-	29	-	-
	Consumption of packaging materials	m2	12,127,473	14,783,027	16,255,000	17,050,725
	Packaging production waste provided for recycling	m2	Paper - 1,952,350	Paper - 2,258,803	Paper - 2,497,472	Paper - 2,692,292
			Film - 694,917	Film - 922,485	Film - 945,243	Film - 990,431
	Other waste provided for recycling	t	Cardboard - 6.44	Cardboard - 8.01	Cardboard - 9.53	Cardboard - 8.8
Cellulose (stationery paper, magazines, etc.) - 0.07			Cellulose (stationery paper, magazines, etc.) - 0.17		Cellulose (stationery paper, magazines, etc.) - 0.21	
BOPP - 5.34				BOPP - 4.44	BOPP - 3.37	
	Water consumption	m3	3,016	3,016	3,512	2,865

Sustainable Investment



On 7 October 2015, we signed a contract for acquisition of a modern waste shredding and extraction system. The amount of investment is approx. 120 thousand euro. We plan that shredded and compressed waste will reduce waste volume by 5 times. The unit will be installed in the summer of 2016.

Other Environmental Activities



We contribute to the reduction of environmental pollution by annually renewing the vehicle fleet. In 2015, we bought 3 new cars, 2 of them are fuel saving - hybrid. We disposed of 5 old vehicles.



In compliance with the provisions of EU Directive 94/62/EC, we performed an examination of the packaging used for packing of the production printed for our clients. The examination confirmed that the raw materials we use are completely free of heavy metals. We have also calculated the optimal size, weight of the primary and secondary packaging.



We have adopted internal rules of procedure for dealing with questions or complaints related to the company's unacceptable adverse effect on the environment or non-compliance with laws.

IN 2015, THE COMPANY DID NOT RECEIVE A SINGLE COMPLAINT REGARDING NEGATIVE IMPACT ON THE ENVIRONMENT.

Society



Our objective:

To be an active part of society, dealing with topical social challenges.

Our approach:

We feel a great responsibility towards our society, so we want to share our expertise and resources.

Our priorities:

- to improve youth employment opportunities, education,
- to offer safe packaging solutions.

Initiatives in 2015



The company has twice launched a blood donation campaign. More and more employees understand the importance of this campaign and the number of employees willing to contribute increases every year;



We provided financial support to the project "Rain of smiles", which is intended to provide more hope for ill children in Lithuania to reduce their pain and stress;



We maintained the continuity of support to Nemenčinė sports club. By contributing to the sports club activities, we encourage the members of the community to live a healthy life;



We contributed financially and by showing personal attention to the opening of Nemėžis Tatar community cultural centre established in the neighbourhood;



We became partners of the NGO "Lithuanian Association of People with Disabilities". We adapted better the working environment for people with different physical disabilities in accordance with their recommendations.



in cooperation with the NGO "Business and Art", we organized a social - educational event "Let's become familiar with the blind" for the children of our employees. The aim of this event – to introduce children to the world of different people, i.e. the blind, to encourage reflections about social values and the desire to contribute to good work.

Anticorruption Commitments

PakMarkas does not tolerate any form of gratuity intended to bribe (bribe, illegal payment), which distorts transparent business competition. Faced with the corruption efforts of the business partner or a public official, every employee must notify the company's responsible person. In 2015, no allegations for corrupt practices were expressed to the company.

We have made a public declaration of our anti-corruption attitude at the internet site: <http://en.pakmarkas.lt/social-responsibility-policy.html>

Liability to the Market

We understand the importance of appropriate packaging quality and safety of its use. We use only reliable materials that meet the highest EU quality and food safety standards. The company has established an additional laboratory for testing and verification of raw material.

Disclosure of GRI G4 indicators

General Data (GD)

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Society (SC)

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