



# Progress report

2015





# CONTENTS

<b>1</b>	<b>LETTER FROM THE CHAIRMAN.....</b>	<b>4</b>
<b>2</b>	<b>WHO WE ARE AND WHAT WE DO .....</b>	<b>5</b>
2.1	A solid start to reach out to the world .....	5
2.2	What we do .....	7
2.3	How we're organised and how we work .....	10
2.4	Our stakeholders .....	12
<b>3</b>	<b>PEOPLE .....</b>	<b>14</b>
3.1	Profile of the workforce and quality employment .....	14
3.2	Equal opportunities .....	16
3.3	Health & Safety .....	18
3.4	Training .....	19
<b>4</b>	<b>WE CARE FOR THE ENVIRONMENT .....</b>	<b>21</b>
4.1	Environmental policy .....	21
4.2	Consumption of resources and emissions .....	22
4.3	Waste management .....	23
<b>5</b>	<b>OUR VALUE CHAIN: CLIENTS AND SUPPLIERS .....</b>	<b>24</b>
5.1	Client service .....	24
5.2	We pass on our commitment to our suppliers .....	25
<b>6</b>	<b>WE HAVE A ROUTE MAP .....</b>	<b>27</b>

# 1 LETTER FROM THE CHAIRMAN

Greetings,

I am very pleased to present the fifth corporate social responsibility report for **Tag Systems** and hope it will be of interest to you.

This year we've taken an important qualitative step forward with this report, making it more visual and attractive for all those who are interested in finding out more about our social responsibility policy, a crucial aspect of the corporate culture at **Tag Systems**. Our commitment to all these people is to meet their expectations.

With our employees we promote training and opportunities to grow, at the same time as supporting a good work/life balance with new measures implemented this year.

To our suppliers we pass on the commitment to the environment and sustainable quality of our products and production processes, asking them to take on this commitment as well.

For our clients we continue to work hard to achieve their complete satisfaction, reaffirming our commitment to offer them the best products and services, be they traditional or digital, with the best possible combination of quality, price and sustainability.

Once again, in 2016 we have renewed the commitment we acquired by joining the United Nations Global Compact to implement the principles promoted by this international initiative in our company. The ten principles of Global Compact are always taken into account when planning the company's strategy and growth. Our aim is for **Tag Systems** to be a sustainable firm in terms of the environment, finance, society and corporate governance.

In the financial area, we want to make a profit while applying a balanced approach, taking efficient advantage of all the resources at our disposal.

In terms of the environment, we strive to reduce waste and use energy-saving criteria in our production processes, this year having considerably reduced our consumption of water and gas oil, as well as increasing the amount of waste that is managed and recycled.

In the area of society and policy, we take advantage of opportunities to deal with people from different countries and cultures, attempting to discover the best ideas from each one and each place, encouraging harmony with all our stakeholders in society.

Once again, we would like to thank you for your help and support.

Best regards,

**Joaquim Miró Castillo**

Chairman

## 2 WHO WE ARE AND WHAT WE DO

### PRINCIPLES

This section covers aspects related to the following principles of the United Nations Global Compact:

- PRINCIPLE 1**      **Businesses should support and respect the protection of internationally proclaimed human rights**
- PRINCIPLE 2**      **Businesses should make sure that they are not complicit in human rights abuses.**
- PRINCIPLE 10**    **Businesses should work against corruption in all its forms, including extortion and bribery.**

### 2.1 A solid start to reach out to the world

**Tag Systems** started out in 1999 as a credit card manufacturer in Andorra with the aim of selling to the global market. We are now a firm that combines an international focus with local action, close client relations and a portfolio of innovative products and secure solutions, as well as a comprehensive but flexible service.

Our company has steadily expanded towards the rest of Europe and South America by opening branches and subsidiaries in order to be closer to our markets and clients.

The experience we've garnered over the years and the guaranteed quality of our products, solutions and services have positioned us as one of the leading smart card companies in Europe.

Tag Systems, one of  
Europe's leading smart card  
companies

## HISTORY

1999 - 2000	<b>Tag Systems</b> Andorra completes the certification to produce bank cards (Visa and MasterCard)
2002	The first subsidiary is set up abroad, Cardtag Espanya, in Barcelona (Spain)
2003	The production facilities are equipped to insert chips
2006	<b>Tag Systems</b> Andorra obtains Card Quality Management (CQM) certification by MasterCard
2007	The subsidiary Tag Systems Finland Oy is set up in Helsinki, Finland The subsidiary Tag Systems Poland sp. z. o.o. is set up in Warsaw, Poland <b>Tag Systems</b> is awarded the ISO 9001 quality standard certificate
2008	<b>Tag Systems</b> Andorra is recognised as a Diners Club International Approved Card Manufacturer
2009	The subsidiary Tag Systems Smart Solutions SL is set up in Madrid, Spain <b>Tag Systems</b> Andorra, in collaboration with the Colombian company CADENA, begins its expansion towards Latin America by setting up Tag Cadena S.A.S in Medellín
2012	<b>Tag Systems</b> Andorra achieves ISO 14001 and OHSAS 18001 certification, issued by Applus Tag Systems Finland Oy takes over the commercial offices of First Data Latvia in Riga, Latvia <b>Tag Systems</b> Andorra obtains certification to produce Discover cards
2013	<b>Tag Systems</b> sells Tag Systems Finland Oy and its subsidiary in Latvia
2015	<b>Tag Systems</b> completes AMEX certification <b>Tag Systems</b> buys shares in the Spanish mobile payment solutions provider, Seglan <b>Tag Systems</b> signs an agreement with Nitecrest to set up Tagnitecrest

## 2.2 What we do

**Tag Systems** is a company with an international focus and our products are distributed in over 50 countries worldwide.

**Business figures (2015)**

**85%** Bank cards

**15%** Non-bank cards

**20 million**  
Cards produced

**Tag Systems'** business is based on providing payment products and solutions that meet our clients' needs, focusing its attention on quality and security to ensure they comply with the highest standards. Professionalism, trust and flexibility are key aspects in providing our services.



## SMART CARDS, MAGNETIC STRIPE CARDS AND STICKER CARDS

We're experts in producing plastic cards and in the use of special techniques and printing effects.

- Bank cards
- Identity cards
- Membership cards
- Health and insurance cards

In 2015 we introduced stickers, which allow to transform any mobile phone into a contactless payment device.

## TECHNOLOGY

We meet the needs of projects that require sophisticated technology and make different applications more flexible.

- Contact chips
- Dual interface
- Contactless

## SOLUTIONS

- Complete payment solution for mobiles based on NFC technology
- Mobile solutions with transport apps (ticketing) and vouchers for promotional campaigns (couponing)
- Solution to instantly issue payment cards

## CONSULTANCY FOR SMART CARD PROJECTS

Our team of experts and specialists provide advice on the opportunities appearing within such a constantly evolving industry.

## OTHER PRODUCTS AND SERVICES

- Personalisation services
- PKI developments

We adapt to different payment habits and the industry's constant developments to offer secure, innovative solutions



**Tag Systems** produces cards and develops software in Europe. This ensures we can closely monitor all the different stages in production and development, guaranteeing clients that our products comply with European quality standards.

We have incorporated several quality control points within our production process based on different regulations and standards that define the requirements for producing plastic cards.

We have been granted certificates that endorse our commitment to offering high quality products and services:

- ISO 9001:2008
- Card Quality Management (CQM) from MasterCard



We believe in the principle  
*"Quality is not controlled but  
rather produced"*

## 2.3 How we're organised and how we work

**Tag Systems** is present in several cities in Europe and South America and our head office is located in Andorra la Vella.

### Centres of production and/or personalisation:

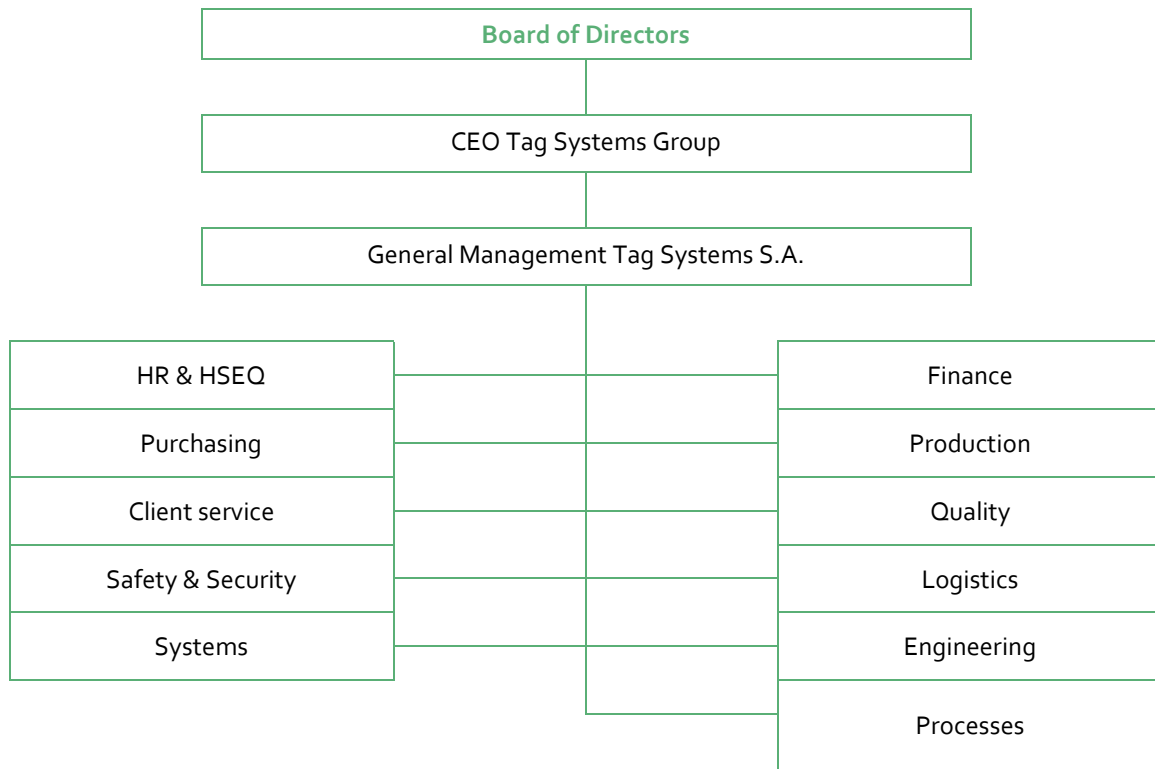
- Andorra (Andorra la Vella) – Head Office
- Madrid (Spain)
- Warsaw (Poland)
- Medellín (Colombia)
- Leyland (United Kingdom) – Joint company Tagnitecrest

### Commercial offices

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



## TAG SYSTEMS S.A. ORGANISATION CHART



**Tag Systems'** model of corporate governance ensures compliance with ethical requirements and integrity in our business through the use of good practices that promote a responsible, transparent approach to work.



## 2.4 Our stakeholders

We're well aware of the intrinsic value of each of our stakeholders. We have therefore set up communication channels that can be used to discuss any aspects related to **Tag Systems**.

Our aim is to encourage solid relationships based on trust and closeness.

Stakeholder	Main communication channels						
	Meetings	Email	Suggestions box	Noticeboard	Website	Seminars, talks, workshops and trade fairs	Newsletter and press releases
Employees	✓	✓	✓	✓			
Clients	✓	✓			✓	✓	
Suppliers	✓	✓			✓	✓	
Government	✓	✓					
Business associations	✓					✓	✓
Board of Directors					✓		✓
Community					✓	✓	✓

## STRATEGIC ALLIANCES

Since 2007 we've formed part of the International Card Manufacturing Association (ICMA) within the area for the manufacturing and personalisation of cards, supported by suppliers and other operators in the industry. Its aim is to promote the card industry and the value of its products and services through an independent forum.



We've belonged to the United Nations Global Compact since 2011, undertaking to align its 10 principles with the work carried out by **Tag Systems** and our future strategies. These principles are based on:

- Protecting internationally recognised human rights
- Complying with labour standards
- Protecting the environment
- Combating corruption

We promote participation  
with the global card  
industry

# 3 PEOPLE

## PRINCIPLES

This section covers aspects related to the following principles of the United Nations Global Compact:

- 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.

Behind our innovative solutions and high quality products lies a team that's crucial for our business to operate successfully. **Tag Systems** is made up of committed people who add value to the firm. We strive to meet the needs and comply with the rights of our employees, encouraging their professional growth and the continued improvement of their skills.

**120**  
People on the workforce

### 3.1 Profile of the workforce and quality employment

The increase in the workforce since 2014 is due to extra shifts being implemented in some printing departments, as well as a new Management by Process department.

Workforce indicators	2013	2014	2015
Average full-time equivalent (FTE) workforce	111	112	120
Employees with permanent contract	100%	100%	100%
Average time in company (in years)	7	8	7
Unplanned staff turnover (voluntary resignations/Average FTE workforce *100)	3.6	8.93	12.61

**100%** Employees with permanent contract

**7 years** Average time in company

We encourage dialogue between our employees and management through different communication channels, strengthening the relationship between them. Regular meetings are held, as well as issuing internal communications, carrying out satisfaction surveys and providing employees with a suggestions box. The Human Resources Office and Health & Safety Committee are also available to hear any grievances and comments by employees.

We value the satisfaction of our employees and carry out surveys to find out what they think

**Tag Systems** promotes the well-being of its employees, offering them company benefits, implementing measures to improve the work/life balance and encouraging leisure activities.

- Paid leave for personal reasons (doctor appointments, children, official procedures, etc.)
- Paid breaks
- Intensive shifts in most of the factory jobs
- Weekly break every weekend
- Shorter timetable on Fridays, from 8 am to 2 pm in the offices
- Intensive timetable in the summer, from 8 am to 3 pm in the offices
- Flexitime is available when warranted
- Break room with vending machines at special prices for employees
- Extra day's holiday as a reward for 100% attendance
- "Healthy Company" action plan (healthy breakfasts, competitions, etc.)
- Training programmes
- Events for employees (Christmas dinner, activities for children, open day for families, etc.)
- Presents and gifts
- Agreements with companies for employee discounts



## 3.2 Equal opportunities

At **Tag Systems** we respect local and international employment standards and the principles related to employee rights. In this respect, we've implemented policies and procedures to ensure there is no discrimination for any reason, as well as promoting equal opportunities and recognising the diversity of our workforce.

Workforce by gender and employee category (at 31 December)		2013	2014	2015
Managers	Men	2	2	2
	Women	3	3	3
Department heads	Men	4	6	8
	Women	5	4	4
Administrative and sales staff	Men	3	4	3
	Women	10	11	11
Technicians and operators	Men	28	28	30
	Women	56	54	59
Total workforce	Men	37	40	33
	Women	74	72	77

**60%** Female managers

**33%** Female department heads

**76%** Female administrative and sales staff

**66%** Female technicians and operators

**64%**  
Women in the workforce

Retention rates after parental leave	2015
Number of men taking parental leave	3
• Return to work in same job (men)	66%
Number of women taking parental leave	7
• Return to work in same job (women)	100%



Workforce by gender and age group <sup>1</sup> (at 31 December)		2013	2014	2015
Under 30 <sup>1</sup>	Men	8	7	5
	Women	15	13	10
Between 30 and 50	Men	25	29	32
	Women	56	57	65
Over 50	Men	5	4	5
	Women	2	2	3
Total workforce	Men	38	40	44
	Women	73	72	76
Average age		37	37	38

(1) The age range goes from 17 (work placement and apprenticeship contracts) to 65.

The workforce at the head office in Andorra la Vella is made up of people from different countries:

- Andorra
- Spain
- Portugal
- Argentina
- Italy
- Ecuador
- Latvia

**7**  
Nationalities in the  
workforce

### 3.3 Health & Safety



Guaranteeing a safe working environment for our employees is one of our priorities. We use different mechanisms and implement actions to ensure safety and prevent occupational risks. **Tag Systems** has implemented and certified an occupational health & safety management system as per the standard OHSAS 18001:2007.

The Occupational Risk Committee at **Tag Systems** is made up of 7 people from different departments related to Administration and Production. We also have emergency teams made up of 14 people from different departments, strategically chosen to ensure all shifts and departments are covered. All members of the emergency team receive training in primary and secondary response to be able to put out fires, carry out first aid and implement evacuation procedures.

Our occupational health & safety policy also ensures we have safe facilities duly equipped to carry out the activity in question. Below is a description of the improvements made in 2015 related to occupational health & safety:

- All personal protective equipment was replaced with more comfortable equipment that is more acceptable for those employees who need to use it, whilst also maintaining the same degree of protection.
- Ergonomic rugs were placed in zones where employees need to stand for many hours or have to constantly get on and off machinery steps.
- Access to the terraces was improved by placing an officially approved anchoring device to be able to access this zone more safely.
- Procedures were drawn up for using and maintaining the different pieces of equipment, making all departments aware of these procedures by giving training.

Year after year, the Human Resources Department at **Tag Systems** devotes a lot of time and effort to raising awareness among the workforce of health & safety issues in order to reduce work-related accidents. In 2015 the incidence rate fell by almost 2 points compared with the previous year.

Incidence rate	2013	2014	2015
Incidence rate (number of accidents involving sick leave per 1,000 employees)	36.03	17.86	15.5

### 3.4 Training

Guaranteeing the welfare of employees also involves motivating and encouraging their professional development. **Tag Systems** allocates part of its budget to giving training in different areas. Our aim is to foster knowledge, learning and the continued development of skills and abilities among our employees.

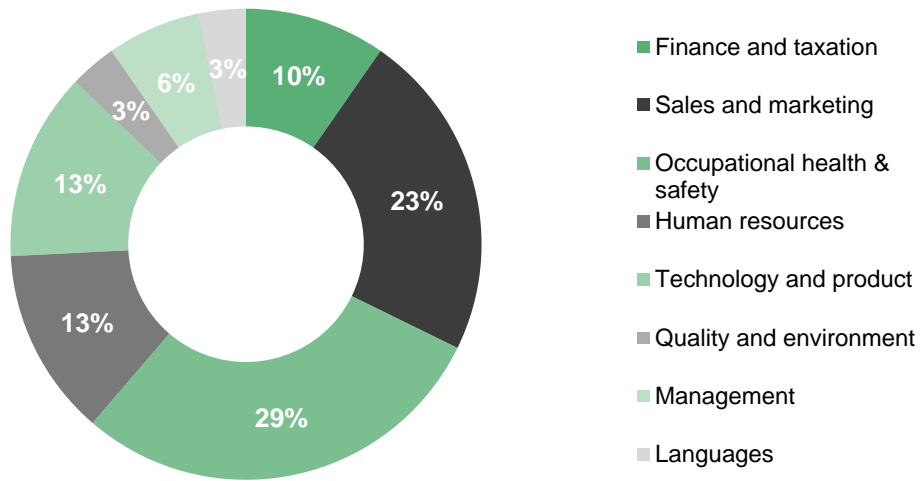
In 2015, this investment in training was similar to previous years. Nevertheless, in 2015 fewer hours of training were given in total.

Training indicators	2013	2014	2015
Total hours of training	4,131.5	2,513	2,142.5
Investment in training	€22,603	€21,674	€22,391
Workforce receiving training	100%	100%	100%

Of note among the training given in 2015 is that related to office computing, aimed at different departments, as well as health & safety training and English courses addressed to factory employees who might need this language in their work.



### Type of training given (2015)



Hours of training by employee category and by gender		2013	2014	2015
Administrative and sales staff	Men	708	551.5	554
	Women	3,009	1,577	588.5
Administrative staff	Men	162	220.5	542.5
	Women	252	164	457.5
Total workforce	Men	870	772	1,096.5
	Women	3,261	1,741	1,046

# 4 WE CARE FOR THE ENVIRONMENT

## PRINCIPLES

This section covers aspects related to the following principles of the United Nations Global Compact:

- 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.**

### 4.1 Environmental policy



The responsibility of **Tag Systems** also includes environmental issues. In this respect, we assess the effects and impact on the environment caused by our activity and manage the prevention of environmental risks, aspects covered by our policy and which also form part of our business strategy. In 2012 the company secured certification as per the ISO 14001 standard for having an efficient environmental management system for the use of resources and protecting the environment.

We incorporate sustainable development criteria in our business practices



Our environmental policy is based on the following principles:

- Application of environmental and energy efficiency criteria in production processes via the rational use of natural resources and by reducing emissions and the waste generated.
- Compliance with environmental and energy legislation, as well as with other voluntary commitments.
- Offering training and assigning the necessary resources to promote the active involvement of employees in achieving our environmental targets.
- Continued improvement in the integrated management system.

**- 31%**  
Water consumption compared with 2014

We continuously make improvements to our environmental management, the most notable in 2015 being the following:

- Adaptation of all labels to Regulation (EC) No. 1272/2008, on classification, labelling and packaging of substances and mixtures.
- Installation of better ventilation in the printing zone.

Involving all employees is key to ensuring the correct implementation of the measures promoted by **Tag Systems**. In this respect, we help to raise awareness about the environment by employing a range of resources related to good practices and individual responsible behaviour. In 2015 we gave training on how to act in the case of spillages and the procedures to be followed. We have also put up information posters on the importance of recycling, placed specifically above the different waste bins.

**- 42%**  
Gas oil consumption compared with 2014

## 4.2 Consumption of resources and emissions

The aim of implementing such measures is to achieve efficiency in the consumption of resources and to minimise the environmental impact of **Tag Systems'** activities, striving to improve year after year.

Consumption of resources	2013	2014	2015
Electricity consumed (MWh)	788.68	844.23	942.81
Water consumed (m <sup>3</sup> )	9,789	6,433	4,453
Gas oil consumed (l)	10,000	13,850	8,000
Paper consumed (kg)	804	989	1,044
Plastic consumed (kg)	239,803	224,988	234,526

Our electricity consumption has increased as this is directly related to the production process, making it more difficult to reduce.

CO <sub>2</sub> emissions (tCO <sub>2</sub> eq)	2013	2014	2015
Emissions from transport	29.7	28.2	30.9
Emissions from electricity consumption <sup>1</sup>	124.6	151.1	141.4
Emissions from gas oil consumption	27.6	38.2	22.08

(1) Source: Author. Data from the Comisión Nacional de Energía de España (2014) and data from the EDF energy group from France (2015). It has been assumed that, in 2013 (the latest data available according to the FEDA 2014 report), 80% of the electricity purchased outside Andorra came 31% from France and 49% from Spain. The remaining 20% was produced in Andorra and is totally associated with hydroelectric since, although a small proportion of the energy is generated via a rural transformer substation, there are no data for the associated CO<sub>2</sub> emissions, so this has not been included in the calculation (FEDA, CSR Report, 2014).

### 4.3 Waste management

**Tag Systems** has a PRP-0029/11 licence to produce waste, as well as an internal procedure to manage waste. We keep a record of the waste generated and this is duly handled by the appropriate operator.

Waste generated	2013	2014	2015	Treatment
Paper (kg)	1,145	1,093	1,151	Recycled. Dump
Light packaging (kg)	916	954	1,060	Recycled. Dump
Batteries (kg)	27	41	25	Recycled. Dump
Toner (kg)	24	22	75	Recycled. Used to produce energy
Fluorescent tubes (units)	29	13	27	Recycled. Dump
General waste (kg)	1,145	1,147	1,031	Dump. Used to produce energy

# 5 OUR VALUE CHAIN: CLIENTS AND SUPPLIERS

## PRINCIPLES

This section covers aspects related to the following principles of the United Nations Global Compact:

**PRINCIPLE 2**      **Businesses should make sure that they are not complicit in human rights abuses.**

### 5.1 Client service

We increase the security and quality of our products year after year. At **Tag Systems** we're ready to respond to the high demands of a constantly evolving market thanks to our commitment to technological innovation, meeting the expectations of the different types of clients that put their trust in the products and services we offer:

- Financial institutions
- Distributors
- Governments and local administrations
- Retailers
- Service stations
- Sports clubs and associations
- Hotel chains

At **Tag Systems** we take responsibility for providing our clients with clear information through the appropriate communication channels and dialogue, establishing transparent, long-term relations based on trust, bearing in mind how important technology and security are for our products. By signing confidentiality agreements, we guarantee that technological knowledge and sensitive data are passed on within a transparent but confidential and protected framework. We also comply with the industry's data security standards via our PCI DSS certification (*Payment Card Industry Data Security Standard*).



Every year we carry out surveys to assess our clients' degree of satisfaction with our products and services. We focus on finding out what they think about aspects such as the quality of the service received throughout all stages of the order, the quality of the product or solution and the usefulness of the information received, among other aspects.

In line with our international focus, we're strongly committed to cultural, social and religious diversity. That's why we take particular care with our external communication materials, producing content that respects such diversity.

We aim to meet the expectations of our clients and find out how satisfied they are

## 5.2 We pass on our commitment to our suppliers

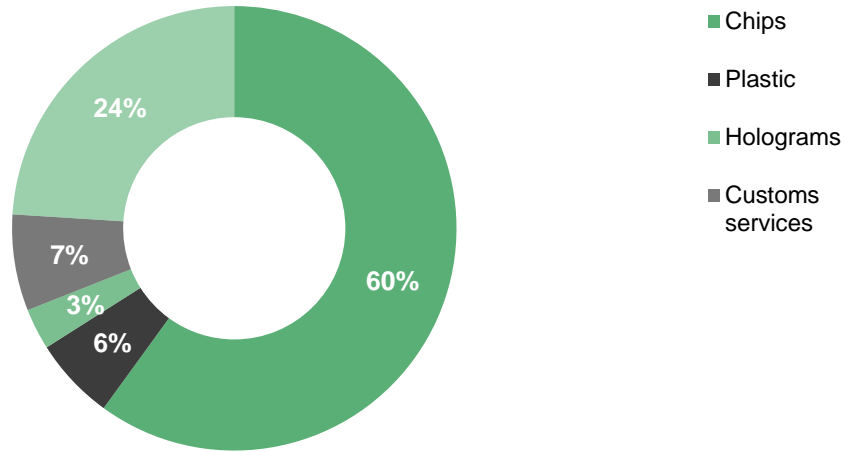
At **Tag Systems** we extend our commitment to sustainability by incorporating social and environment criteria in our procedure to evaluate suppliers. We're aware of the importance of the materials used in manufacturing our cards and therefore select the best raw materials applying a strict approval procedure.

We apply the following criteria to select our suppliers:

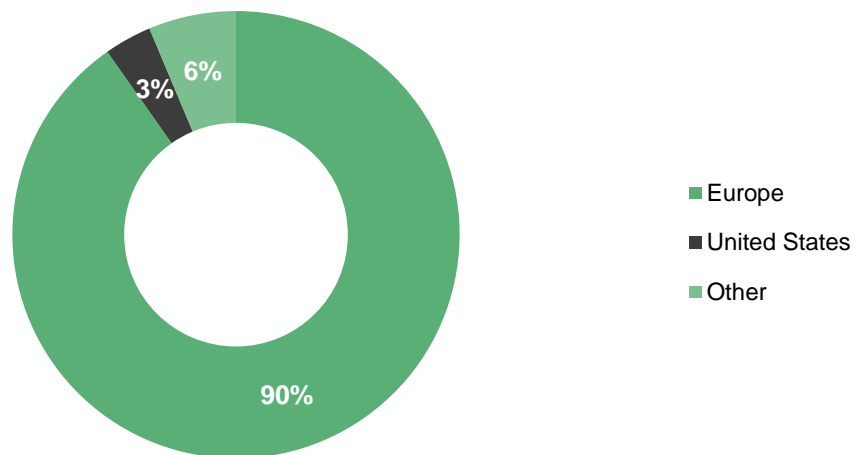
- Whether they have any certificates and/or systems for quality, the environment or occupational health & safety
- Local suppliers take priority
- Environmentally-friendly products
- The product's technical adaptability

Every year, the Purchasing Department is responsible for monitoring suppliers who have a direct impact on the quality of our final product. This monitoring is carried out by controlling external supplies following the procedure described in the procurement policy. The Quality Department also controls materials as they are delivered, detecting any imperfections or mistakes in the material supplied, helping to avoid problems in the future with production. If any defect is detected, the Quality Department opens a "Quality Non-Conformity" file for the supplier and this information is used subsequently in the follow-up. Finally, the findings from evaluations are regularly passed on to our suppliers.

### Type of purchases by value (2015)



### Purchases by region of origin by value of the purchase (2015)



In 2015 we carried out improvements to maintain product quality:

- Improvements in the management of "Quality Non-Conformity" files and suppliers
- Improvements in the restocking times of some suppliers
- Availability of back-up stock at the facilities of two important suppliers, helping to improve our internal logistics

## 6 WE HAVE A ROUTE MAP

In accordance with our desire to continuously improve and with the aim of being a more sustainable and responsible company in terms of the environment, finance and society, at **Tag Systems** we set ourselves targets every year to assess our performance.

### HUMAN RESOURCES

- Increase the number of days without any work-related accident
- Update and implement a new emergency plan
- Modify and improve evacuation routes
- Produce a study analysing psycho-social risks
- Increase hours of training by 10% on subjects related to health & safety, and increase training aimed at production departments
- Encourage healthy habits and draw up an action plan with measures to create a healthy company
- Reduce overtime
- Increase the hours invested in training by 20%
- Increase the number of hours of internal training
- Reduce the time required to complete the recruitment process by 30%

### SUPPLIERS

- Lower prices
- Reduce lead times
- Improve the management of documents related to supplier assessment (certificates, technical files and safety sheets, etc.)
- Increase the number of suppliers regularly assessed

## FINANCE

- Reduce costs not related to quality
- Reduce delivery times
- Achieve an EBITDA of at least 10% of the total operating income
- Implement the actions and projects resulting from the "Demand management project"
- Reduce expenditure related to telecommunications
- Cut maintenance costs
- Regularly analyse cost per client - margin
- Standardise packaging and reduce the number of different types

## CLIENT SERVICE AND QUALITY

- Reduce the time between receiving an order and client approval
- Reorganise Quality Department controls to improve efficiency
- Reduce card printing defects by 10%
- Reduce yellow patches by 10% compared with the consumption/cards produced in 2015

## ENVIRONMENT

- Reduce plastic waste from the production process by 5%
- Optimise the consumption of absorbents
- Control new environmental aspects: CO<sub>2</sub> emissions from the boiler and consumption of oil and solvents
- Improve the management of environmental controls using a data processing tool



