

Global Compact

2017 Communication on Progress (COP)

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Suzhou, 8th March 2017



1. Purpose

The purpose of this report is to report Marchesi's progress with regard to the ten principles of Global Compact.

2. Scope

This report concerns Marchesi Group in China. This report covers the period from February 2017 until the end of March 2018.

3. Statement of continued support by the Managing Director

Attached as a separate file (see Attachment A).

4. Human Rights Principles

Principle1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle2: Make sure that they are not complicit in human rights abuses.

4.1 Assessment, Policy and Goals

Marchesi's goal is for all our employees and business partners to uphold the Universal Declaration of Human Rights. Our public code of conduct outlines the way each of us should behave and clearly states our responsibility to report instances of human rights violations. This code of conduct is known to all employees within the Group; and is disseminated throughout our immediate operational supply chain as attachment of the related contracts.

4.2 Implementation

All employees can report directly to our Human Resource Department should there be any abuse with regards human rights by email or by drop box. Marchesi will continue to implement its core values, which were initially formally established in early 2010, across all Marchesi companies. In particular, the Company supports the effective elimination of all forms of compulsory labor and child labor and has made this a criterion in the selection and management of its employees, suppliers and contractors. It also specifically implements a strict fair opportunities policy between the sexes and makes sure that nobody is discriminated during hiring or promoting opportunities due to his or her sex.

4.3 Measurement of outcomes

In Marchesi there have never been reported incidents of human rights violations. Top management actively inquires toward this events occurrence, if any, and required that any future case to be immediately reported. Marchesi is fully committed to handle any such occurrences objectively and to provide immediate and conclusive solutions.



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5. Labour Principles

Principle 3: Businesses should uphold the freedom of association 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; and

Principle 6: The elimination of discrimination in respect of employment and occupation.

5.1 Assessment, Policy and Goals

Our employee handbook and code of conduct show clearly employee rights, compensation and responsibilities. Each employee receives and signs his/her related job description, a clear explanation of the risks associated to his/her job in relation to safety and occupational diseases, signs a standard labour contract as promulgated by the local labour bureau and receive company, department and post training. All employees work here willingly and no employee is forced to work overtime. The company controls the overall amount of over time within the regulation.

5.2 Implementation

The Conciliation committee of employees of Marchesi is working well. Any issues can be discussed in this forum. This is the principle channel of collective bargaining in Marchesi. With regards the safety of our employees we evaluate all working conditions and make sure that, where necessary, the correct personal proactive equipment (PPE) is used by employees and the distribution of the PPE is tracked in written and filed. We act in accordance with the law by annually checking the health of team members toward occupational disease prevention and change their jobs if any risk for them arises. During Daily workshop audits the work environment is constantly reviewed for any new or potential safety risks and appropriate actions are taken if needed. We fully commit to providing safe working environment. New employees receive relevant training during orientation stage; and existing employees receive relevant training during orientation and existing employees receive “refresher” training at various intervals. We have passed the OHS18001 certification in 2009 and every year we refresh the certification with the related issuing body.

5.3 Measurement of Outcomes

The average age at Marchesi is 32.5 years old. Our youngest employee is 19 years old and our oldest employee is 55 years old. Our top management team is made of ten Chinese managers and two foreign managers; of the management team members, two are females.

Company-wide, female employees represent 30% of the headcount. Minutes



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of the Conciliation committee meetings will be recorded and reviewed in management meeting and appropriate actions will be taken in order to resolve any conflicts or issues. We have also passed audits from renowned multinational companies and third party as SGS who focus strongly on Corporate Social Responsibility and check for our compliance in these areas.

6. Environmental Principles

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: Undertake initiatives to promote greater environmental responsibility; and

Principle 9: Encourage the development and diffusion of environmentally friendly technologies

6.1 Assessment, Policy and Goals

In our Environment Quality Manual, Marchesi clearly describe its environmental policy, which is a public document. On our website (www.marchesi.com) we publically share our environmental viewpoint:

“We work safely and responsibly in a manner that protects respects and promotes the health and well-being of the individual and the environment.”

Other extracts of our policy include, “Environmental work aims to reduce our waste, consumption of natural resources, use of fossil fuels and that our products to the greatest extent possible is reused or recycled”, as well as, “We work primarily with companies/suppliers who share our view on the environment.”

6.2 Implementation

We have passed the ISO14001 certification in 2009 and every year we confirm the certification by audit of the related body. We assessed our environmental impact and we now measure our energy consumption and transport data, which is converted into CO² emissions. The responsibility for the environment lies with our EHS representative who conducts a monthly audit in conjunction with our monthly workshop 5S audit.

6.3 Measurement of Outcomes

The CO² emissions are monitored on a monthly basis from January 2010. We will try our best to reduce its figure over the time in proportion to our production status. We have been particularly successful in reducing the hazardous waste production by investing in equipment; in containing the electric consume in investing in geothermal air conditioning and in controlling the air emissions by importing most advance equipment from Germany to treat the casting workshop air.



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7. Anti-corruption Principles

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

7.1 Assessment, Policy and Goals

Our code of conduct clearly indicates our stance on corruption: "If an employee is offered a gift, a bribe, an illegitimate commission, or any other form personal payment, it must not be accepted." Also, a preliminary evaluation of the risk of corruption was made. The biggest risks come in the form of supplier/customer gifts and bribes.

7.2 Implementation

In order to prevent the identified risks we commit to several actions:
Implementation of a rigorous procurement process including cross-functional approval of suppliers and approval at high level of the hierarchy ladder. Periodic market research of prices of key materials to be compared against existing purchasing prices on the main Chinese market web sites.

7.3 Measurement of Outcomes

Regarding the aforementioned examples of corruption: we make it clear to our employees and supply chain partners that we will not accept behavior of this kind. If it ever were to happen in Marchesi the relevant disciplinary and/or legal action would be taken against the guilty parties. So far there have been no legal cases regarding corruption in Marchesi since beginning operations in China in 2005.

8. Attachments

A. Marchesi Letter to Global Compact-Continued Support 2017.

End of Report



