

# SUSTAINABILITY REPORT

reporting period 2016

according to the Sustainability Reporting Guidelines GRI G4



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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## 1. Strategy and Analysis

(Ref G4 1, 2)



*Dueville, May 2017*

Since May 2012 Palladio group has been a member of the United Nation Global Compact, a joint initiative of Corporations from around the world, United Nations Agencies and Groups representing the interests of labour and society. The aim of the initiative is to involve the world of enterprises in a new form of cooperation through the adherence to ten universal principles relating to human rights, labour protection, environmental protection and the fight against corruption. The United Nation Global Compact aims to make its principles part of the companies' strategy and to promote cooperation in line with the United Nations targets in order to reach a global growth that takes into consideration the interests and concerns of the stakeholder..

The reasons why Palladio Group decided to join the UN Global Compact are based on the fact that many of its principles favour Palladio Group's business, while others are directly related to the

group's main activities and its competitiveness on the market.

To treat employees fairly and respectfully is natural for a well-managed society, this also contributes to the Palladio Group ability to attract highly talented people and encourage them to flourish within the company.

Maintaining protective measures against corruption and violation of the human rights is the right behaviour to adopt, and also protects the Company from legal liabilities.

Optimising the environmental performances of our company is a key responsibility for our business, and this contributes in reducing material and energy costs.

With regards to these general rules of good management, we are committed in maintaining the Global Compact (and its principles) as part of our business strategy and culture in each business activity. These activities are focused on the protection and compatible use of natural and human resources.

As we are very scrupulous in providing our customers, employees, suppliers and other part involved with information about our sustainability and performance targets, we based the sustainability report on the Global Reporting Initiative G4 guidelines in order to communicate, to our Stakeholder, the results in total transparency.

The usual Communication On Progress (COP) has been incorporated to this reporting in order to describe what has been implemented by Palladio Group to comply with the principles as promoted by the Global Compact.

As CEO, I am grateful and honoured in continuing this journey with the United Nation Global Compact.

**Mauro Marchi**  
Chief Executive Officer

Palladio Group, in line with its vocation as a Socially Sustainable Company, confirms its commitment in promoting new development possibilities, assuring the protection and the compatible and ethical usage of natural and human resources.

In line with the commitments on quality, environment, health and ethic, undertaken and pursued during the years, Palladio Group aims to make sustainability the central element of the business process that contributes to the creation of the products supplied to the market in which it operates. Our company firmly believes that a sustainable development is the only form of society growth that doesn't compromise the possibility, for the future generations, to continue to progress, maintaining the quality and quantity of the assets and natural reserves.

The respect and protection of the health and safety in the workplace, of the environment and human rights are the foundation for the company's operative strategy and are at the base of all the Organisation's activities/processes planned and carried out for: "Design and production of packaging for the pharmaceutical and cosmetic industry".

In compliance with the legal prescription in force in the countries in which we operate and in accordance with the principles defined in the Ethic Code, Palladio Group is committed to respect and promote measures for the management of the forestall resources consistent with the observance of the ethical and environmental values and with the approach to continuous improvement.

The Corporation is especially committed towards the major

concerns of our times: sustainable growth, the observance of the Universal Declaration of the Human Rights and the adherence to international standards as defined by OCSE, the UN and the Global.

The aim of the entire Palladio Group is to pursue, year after year, an economic growth compatible with the social equity and the ecosystems, operating in a regime of environmental balance. This means that the economic, social and environmental dimensions are closely related to each other and any programming intervention will, inevitably, have to take into consideration the mutual interrelationships.

During the years we invested in human and economic resources to guarantee wellbeing and satisfaction in the workplace.

In this regard we carried out the analysis of the internal organisational climate intended to record the appreciation degree compared to the employment in all its aspects, in order to improve and develop new initiatives (yoga classes, contest with prices, sport competitions).

We also confirmed our commitment in joining charitable activities that could help others, making donations to no profit foundations both local and international, aware that our small gesture is, for them, a big help. We actively supported environmental projects, social and cultural activities in the local communities especially involving the future generations.

In 2014 specific targets were set to reduce the total gas emissions for 2018 & 2020. These targets aim to a reduction of 15% by 2018 and 20% by the end 2020, based on 2012 levels. Related to this goal is the use of alternative energy

sources (such as photovoltaic, purchase of renewable energy) in order to reduce energy consumption. As we aim, over the coming years, to continue to improve our economic, social and environmental performances, always thinking of our future generations, strategic priorities and commitments for the three years 2017-2019 have been defined as follow:

- To consolidate the suppliers' qualification and evaluation system, basing it on objective principles and focusing also on Social aspects
- Sustainable supply of forest based products with an annual target of 100%.
- To consolidate a safety culture through continuous education and prevention on health and safety with a "zero injuries" target
- Enhance and develop the know-how of human resources, in line with the company's strategic direction.
- Minimize any waste of water resources with a maximum annual consumption target of 15m<sup>3</sup>per head.
- Emphasize the Group's social responsibility commitments by emitting a specific policy that will complement the Code of Ethics and the Charter of Values.

The Organization has also identified a specific indicator for the assessment of their "carbon price" through the ratio of carbon economic value (ref Report of Word Bank Group - State and Trends of the Carbon Pricing) and that directly generated.

This indicator was included in the key indicators of Palladio in order to be monitored.

## 2. Organisation's profile

(Ref. G4 3, 4, 5, 6, 7, 8, 9)

Palladio Group S.P.A. was established in 1946 and thus has about 70 years of experience characterized by a progressive growth focused on the commitment to fulfil, in the respect of a sustainable and socially responsible industrial development, the expectations/ needs of its customers and all other Interested Parties. A growth that has enabled the company to transform itself from a small local business to an international company, technologically advanced, capable of imposing itself in the challenge against leading competitor in the national and international markets in which it operates. Our clients are leading multinational companies with whom we have established supply relationships and collaboration that are fundamental to innovation and continuous improvement of the products and services provided.

Nowadays Palladio Group is a cutting edge Italian multinational operating in the production-delivery of goods and services for secondary and primary packaging, of pharmaceutical and cosmetic products.

Palladio Group's main goal is to offer products, services and expertise in compliance with the requirements, while trying to anticipate and meet customer needs.

The production is based on a project, according to the information and technical specification provided by the customer, in compliance with the applicable requirements and mandatory laws.

All the production activities are performed using machinery and facilities that are technologically highly advanced, this in order to

guarantee safety, environmental protection and reduction of energy consumption.

The production cycle consists of the following macro phase's common to all sites:

- Pre-press: the set of activities that starting from an artwork, in paper or digital form, lead to implement / develop polymers for printing.
- Printing press: the set of activities that allow, using appropriate machinery, printing plates and inks / varnishes, to obtain the printed media with one or more colours (in our case the printed material consists of paper, cardboard or laminate).
- Post Printing: All those activities that, starting from the printed material and using appropriate machinery, glue and packaging materials, lead to make the finished product through the stages of die cutting, folding, gluing and packaging.

All the activities supporting the production process are:

- Computerisation of the production's management and planning processes.
- Procurement of energy and natural resources.
- Procurement / storage and use of raw materials, packaging materials and ancillary materials (chemicals, films, aluminium plates, etc.).
- Equipment and facilities maintenance.
- Shipping & Delivery.
- Controlled management of waste produced by the plants (temporary storage and handling).
- Administration & Sales
- Staff training.

## Our history

This is the story of an Italian company founded in 1946, which has always been focused on results, evolving from a local dimension to national levels and that has been able to stand out against its international competitors. All this was possible because the company remained firmly attached to a working model that proved to be effective over the years, and that is now appreciated by all our customers as synonymous with quality and reliability.

### 1946

Acquisition of Società Industria Tipolitografica Andrea Palladio. During the 50s, the company developed and changed its name to Palladio Industria Tipolitografica S.p.A.. That was the starting point of the specialisation in the pharmaceutical sector.



### 1980

The work was constantly increasing. The company moved to the new plant in Dueville, which is still today Palladio's headquarter. In the same year, Mauro Marchi, Antonio's son, joined the company; he represents the third entrepreneurial generation.

### 1996

50 years after the foundation of the company a second plant was opened in Thiene. This allowed the doubling of the production capacity and the extension of the packaging market to the cosmetic industry.

## 2000

In Dueville's plant started officially the leaflets production; this led to the expansion of the range of products of secondary-packaging supplied to its customers

## 2004

Palladio acquired Grafica Zannini spa: the group has now two new plants in Tuscany, one in Ireland and one in Serbia. The Group is the overall Italian leader in the field of secondary packaging for the pharmaceutical sector.

## 2011

The merge between Palladio and Grafica Zannini was officialised. From this fusion Palladio Zannini Industrie Grafiche Cartotecniche S.p.A. was born.

## 2012

The Serbian subsidiary Zannini East celebrates its 10th anniversary. Zannini east development and growth were so impressive that Dr. Mauro Marchi did not hesitate to approve the project to double the facility by 2014.

## 2013

As part of the strategy of diversification of the industry in which it operates, Palladio Zannini takes control of the Officina Farmaceutica Pharma Partners, integrating it into a larger project of industrial growth.

## 2014

Expansion of the Serbian plant floor area by 2000 m<sup>2</sup>.

## 2015

Starting of construction of the new plant, in Obninsk in the Kaluga Oblast region (Russia), the company name is Palladio Obninsk. In October Palladio Zannini changes its corporate name and becomes Palladio Group S.p.A. Even the foreign plants, located in Serbia and Ireland, Zannini East and Zannini Ireland, take part in this evolution becoming respectively Palladio East and Palladio Ireland Packaging Solutions.

## 2016

*February:*

Palladio East (Vršac) achieved the environmental certification ISO 14001 and of the Health & Safety certification OHSAS 18001.

*March:*

All the plants of the group gained the Quality System Management certification in accordance to the new ISO 9001 edition 2015 regulations.

*May:*

Intertek, in compliance with the SMETA, carried out an independent audit to the Serbian Plant Palladio East

*November:*

In all the group's plant have been implemented the ISO/IEC 27001 (Information Security Management System).

*December:*



Palladio Group celebrated, in a prestigious venue such as the Basilica Palladiana in Vicenza and together with its 600 employees, 70 years of passion and commitment.



*"It's amazing to think about how much the company has evolved since then - says Dr. Marchi -. This growth occurred over time through multiple acquisitions and by increasing the range of products and services provided to our customers.*

*The only thing that has never changed in these seventy years and has helped us to grow is to make excellence our standard, always focusing on the innovation and the complete sustainability of our processes. The company also has another incredible strength: its people.*



*With this initiative we want to celebrate our extended family and turn the spotlight on this sense of family and corporate culture"*

(ref. [www.industriavicentina.it/idv.nsf/codici/5618](http://www.industriavicentina.it/idv.nsf/codici/5618))



## 2017

**PALLADIO BNM OBNIISK**  
COMING SOON JANUARY 2017



Palladio Group spa has its headquarters in Dueville (Vicenza) and more production plants located within the national territory and abroad in line with the business strategy to produce in countries where growth is expected and / or there are opportunities for business.

### Headquarter



#### Palladio Group spa

Via Cresole, 8 Dueville (Vicenza) - Italia

Products: cartons, leaflets

Area: 31.000 m<sup>2</sup>

### Italian Plants



#### Palladio Group spa

Via Campazzi, 10  
Thiene (Vicenza) – Italy

Products: cartons, blister

Area: 16.000 m<sup>2</sup>



#### Palladio Group spa

Via Maremmana (Z.I. Gello) –  
Pontedera (Pisa) - Italy

Products: cartons, leaflets  
,labels, alufoil

Area: 38.000 m<sup>2</sup>

### International Plants



#### Palladio Ireland Ltd

Sragh Industrial Estate - Tullamore  
(Co. Offaly) – Ireland

Products: cartons

Area: 10.000 m<sup>2</sup>



#### Palladio East doo

Beogradski put 26300  
Vršac (Vojvodina) - Srbija

Products: cartons, leaflets  
,labels

Area: 20.000 m<sup>2</sup>



#### Palladio Obninsk Ilc

Opening January 2017

Offices address

Prospect Lenina 201

Obninsk

Kaluga region – Russian Federation

Over the years Palladio Group has grown to extend its manufacturing capacity in Foreign Countries.

This opening to foreign markets contributed to our commercial growth thanks to the contacts with the surrounding communities and the international staff working at our Plants.

Currently the production is carried out in three countries:

- Italy,
- Ireland
- Serbia
- Russia (from January 2017)

The image beside shows the countries in which we operate.

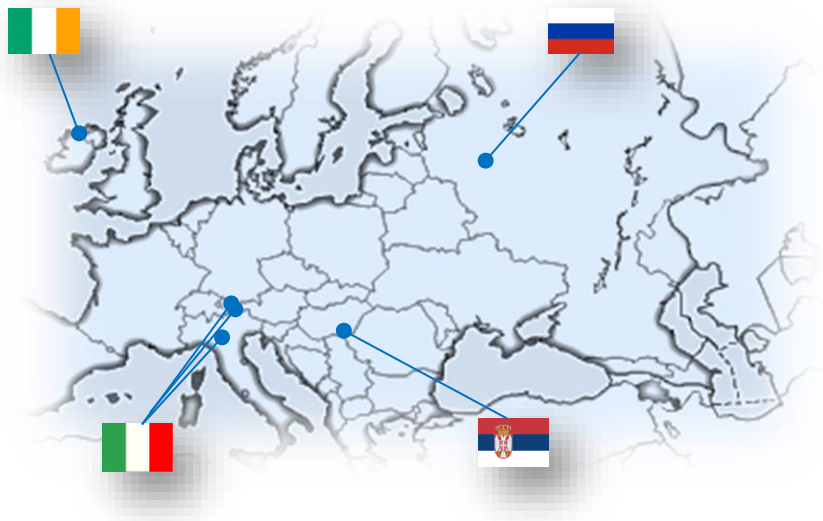
Palladio Group, the parent company of the Group, is a stock company under the Italian law. The two foreign subsidiaries are limited companies.

Our main market is the Pharmaceutical industry and our core business is the production of secondary packaging material for the most important pharmaceutical multinational companies.

The Group's activities are substantially uniform among the various sites and can be referred to as "the design and production of packaging for the pharmaceutical and cosmetics industries".

In our group, to 31/12/2015, were employed 531 employees, operating within the five factories. The total production capacity of the Group is approximately:

- 1.6 billion cartons,
- 800 million leaflets
- 600 million labels.
- 50 million blisters
- 10 million booklets
- 80 Tons of aluminium



## Commitment to external initiatives

(Ref. G4 14, 15, 16)

The utilisations of cutting edge technologies help achieve the targets set in our environmental and the Health and Safety at Work protection policy. In recent years, thanks to technological and effective processes, we managed to reduce and (in some cases) eliminate the emission of substances harmful to the environment as well as to the Health and Safety in the Workplace. The above has enabled greater protection for our employees and the reduction of emissions (waste, air emissions, discharges etc.) of dangerous substances.

From the point of view of continuous improvement and in order to ensure all customers and consumers the quality and safety of our products, Palladio Group adopted, for some time, a Company Management Systems conforming to the requirements of the following voluntary frameworks:

- ISO 9001(certified since 1994)
- Applicable GMP
- ISO 14001 (certified since 2001)
- OHSAS 18001(certified since 2010)
- CoC FSC (certified since 2010)
- CoC PEFC (certified since 2011)
- ISO/IEC 27001

The Quality Management System is developed and maintained taking into account the GMP requirements applicable to pharmaceutical packaging.

The organisation has also obtained the voluntary and independent certifications of traceability (chain of custody - CoC) of products derived from forests certified FSC or PEFC. Because of this the Organisation is also committed to

not be involved, directly or indirectly, in activities that are inconsistent with their policies of quality, environment and safety.

In February 2016, Palladio East (Vršac) obtained from the certification body SGS the environmental standard ISO 14001 and the OHSAS 18001 for Health and Safety. This standard certification is already active in all the Italian plants.

In March 2016, the certification of the Quality Management System has been updated, in all the Group sites, in accordance with the new ISO 9001 edition 2015 standard.

During the year 2016, we have adapted our management systems to regulatory standard ISO\IEC27001 (Information Security Management System).

It is also noted that the Palladio Ireland (Tullamore) plant, has not yet reached the environmental and safety certifications, nonetheless complies with the applicable legislation on this matter. The purchase of raw materials originating from forests is managed according to the Forestry Sustainability Policy and to the common written procedures and Vendor List.

We also wish to remind our commitment to Ethics and Social Responsibility.

Therefore, in addition to the adhesion, in 2011, to the 10 principles of the UN Global Compact, we want to disclose:

- Our Ethic Code (since 2009)
- Our Chart of Values (since 2011)
- The adhesion since 2011 to the Chart of Environmental Sustainability Principles
- The adhesion since 2006 to initiatives promoted by the COMIECO Consortium
- The adhesion since 2014 to initiatives promoted by Legambiente

Since 2012, on yearly bases, our CSR is assessed by Ecovadis and during the year 2015 we have joined the Carbon Disclosure Project for the Climate Change assessment.

Palladio Group is a member of the following national and international associations:

- AFI (Associazione Farmaceutici Industria)
- ASSOGRAFICI
- ATIF (Italian Technical Association for the development of Flexography)
- CIAL (Aluminium Packaging Consortium)
- COMIECO (National Consortium Recovery and Recycling of cellulose packaging)
- CONAI (Packaging National Consortium)
- ECMA (European Carton Makers Association)
- ENIPG (Ente Nazionale Istruzione Professionale Grafica)
- GIFASP (Italian Group Carton box Manufacturers)
- GIPEA (Italian Group of Auto adhesive Labels Manufacturers)
- HCPC Europe (Healthcare Compliance Packaging Council)
- Italian Institute of Packaging)
- INDUSTRIAL UNION (for the plants in Vicenza, Pisa and Serbia)

Palladio Group regularly pays the membership fees and considers strategic to join these associations. We have also joined:

- Chart of Principles for the Environmental Sustainability of the Industrial Union
- Initiatives promoted by COMIECO
- Initiatives promoted by Legambiente

### 3. Identified material aspects and boundaries

(Ref. G4 17, 18)

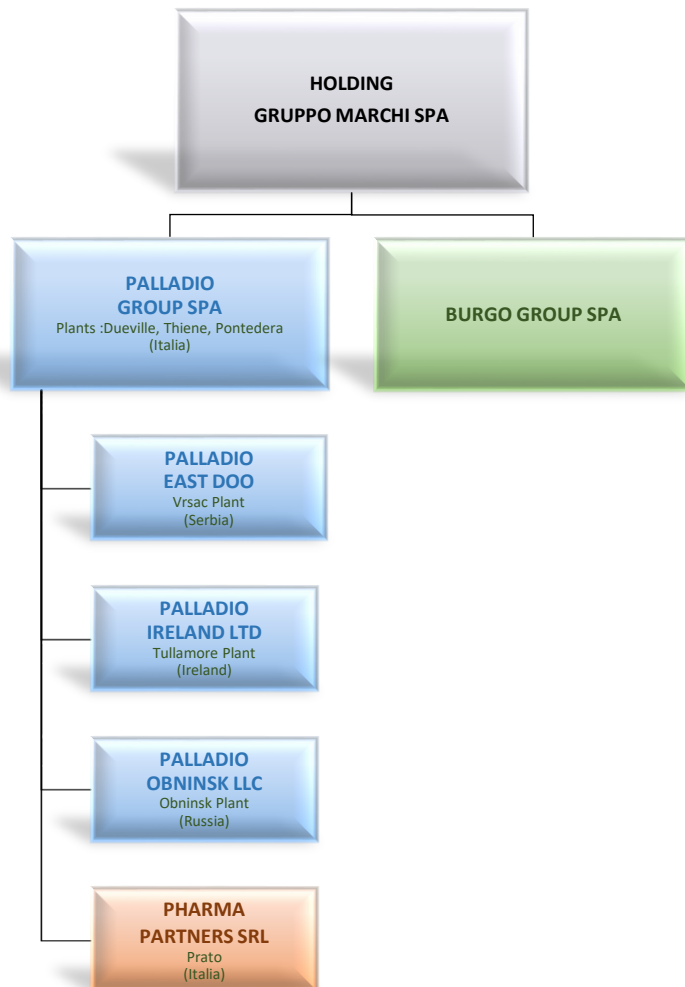
Palladio Group is part of the Holding Group Marchi, according to the structure shown in the following organizational chart.

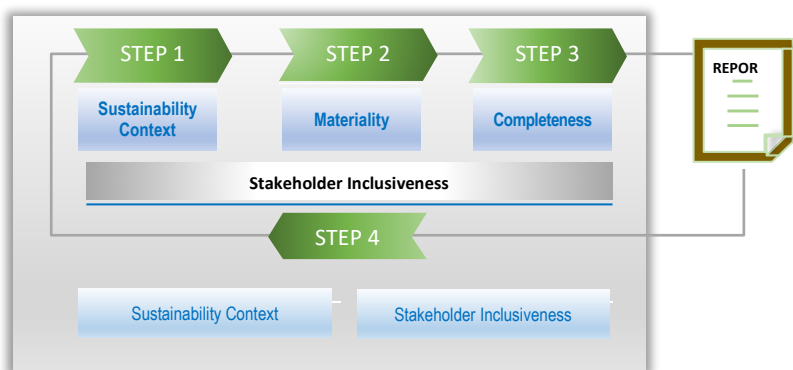
With the view of reporting homogeneity, in relation to the type of materials produced in the various plants of the Group, it has been determined that the scope of the reporting will be limited to the plant operating in the Pharmaceutical and Cosmetic sectors and producing primary and secondary packaging materials, such as:

Palladio Group spa plants in Dueville-Vicenza (Italy), Thiene-Vicenza (Italy), Pontedera-Pisa (Italy)  
 Palladio East doo: plant in Vrsac - Vojvodina (Serbia)  
 Palladio Ireland Ltd: plant in Tullamore - County Offaly (Ireland)

Therefore, when the report will quote Palladio Group or the Group, all the plants above shall be considered.

Note: the Palladio Obninsk (Russia) plant is listed in the chart even though it is not yet operational.





The Palladio Group's management of the environmental, economic and social material aspects complies with G4 Guide lines. These, in order to determine the material aspects and their relevant perimeters, outline a process divided into the following four stages:

- Identification
- Prioritization
- Validation
- Review

As shown in the picture below, each of the four phases covers specific elements of the process defining "what is relevant and where it is relevant".

In order to ensure the quality of the information and the compliance to the principles of balance, clarity, accuracy, timeliness, comparability and reliability of the GRI, Palladio Group defined the contents of this Report, according to the following principles.

During the first phase of identification, the potential material aspects were selected through the analysis of different sources:

- Corporate Documents such as Corporate Policy, Ethics Code;
- Consultation with the various Stakeholders;
- Mandatory regulations;

- G4 Guidelines of the Global Sustainability Standards Board of the UN Global Compact.

During the second phase of the evaluation of the priorities, the material aspects identified in the previous phase were examined, giving priority to the individual economic, environmental and social issues of the organization both on the basis of the impacts for the Group and on the basis of stakeholder interest, including external (and / or internal) boundaries in which the major significant impacts may occur.

This universally recognized reporting technique use specific indicators, depending on the levels of application, bringing the company to:

Perform a complete monitoring of its performance.

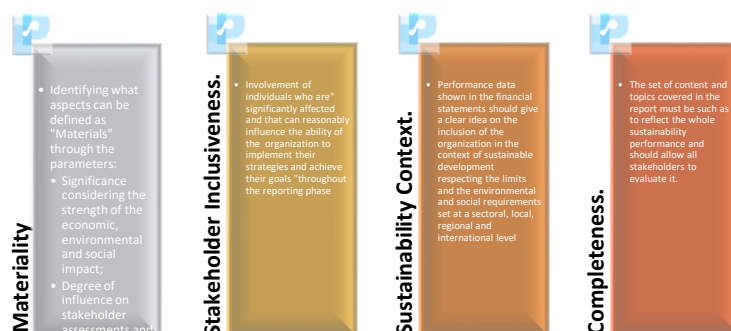
Draw up a final balance of the main environmental impacts of the Group's production activities.

Communicate the progress in relation of the UN Global Compact Principles.

Ensure that a measurable progress has been achieved.

In the third phase **Validation** the Palladio Group's various department managers, according to their roles and tasks across the Group were involved in the activities and they have been centrally coordinated by the Quality and Sustainability department manager. The results of the "Validation" activities were then finally approved by the "Executive Committee" of Palladio Group S.p.A.

During the fourth and final review phase, which takes place after the publication of the report, the organization focuses on the identified Relevant Aspects considering the Stakeholders' feedback in order to identify new Aspects that could be examined in the next Sustainability Report.



### Identification and context of each material aspect (Ref. G4 19, 20, 21, 22, 23)

The Materials aspects have been identified based on the various consultations, assessments and observations made in the first phase; same are listed below, subdivided according to the following categories:

- Environmental (EN)
- Economic (EC)
- Labour (LA)
- Human Rights (HR)
- Social (SO)
- Product Responsibility (PR)

In order to identify the potentially materials aspects, the following elements of Palladio Group S.p.A. were taken into consideration:

- Most significant environmental aspects for Palladio Group S.p.A., according to the Environmental Management System.
- Economic aspects which better respond to the needs of an increasingly competitive market.
- Most significant labour aspects, in accordance to the Corporate Policy and in compliance with health and safety at work as per the Workers' Health & Safety Management System and mandatory legislations.
- Most significant aspects in accordance with Palladio Group Code of Ethics and respect for fundamental human rights, as ratified by the relevant International Conventions.
- Aspects relating to the product which are deemed to be significant in relation to the relationship with the consumer

and the compliance with international laws.

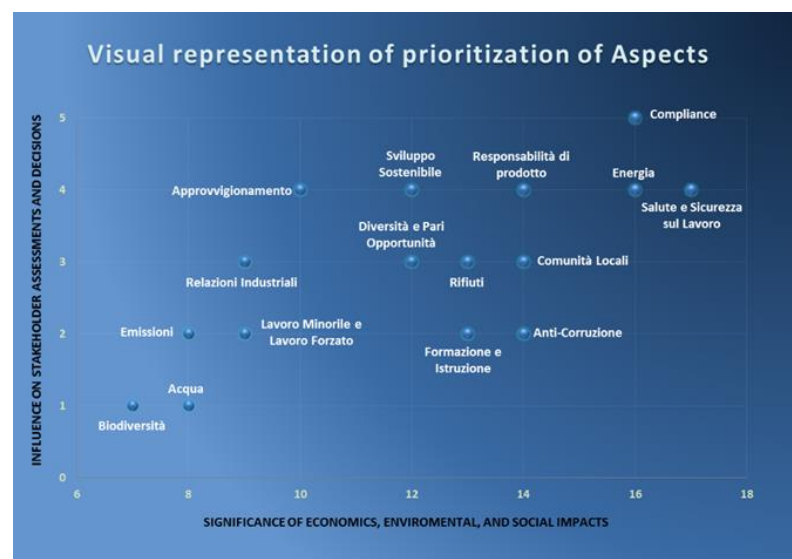
The application of the stages of identification and prioritization, according to the objective methodology as previously indicated, has allowed the determination of the materials aspects and of the boundaries which are shown in table (Annex 1) in section 10 and in the matrix below.

The reporting data refer to the last three years (2014, 2015 and 2016) and are indicated for each individual production plant and for the whole Group. Some data may have been revised, if compared with previous years, due to changes in the coefficients, basic errors and homogeneity in the reporting, in order to allow comparisons without distortions. The table (Annex 2) in section 10 shows the coefficients used for the environmental calculations, during the three years.

There were no significant changes in the reporting period regarding the scope, reporting limits or measurement methods.

If, in some case, a new method of measurement has been used, same will be highlighted under the relevant indicator.

To be highlighted some significant changes concerning the introduction of new machinery, size of property, but above all the expansion of services which led to increase the consumption of energy resources.





## 4. Stakeholder engagement

(Ref. G4 24, 25, 26, 27)

Palladio Group achieved its success on the domestic and international markets because it kept in mind that its activities are directed primarily to Stakeholders.

The Group's development was built prioritising the satisfaction of the needs of all stakeholders, including rights as defined by national laws and applicable international standards.

The drafting and publication of the Sustainability Report and other report on the assessment of our Corporate Social Responsibility was the first step in sharing and disclosing that has led us to focus on important aspects on which our efforts must be addressed as response to our stakeholders' needs and expectations.

As a matter of fact, our Sustainability Principles and Values are the result of both material subjects arising from the involvement of the various functions and the results of various forms of dialogue and discussion with the Group Stakeholders. During the year 2016, there were no criticalities emerged from the activities of stakeholder engagement.

Stakeholders are those bodies who have interests in place with our business such as:

- The Shareholders,
- The Employees
- The Collaborators,
- The Customers,
- The Suppliers,
- The Business Partners.

We also consider stakeholders all those individuals or groups, as well as organisations and institutions that represent them, whose interests are affected by the direct and indirect effects of the activities of Palladio Group in particular, the

local communities in which we operate, environmental groups, the future generations.

The sustainability approach used, in order to ensure the achievement of the objectives, the quality of information and the adequacy of the presentation of the principles towards stakeholders is to use the principle of inclusiveness and materiality. Palladio Group wanted to encourage information and relationships with several stakeholders by promoting initiatives transversally involving different stakeholders through communication integrated external and internal platforms that stakeholders can use without any particular constraints, such as:

- Website  
([www.palladiogroup.com](http://www.palladiogroup.com))
- Intranet
- E-mail  
([info@palladiogroup.com](mailto:info@palladiogroup.com))
- Facebook  
([www.facebook.com/pages/A-mici-di-Palladiogroup](http://www.facebook.com/pages/A-mici-di-Palladiogroup))
- LinkedIn  
([www.linkedin.com/company/palladiogroup](http://www.linkedin.com/company/palladiogroup))
- Yammer  
([www.yammer.com/palladiogroup.com](http://www.yammer.com/palladiogroup.com))
- Vimeo  
([vimeo.com/user44390006](http://vimeo.com/user44390006))

It is our intention to use these media more and more, in particular the social networks as dynamic platforms where we can intercept any requests, have more ways of sharing, understand the new requirements, needs and duties.

For the preparation of this report, specific groups of internal stakeholders were involved.

### Palladio News

Since our company newsletter was restored. It is now published every four months with the main purpose of explaining about the company, starting from the internal organisation, passing through the main events, up to the latest products news, but also with the important goal of promoting and increasing the sense of belonging among employees, the spirit of collaboration and teamwork, improving the business spirit.

With this additional communication tool we want to boost the participation and involvement of employees, keeping them updated about activities that are taking place and encouraging the flow of information between departments.

The structure of the publication includes an editorial signed by the CEO, "the focus" on a relevant topic of particular interest for the company, then the various sections telling the news coming from our operational sites and the final pages are dedicated to the events, corporate life and our people.



## 5. Report's Profile

(Ref. G4 28, 29, 30, 31, 32, 33)

The Sustainability Report is published annually.

The report's data refer to the last three years (2014, 2015 and 2016) and they are indicated both per production unit and at group level. This report will be published on the website of the Global Compact of the United Nations, on the G.R.I. website and on our website ([www.palladiogroup.com](http://www.palladiogroup.com)) as well as the company Intranet.

For any additional information please contact: [giampaolo.carone@palladiogroup.com](mailto:giampaolo.carone@palladiogroup.com).

The aim is to annually disclose, to Stakeholders, information relevant to economic, environmental and social performances resulting from the Palladio Group's production. In particular, the report aims to frame in a wider context the activities of the company in accordance with the standards and the G4 guidelines of the GRI and the Principles of the Global Compact, which are part of the report.

Currently 5 sustainability reports, two Communication On Progress and one Climate Change Report have been published. The last publication, available on our web site and that one of the UN Global Compact, dates back to May 2016.

This report, prepared in accordance to the Global Reporting Initiative GRI G4 - "Core", has been subjected to external verification activities by SGS.Italia spa. The certification related to this report is provided in the relevant section.

Data on economic performance, deferred in the relevant section, are extracted from the Consolidated Financial Statements

verified by auditors of Soc. Ernst & Young.

\* The GRI G4 provides two possible "in accordance" levels: "Core" and "Comprehensive". "Core" includes most disclosure standards and relevant indicators for every material aspect. "Comprehensive" includes all standard information and all relevant indicators for each material aspect.

***Link to the 10 principles of the UN Global Compact,***

The sustainability model adopted by Palladio Group is inspired by the United Nations Global Compact.

In May 2012 Palladio Group has formalized its adherence to the U.N. Global Compact, a pact that binds all those companies committed to aligning their operations and strategies to the 10 universally accepted principles concerning human rights, labour, environment and anti-corruption.

The table in Annex 3 section 14 which shows the commitment of Palladio Group (Accounted for in this report) to respect and promote these principles, shows which GRI G4 version indicators, applicable to Palladio Group, are considered in conjunction with each of the 10 principles of the U.N. Global Compact. This is in order to facilitate the research of the information relevant to the stakeholders which are interested in evaluating the implementation of the Principles by Palladio Group.

To find the pages where the GRI indicators are discussed please refer to the correlation chart of the Report (GRI 4) and link with the 10 UN Global Compact principles contained in Annex 3 of Section 14 (Source: GRI-Global Compact, "Making the Connection").



## 6. Governance

(Ref. G4 34)

The Governance model in use is the “traditional” type, which means that it is characterised by the dichotomy between the management body (Board of Directors) and the supervisory body (Union Board); the activities of statutory audit are entrusted to an Audit firm.

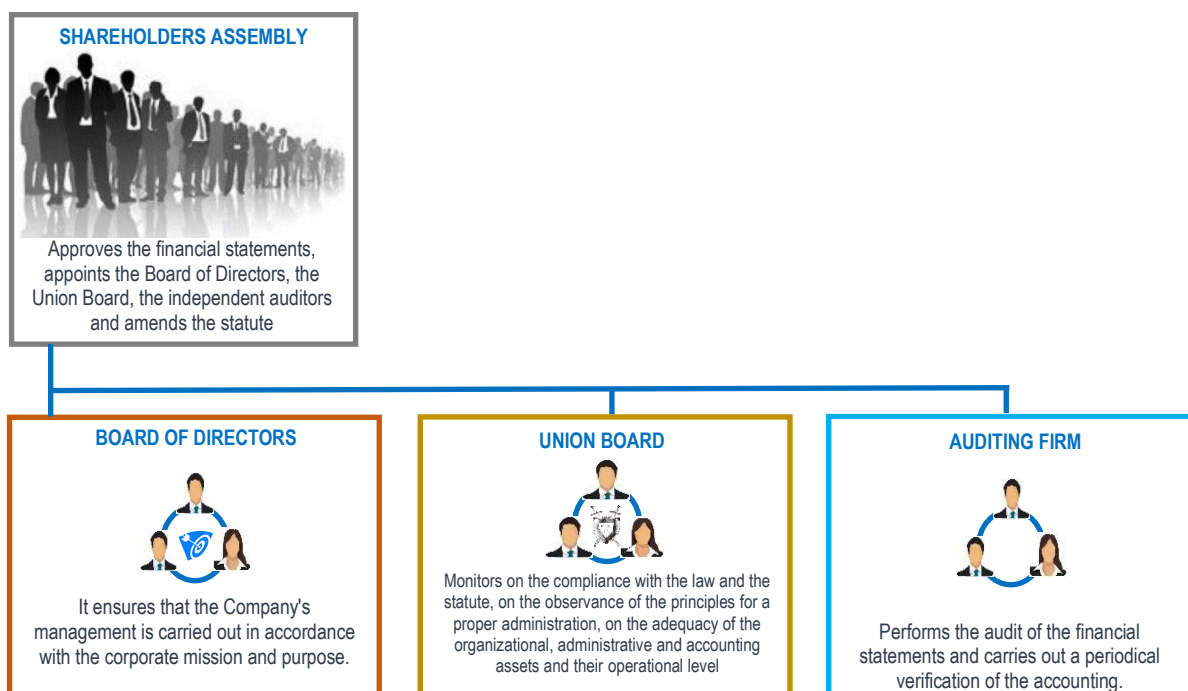
The mechanisms of corporate governance adopted by Palladio Group, in line with the statutory provisions, intend to ensure an efficient and transparent functioning of the Company's organs of government and control systems.

The members of the Board of Directors are appointed according to integrity, professionalism and competence criteria defined by the Statute, they shall hold office for a period not exceeding three financial years and they end the mandate at the date of the Meeting called to approve the financial statements for the last year of their term. The directors are re-elected in accordance with art. 2383 of the Italian Civil Code.

Palladio Group shareholders assembly, by resolution dated 17/06/2016, has appointed the new Company Board of Directors which will remain in office until approval of the financial statements 2018.

In line with the provisions of the D.L. 6 July 2012, n. 95, converted by L. 7 August 2012 n.135, The Palladio Group's Board of Directors is composed of seven members: President, CEO and five Councillors. More specific details about the members (i.e. age, gender) can be found on public record available, upon request at one of the Group Companies, at the Register of Enterprises of the relevant Chamber of Commerce(C.I.A.A.).

Palladio Group pursues the aim of good governance through the implementation of a set of values, rules and procedures, stated in the Ethic Code, which outlines the commitments and responsibilities that the company and those who work there, are taking in the management of each business activity.



## 7. Ethics and Integrity

(Ref. G4 56, 57, 58)

Consistently to our Mission, which states:

*"To build and maintain, in compliance with laws and corporate ethics, our leadership in the competitive market creating innovation and value both for the Customer and for other Stakeholder",*

Palladio Group has always invested in technology and advanced equipment, developed thanks to the close relationship established between customers and suppliers. All this has helped and continues to help provide a measurable added value in terms of logistics, productivity and lead-time.

### Our Principles and Values of Reference

Our ethic conduct is represented by the value and content of the Ethic Code.

Palladio Group pursues its economic goals giving priority to the social factors, the health and environmental protection, with the knowledge that our entrepreneurial actions have to be in line with the society interests. The values in which the values in which the Group recognizes itself are:

#### Responsibility

We know that our entrepreneurial actions have to be in line with society's interests, the people, and the cautious management of the resources and the respect of the environment

#### Human Rights

We support and comply with the observance of the human rights, as recognised within international levels, especially the rights of our

collaborators and business partners

#### Equal Opportunities

The workforce of Palladio Group is formed without regards to race, colour, religion, age, sex, sexual orientation, handicap, political opinions, national origin, and social background. We respect any political and religious belief of our employees, as long as such believes is based on democratic values and on the tolerance of different opinions. The employees can complain to their direct superior or to the relevant department director in the event they feel unfairly treated in regards of their work conditions. The employees will not suffer any disadvantage in regards of their complaint. We refuse any kind of forced labour and respect the principle of the work freely chosen.

#### Integration of People with Disabilities

From our point of view, people with disabilities have the same benefit of equal rights as members of society and professionally. Supporting these people in the process of integration in the company and working with them in a cooperative environment, is essential to our entrepreneurial culture.

#### Child Labour

We condemn child labour and respect children's rights.

#### Fairness of the Working Conditions

The salary and social benefits available to our employees correspond, at least, to the minimum national or local legal standards, to the provisions of the respective agreements. Over 70% of our employees benefit a superminimum wage (above the legal minimum wage). We respect

the national legislation in relation to working time and annual leave.

#### Relationships with the Unions

We recognise the basic right, of all the employees, to join a trade union according to their own free will. The employees will be neither advantaged nor disadvantaged because of their membership to a trade union. The company is open to dialogue with them and with the organisations that may represent them.

#### Qualification

Our company, as well as encouraging the training of the employees, in order to develop skills, knowledge and professionalism, shall ensure to maintain and enhance the know-how of its employees through specific training programs.

#### Health and Labour Protection

The safety in the workplace and the health of our employees are of high priority to us. Palladio Group meets the national standards for a safe and hygienic working environment and, on this regard, takes appropriate measures to ensure its employees' health and safety at work and the working conditions are not harmful to their health. The enforcement of OHSAS 18001 and ISO 14001 regulations ensure the highest safety standards, in compliance with the laws in force and with the constant surveillance of the environment.

#### Environment

Palladio Group, through its policies (Quality, Environmental, Safety and Sustainability forestry) and program management, is committed to preserve natural resources by reducing the environmental impact of its activities. Palladio Group is committed to environmental protection. Our certifications ISO

14001, FSC e PEFC show our environmental responsibility. These principles are included in the various manuals of quality management, environmental management, safety, FSC and PEFC as well as in the relevant policies.

#### ***Stakeholder's Satisfaction***

Our growth and sustainability and, therefore, our ability to meet our commitments to our stakeholder, are conditioned by the customer's satisfaction

#### ***Customers***

Palladio Group aims to provide products, services and expertise in compliance with the requirements and, at the same time, to anticipate and meet their needs.

The data and know-how provided by our customers and partners are treated with the utmost confidentiality, protection and in compliance with laws and regulatory requirements.

#### ***Suppliers***

Palladio Group, through a process regulated by specific quality, environmental and safety procedures, is constantly seeking for long lasting partnerships with its own suppliers .In this process Palladio Group undertakes to verify that its suppliers perform the required tasks in line with our Code of Ethics, the tender's specifications and according to the environmental and safety procedures. .

#### ***Shareholders***

Palladio Group is guided by the principles of corporate governance, particularly in the research of returns and growth of capital invested by its shareholders.

#### ***Partnership***

Palladio Group tries to build sincere and positive relationships with all its Stakeholders.

To meet their needs, we cultivate a spirit of partnership based on mutual responsibility, dialogue and interest.

#### ***Corruption***

There is no tolerance for corruption.

The relationships between employees and customers, suppliers, partners, and public services are managed with objectivity and integrity. Any kind of agreement or any ancillary clauses in agreements relating to the acquisition of advantages or benefits for individuals through procurement, allocation, delivery, performance and payment of commissions is forbidden.

#### ***Transparency and Trust***

Transparency, honest communication and openness to dialogue are hallmarks of our communication programs. Our goal is to provide reliable and relevant information to enable an objective assessment of our management of the environment, finance, corporate and social performance.

#### ***Profitability***

We act and decide targeting the profitability; this is to ensure growth and financial autonomy. It is our duty to achieve and maintain high returns for our shareholders, employees and all our stakeholders.

#### ***Integrity***

All our decisions are based on honesty, integrity and loyalty in the scrupulous observance of all the laws and regulations of the countries in which it operates.

## The Ethic Code

Issued and approved by the Board of Directors in July 2009, it has been subject to some minor modification to make it compliant with the changes that took place in the legislation, however its meaning and usefulness remains the very same, in fact still encloses the values and principles that inspire and orientate the act of Palladio Group towards its stakeholders.

The Code is a fundamental feature of the terms of employment: all employees are in fact committed to engage a conduct in line with the Code. Palladio Group also requires, in the mandates and service contracts that the suppliers adhere to the contents of the Ethic Code.

During the year 2016 the Ethics Committee received 3 complaints that have been resolved without any specific intervention.

The Ethic Code can be downloaded, both in Italian and English, from our website: <http://www.palladiogroup.com>.

Same was also translated in the languages of the countries where Palladio Group is; a copy was given to all employees (and from each of them undersigned) and made available on the company's intranet site.

At the end of the year 2013, on the occasion of the new issue of the Code of Ethics all our employees have been trained on the ethical code. Also in the following years refresh training was provided.

Palladio Group refuses to be an accomplice, even indirectly, in the abuse of human rights. For this reasons exercises its control over suppliers/partners of work performance and / or service to make sure that all the suppliers of goods and/or services are aware

about our commitment to this cause and that they share the principles and values set out in our Code of Ethics

Palladio Group has a zero tolerance attitude toward corruption. The value that guides our choices is based on meritocracy and ethics, rewarding our employees only in accordance with these principles. This principle is taken into account in the management of our customers, suppliers and any authority with which Palladio Group has relationships. In line with the contents of our Code of Ethics, since 2013, it is possible to implement the Whistle-blowing procedure in order to report any unethical or illegal conduct. The whistle-blowing procedure can be activated both internally and externally through the exchange and communication platforms with our stakeholders.

## *Our commitment on the Minerals Conflict's issue*

In July 2010, the US Congress brought as part of human rights violations in the Democratic Republic of the Congo and neighbouring countries (collectively, the "DRC") the mining and trading of tin, tungsten, tantalum and gold ("minerals coming from conflict areas").

United States approved a new regulation, called the Dodd-Frank Act, which requires companies based in America and in all other countries, to make public any possible use of so-called "Conflict Minerals" extracted in the mines of the Democratic Republic of the Congo (DRC) and associated countries.

In August 2012, the US Securities and Exchange Commission (SEC), in accordance with the requirements under the Dodd-Frank Act, has adopted final rules under the Securities Exchange Act of 1934 (Exchange Act) issuing a reporting warrant for the public companies in connection with the use of "conflict minerals" originating in the democratic Republic of the Congo or an neighbouring country, collectively referred to as the DRC. The initial deadline was set for May 31, 2014.

As per above, having Palladio Group signed a commitment to monitor human rights in our supply chain and also in order to comply with some customers' demands, we went into action by initiating an investigation into some of our suppliers to explore the topic "conflict minerals" and received confirmation that in their production processes no use is made of materials mined in conflict areas.

## 8. Economic Responsibility

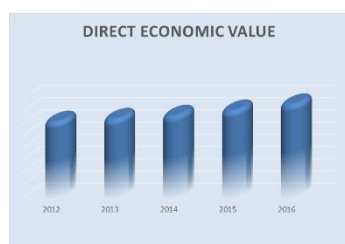
### Economic management

(Ref. G4 EC1)

In recent years Palladio Group has reorganised its structure to better meet the needs of an increasingly competitive market by making many investments aimed to make our production more efficient and to improve the organisation by introducing innovative concepts such as the lean thinking.

In addition to the closure of important projects we have also increased our services to customers, strengthening our leadership in the market in which we operate.

In addition to strengthening our plant in Serbia, it is going to build a further facility in Russia, together with a foreign partner. This project follows the established strategy with our other foreign plants to produce directly in the countries where the market is expected to grow allowing an expansion of our multinational. Such activities contributed, although indirectly, to improve the economic conditions of local communities in which we operate, and also generated value for our company.



We also support projects in favour of the community such as social, cultural and artistic activities that are fundamental values to civil society, helping to improve the quality of life of local communities in which we operate.

### Sustainable development

(Ref. G4 EC2, EN31)

As we are aware of the importance of ensuring a sustainable development of our activities and a more efficient use of energy and materials on the long term, Palladio Group pursues continuous improvement of its environmental performance and energy, applying best practices which will improve the environmental management in a cost effective way.

To achieve these goals, the Company adopted a management model based on the preventive analysis of the environmental impacts of its activities and the constant monitoring of consumption and waste. This approach has allowed us to identify the areas which need our intervention to achieve an environmental improvement; we acted in this direction with targeted activities that led to progressive reductions in CO2 emissions.

To promote the company's sustainability culture, awareness-raising initiatives were also promoted to reduce energy consumption and facilitate the waste recycling at the Palladio Group plants.

In this regard, in 2016, costs for environmental management and protection amounted to over € 280,000, these were mainly due to the installation of cleaner and more efficient technologies, training courses for staff directly involved in environmental management, external services, Purchases of green products, waste disposal.

Palladio Group is aware of the risks due to physical changes in relation to climate change but, at present, we believe that will not affect the operations of its plants and business decisions in the medium and long term. The company has, however, signed insurance

contracts to protect themselves in case of unexpected weather events and has put into procedures a business continuity plan to ensure continuity of its activities.

During the year 2016 we completed the annual request for information from the CDP Climate Change, which were analysed according to the standard method of CDP score.

Its Performance Review Report has given us a Level B Scoring.

### Indirect Economical Impacts

(Ref. G4 EC7, EC8)

Donations, financial contributions and pro bono activities were carried out during the year of reference in relation to a preliminary analysis on the needs of local communities or on the general public interest. In addition to the various activities undertaken by the Group, as every year Palladio Group's employees, together with the company, have contributed to support, through donations, various associations of humanitarian and social nature of their own choice.

### Presence on the market

(Ref. G4 EC5, EC6)

The most important operational sites (based on the high number of employees) are located in Italy and Serbia. The salary of new employees in all locations of the group is on average higher than the minimum wage required by law without any distinction between genres and backgrounds. Palladio Group doesn't have a specific policy regarding the global recruitment of staff residing in the vicinity of establishments; By recruitment practices however priority is given to people living in the vicinity where the activity takes place. On a general base the

managers and the employees of both the foreign subsidiaries and the various Italian plants have their habitual residence nearby the relevant local communities.

The senior managers are those top-level functions and the local communities are intended as the country in which the plant operates.

## Indirect Economical Impacts

### Procurement Methodology

(Ref. G4 12, 13, EC9, EN1, EN2, EN27, EN28, EN32, LA14, LA15, LA16, HR1, HR10, HR11, SO9)

The Group's suppliers operate in different sectors including: raw materials, ancillary materials for the production of pharmaceutical packaging such as inks and varnishes, services (in particular third parties). From a geographical point of view, The Group favours domestic suppliers and, in particular, companies that can provide goods and / or services in the markets in which the Palladio group plants operate.

The raw material used for production is defined by the customer, and generally produced / manufactured by multinational paper mills.

Since the Group's ethical integrity is necessarily dependent upon that of trading partners with which it has relationships, we demand that our suppliers comply with the following standards: Health and safety in the workplace, working conditions, freedom of association and not retaliation, forced and compulsory labour, child labour, no discrimination, compliance with environmental legislation, Abuse of office and corruption. Therefore since 2016, the process of selection and qualification of suppliers has been modified, so that now for all the new suppliers

it is mandatory the assessment of the environmental, security, and social data.

It is also expected acceptance of our supplier code of conduct. Through this code we intend to encourage our Suppliers to understand and comply with what stated in it to allow, through the respect of these criteria, the continuation of the relationships of Supply according to clear and transparent codes of conduct.

Consequently, we require not only a responsible attitude towards Palladium Group, but also a commitment to respect the same matters of concern within the supplier's company.

In terms of health & safety in the workplace we ask the supplier/service provider to have full knowledge of local regulations on this subject and to follow the indications as per documentation provided which must be signed for acceptance by the same (DUVRI).

### Products and services

Palladio Group works on a contract basis, therefore it is the customer to specify the type of raw material and supplier to be used and we must strictly comply with these requests, this limits our possibility to purchase recycled raw materials. Being unable to act directly on the finished product, we promote the concept of sustainable consumption with our Customers through initiatives aimed to raise the customer's awareness to use recycled cardboard or to reduce the board grammage, thus giving a contribution to implement:

- A positive effect on the environment
- A reduction of cardboard waste
- An economic benefit for the customer

- A rationalisation of the supplier's stock
- Greater flexibility in the orders production.

Our activities, due to the type of material used, involve a products' recycling system that stands at very high rates.

All waste from used raw material is appropriately separated to be sent for recycling.

Our initiatives originated positive results. In fact, during 2016, the demand for using recycled cardboard by our customers remained stable.

Our company is subjected to the market demand with regard to the requirements of our customers required product but not with regard to the requirements of the outer boxes used for packing the supplied products.

As a result of this we have adopted a policy of using packaging produced from recycled cardboard for packing the products sold.

Unfortunately, due to the criteria adopted by the pharmaceutical industry in accordance with the FDA (Food & Drug Administration) regulations, such packaging cannot be returned. The use of such packaging it is only allowed once to avoid cross-contamination issues.

### Sustainable procurement of forest based products

In October 2010, the European Union adopted a regulation to prevent illegal timber trade in Europe. Since March 3, 2013, the law (EU) 995/2010, better known as EU Timber Regulation (EUTR) have come into force; this applies to wood and to all products originated from it, including paper. "For companies that introduce in Europe products made from wood fibres, the Regulation prohibits the placing and trade of illegal products and requires the adoption of a system of internal "Due Diligence".



Palladio Group, through compliance with PEFC and FSC certifications, purchase only certified raw materials and / or materials not originating from controversial sources.

Our sourcing policy is to guarantee the origin and legality of wood products (paper and cardboard) in our chain of custody, paying particular attention to suppliers of forest raw materials. Hence, detailed information is gathered to assess legality, traceability, third-party certification status, global policy compliance, and compliance with EUTR 995/2010 "Timber Regulation" and with Due Diligence System.

In 2016, all Palladio Group's suppliers of forest based raw material have confirmed the origin of the material and they all hold a valid certification. Therefore we can say that also in the year 2016:

- 100% of the raw materials used from wood (paper and board) come from controlled resources.
- 99% of the raw materials used came from renewable resources.

Having subscribed a commitment to monitor human rights in our supply chain and also in order to comply with some customers' demands, we went into action by initiating an investigation into some of our suppliers to explore the topic "conflict minerals" and to receive confirmation that in their production processes is not used materials extracted in conflict zones.

## Investment and Procurement Practices

Palladio Group refuses to be an accomplice, even indirectly, in the abuse of human rights. For this reason the organisation exercises its control over companies with which it collaborates for work

performance and / or service, making sure that our suppliers of goods and/or services are aware of our commitment to this cause and they must share the principles and values set out in our Code of Ethics.

We require, as per our procedures, that all the suppliers (contractors), selected to carry out work within our premises, and must demonstrate to be in possession of documentation certifying compliance with legislative and contractual obligations towards their employees. They also have to be in compliance with the corporate's social responsibility and the good practice standards lay down by the Environmental and health & safety management system of Palladio Group.

Any negative environmental impacts and possible complaints related to those impacts are handled through the documented nonconformity management.

During the reporting period, no contracts were rejected, no performance conditions were imposed, and in any case no action was taken as a result of the assessment of respect for human rights and practices of work with major suppliers, contractors and other business partners.

## Indigenous population's Rights

(Ref. G4 HR8)

In Palladio Group there were no incidents involving the rights of the communities in which it operates. We do not operate in countries where there are indigenous communities. As Confirmation of our adhesion to the principle of non-complicity in abuse of human rights, we are also committed through obtaining FSC certification, to buy our raw material in accordance with the principles

promoted by the Organisation, including the recognition and protection of rights of indigenous peoples and other minorities forest-dependent (such as local communities).

## 9. Environmental Responsibility

In relation to our activities, products and services we identify our direct and indirect environmental aspects and the related impact factors. According to their significance we determine the most important ones, this is in order to keep them under control and prevent any risk for the environment. Our "Register of Impact Factors" provides an overview of the most significant activities. In this context, the applicable legal requirements and other requirements subscribed by the Organisation are taken into account in the definition, implementation and maintenance of the Environmental Management System.

Specific improvement objectives are defined on an annual basis in order to improve our performance and reduce consumption resulting from any waste.

Goals that over the years have brought significant benefits as it emerges from the data reported in this section. Several studies, aimed to define and modify the procedural methodology and the structural measures, have led to a reduction in consumption resulting from waste. The implementation of these interventions, such as: home automation management of air conditioning, lights and various utilities supplying the production, use of LED lights, have resulted in significant energy efficiencies and reductions in energy requirements...

### Reduce general and natural resources waste

Another important step in the policy of reducing waste is the management of waste arising from our raw material (paper and cardboard).

Most of this material is in fact handled as a by-product. This material is therefore collected to be reused or recycled at the end of its life cycle. The organisation, in order to improve the efficiency in the use of materials and resources, also separates the various packaging materials (such as wooden platforms, some types of plastic, iron, etc.) In order to help improve efficiency in the use of materials and resources.

Since 2009 Palladio Group has analysed its LCI monitoring their emissions of greenhouse gases (GHG) resulting in particular from:

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

Verification of indirect impacts arising from our own production activities:

- Consumption paper raw materials
- Transport resulting from the purchase of paper raw materials
- Transport resulting from the sale of finished products.

Following the evaluation of environmental impacts (LCIA), in relation to the annual production, our consumptions were monitored to intervene significantly by establishing objectives aimed to:

- reduce natural resources waste
- reduce our contribution to Global Warming.

The extent of reduction was determined through the evaluation of the Carbon Foot Print for the years taken as reference.

### Focus on Biodiversity

(Ref. G4 EN11, EN12, EN13, EN14)

One of the environmental factors on which Palladio Group puts focuses is biodiversity despite all the Group's plants are located in technological / industrial areas, away from protected areas and areas of high biodiversity or areas where the Species listed in the red UINC list have their habitat.

The above is done through the adherence to Forest Management Systems such as the FSC and PEFC Custodies chains to support the protection of forests and their fauna and in order to contrast the illegal trading in the wood sector; buying only forest products that come exclusively from controlled sources.

In addition, to promote resource conservation and environmental protection for years we have been actively participating in events promoted by Conai called "Riciclo Aperto" (Open Recycling)



"Riciclo Aperto" is a major communication campaign on sorting and recycling of paper and cardboard waste, to raise awareness and show the different phases of the cycle of recycling and educate the younger generations to a conscious use of resources.

The goal is to make people discover the value of the recycling industry, the skills and



technologies of the sector and demonstrate live how paper and cardboard are actually recycled, to reassure citizens about the usefulness of their daily efforts to recycling.

Since 2013, we organize, at our plants, the "Sustainability Days." Such initiatives involve our employees, their families and especially local communities.



As confirmation of our environmental commitment and consistently with the path taken in the previous years, also in 2016, we participated to "Clean Up the World" a global environmental initiative promoted by Legambiente in cooperation with the United Nations Environment Programme (UNEP).

There have been various cleaning activities in the "Path of Health" located inside the Natural Oasis of the Vršac's hill and saw the participation of about 100 students from the schools of Vršac



Palladio also contributed to the event in Italy of some Venetian and Tuscan schools with Puliamo World Kit.

## Emissions

(Ref. G4 EN 15, EN 16, EN17, EN18, EN19)

Palladio Group does not have significant emissions in the atmosphere or emissions for which the competent authorities have prescribed monitoring, so the emissions of ozone depleting substances are not measured.

In any case the following environmental aspects have been identified and taken into account:

### Scope 1)

Emissions of greenhouse gases due to the combustion of natural gas and diesel fuel in the plants for premises heating (direct and controllable emissions);

For each plant, the consumption of natural gas and diesel (invoices) for the last three years has been used.

### Scope 2)

Greenhouse gas emissions from the consumption of electricity in the plants (indirect emissions); The energy consumption data (invoices), issued the last three years, have been used. In 2016, we introduced the Scope 2 emission calculation methodology in line with the new requirements of the Greenhouse Gas Protocol Scope 2 Guidance.

In consequence of this the Scope 2 emissions are accounted in two different ways respectively called location-based method and a market-based method; the emission factors used for the two methods are shown in the table in the Annex 2.

### Scope 3)

Greenhouse gas emissions from the processing of raw materials incoming to the production cycle and from the transportation of raw materials and finished products (other indirect emissions);



### PiM oltre le barriere (geografiche): con Palladio Group siamo arrivati in Serbia



L'edizione 2016 di Puliamo il Mondo è dedicata all'integrazione e all'abbattimento delle barriere. Per il secondo anno consecutivo **Puliamo il Mondo** e **Palladio Group** hanno scelto di dare un senso geografico alle "barriere" organizzando una giornata di volontariato ambientale presso il proprio stabilimento serbo di Palladio East.

Durante la mattinata di venerdì 23 settembre, grazie anche alla collaborazione dell'Organizzazione Turistica della Serbia e degli Istituti scolastici del Comune di Vršac, sono state ripulite le aree dell'**Oasi Naturale dei Monti di Vršac** (Serbia). Circa **cento studenti** delle scuole della città sono intervenuti con entusiasmo e con un vivace spirito di partecipazione, consci del proprio "compito" e del valore collettivo ed ambientale della mattinata extra scolastica.

The data for the last three years containing the quantities of raw materials incoming to each plant have been used. In detail, there are the following incoming materials:

- Cardboard boxes for processing in the line;
- Paper for leaflets in line processes ;
- Self-adhesive Labels for stickers production;
- Inbound Travel (for the supply of raw materials of paper and cardboard) and output (for delivery of finished products) from all plants of the Group.

Scope1 refers to direct greenhouse gas emissions and absorption,  
Scope 2 is reported to greenhouse gas indirect emissions associated with the use of energy,  
Scope 3 is other indirect emissions;  
For further details refer to the definitions of the Greenhouse Gas Protocol ([www.ghgprotocol.org](http://www.ghgprotocol.org))

## Carbon Footprint

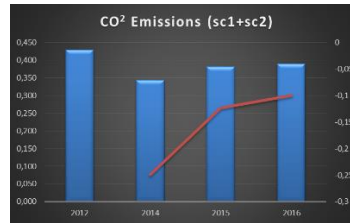
In recent years, thanks to a series of activities aimed to define and modify the procedural methods and the structural intervention that would allow a reduction in consumption resulting from any energy waste, we avoided to increase the Greenhouse Gas emission (measured on all sources).

The above despite the enlargements of the plants, the implementation of additional production lines, the production differentiation and the increase of the business that have led to an increase in energy consumption.

Recently we established new targets for the total gas emissions for 2018 & 2020, representing a total reduction of 15% within 2018, and 20% within 2020, based on 2012 levels. (Ref. CDP Climate Change CC3.1b).

The total emission value is determined as the sum of the emissions of Purpose 1 and the

Purpose 2 Market Based emissions.



In addition to the above, we also constantly monitor the indirect impacts arising from our productive activity such as:

- Consumption of paper raw materials
- Transport resulting from the purchase of paper raw materials
- Transport deriving from the sale of finished products.

Thanks to the adoption of Lean Manufacturing, we were able to reduce the absolute environmental impact of the Group, managing to limit the increase of CO2 associated with an increased production, to reach the set targets. We provide also to take account of the different types of emissions (Scope 1, Scope 2, Scope 3) transforming them even in an economic value. To do so we use the latest available carbon price value obtained from the latest issue of the Report of Word Bank Group - State and Trends of Carbon Pricing. Based on this information was considered the value below the carbon price in different countries: - Ireland: 20,64€ / ton (Carbon Taxation mechanism Ireland) - Italy: 4,69€ / ton (EU ETS) - Serbia: 4,69€ / ton (EU ETS) The company has identified a specific carbon price indicator as a ratio between the economic value and carbon revenues. This indicator is included in the monitored company key indicators.

## Energy

(Ref. G4 EN3, EN5, EN6, EN7)

Currently Palladio Group does not produce energy, this is only purchased.

In the composition of the energy mix used to produce the electricity sold to the company it is estimated that about 34% comes from renewable sources.

The energy consumption for heating production floors and offices during winter time is exclusively attributable by the use of natural gas (Italian plants and plant Serbia) or oil fuel (Irish plant)).

The consumption of electrical energy is significant as it has the greater environmental impact. This type of consumption derives from both the normal production and the use of compressors for air conditioning. Specific interventions have enabled a reduction in consumption at comparative level (KPI).

This reduction was achieved through a series of specific procedural and structural interventions, or through acts to sensitize all employees to for greater awareness. The structural interventions targeted a modernization of the production equipment such as the replacement of bulbs neon lamps with high energy efficiency (LED), the use of domotic (home automation) equipment for the management of services subservient to the production and to air-conditioning the building and the replacement of the heating systems with high efficiency boilers

## Water

(Ref. G4 EN 8, EN9, EN10)

The Group's plants use only enough water not to significantly damage the water sources. This because in all the premises of the Group water is mainly used for sanitary purposes. There are no recycling / reuse methods in place. The use of water in the production process is generally limited to the offset printing process for the plates washing. Consequently, its consumption is also closely linked to the quantity of processed product.

To reduce water consumption, flow reducers were installed to the taps in the toilets of our sites, simple devices that mix air with water and double buttons for draining water sanitation so as to minimise the waste of this resource.

We believe that water is an important resource, and we try to use it sparingly at all sites of the Group. To raise awareness among our employees on the correct use of this resource in 2014 we have publicly supported Charity: Water a serious and reliable US organisation, whose mission is to provide clean water and easy access to the people and villages that are in difficulty.



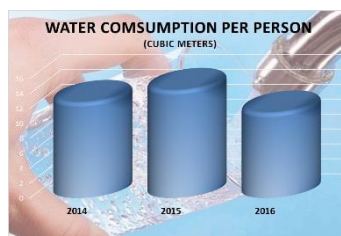
This initiative called Palladio Group + Charity: Water was aimed to engage employees with these issues, joining the initiative with a donation.



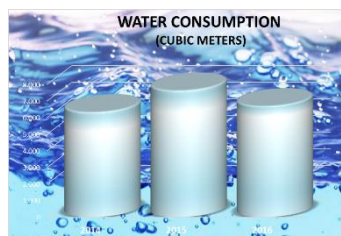
The target we set out was largely achieved.

<https://my.charitywater.org/palladiozannini/palladiozannini-charitywater>

In 2016 have been consumed 6.690 m3, or a consumption of about 11 m3 per head (approx. 21% less than 2015).



Almost all the water consumed comes from municipal water while about 10% of consumption consists of ground water, used only at the plant in Dueville.



## Drains

(Ref. G4 EN20, EN21, EN22, EN23, EN26)

The production cycle does not include drains of water; the only planned discharges are those resulting from the use of sanitation and therefore similar to domestic sewage.

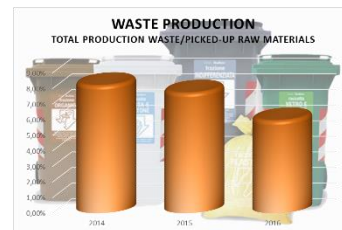
Our offices and manufacturing plants are located in industrial areas and do not pose as a risks or the biodiversity.

No measurements are therefore required on this.

## Waste

(Ref. G4 EN24, EN25)

Palladio Group follows a clear strategy for waste management. The objective is to prevent and reduce the amount of waste so that the global environmental impact related to the waste remains minimal.



Palladio Group is just a waste producer, not a dealer. All waste is collected from our premises and delivered to local authorized waste disposal companies where it will be disposed of and/or recycled. No significant waste spills were recorded during the three-year period.



## Transport

(Ref. G4 – EN 30)

The Organization, in order to mitigate the environmental impacts linked to the products' transportation, is constantly committed to optimize both the outbound and inbound travels. This optimisation is possible through the procurement and the subsequent production of the finished product in factories that are located closer to the customer to who the material has to be delivered.

## 10. Social Responsibility

### 10.1 Working practices and fair work conditions

Palladio Group supports the implementation of adequate work practices, in both the workplace and in all areas of its sphere of influence.

The adoption of appropriate working practices is for us a moral commitment and we are sure that this, together with a strongly widespread business ethic, helps the performance of our company. Palladio Group always places "people" first ensuring respect for human rights and denouncing any form of abuse towards their workers.

In developing our policy of respect and promotion of human rights, we have taken into consideration the factors that contribute to comply with these principles:

- The protection of human resources which are the core capital for the company's development and success.
- Sharing policies and business objectives
- The involvement of employees in training activities to increase their skills.
- The promotion of activities aimed to the integration of personnel.
- The assessment of our suppliers on their compliance to the requirements and to the principles of ethical work management

Since 2012, we are part of the Global Compact; which joins businesses, UN agencies, work organisations and civil society, encouraging corporate social responsibility through the respect and promotion of nine fundamental principles concerning human rights, work and the environment. They are universally

shared principles derived from the Universal Declaration of Human Rights, the Declaration of International Labour on Fundamental Principles and Rights at Work and the Rio Declaration on Environment and Development

The letter of intent signed by the CEO highlights our commitment and defines the objectives that Palladio Group follows at group level, with profuse commitment by all, for achieving these principles.

Our Code of Ethics together with the Chart of Values emphasises that Palladio Group adopted practices of respect and gratification to its employees, enabling them to co-operate within the company system. This is thanks to all the form of protections guaranteed by the company, such as:

- The application of the Workers National Contract, applicable to our sector, allows the protection of our employees and the respect of laws relating to protection of labour.
- The free membership to trade union groups
- Compliance with the Health and Safety At Work
- The growth of professionalism to our employees, through targeted training programs, implemented at all levels, providing know-how aimed to prepare them to deal with the customers which will benefit of an exceptional experience with the company.
- The breakdown of employees by gender, age, minority group
- Equality of pay between men and women, in accordance with the job categories of membership.

Our personnel, on annual bases, receive a performance bonus to encourage active participation in the work of the company and to

reward those that contribute to the excellent results of Palladio Group. Through a reward mechanism, based on meritocracy, employees are guaranteed a super minimum (or equivalent) higher than the legal minimum wage. Also the new employees' salaries, in all sites of the group and especially in Serbia, are on average higher than the minimum wage required by law.

In May 2016, at the Serbian plant Palladio East, an independent audit was performed by Intertek company. Same was conducted in accordance with the SMETA. This is the second audit carried out using the "4 pillar" method (the first was done in 2014), which was positively passed to demonstrate the commitment of Palladio also in its own foreign establishments.



## Employment

(Ref. G4 10, 11, LA1, LA2, LA3, LA4, LA13)

Within Palladio Group the Labour National Collective Agreements (working act) are regularly applied and consequently all employees are covered by such contracts. The company recognizes all employees the right to join trade unions as they wish, this does not imply any advantage or disadvantage attitude towards its employees.

In this regard, the trade unions have the freedom to carry on their activities without any pressure or interference by the Executive Board.

The Human Resources Department is always willing to listen and address any issues of workers seeking satisfactory solutions for complainants while respecting corporate ethics and confidentiality. Our employees through a voting system, which guarantees the confidentiality and anonymity, elect their WSR (Workers Safety Representatives) and TUR (Trade Union Representatives).

The temporary employees enjoy the same benefits as those in a permanent contract.

Our benefits (See G4 - 10) are, for instance:

- Provision of supplementary health care (in total paid by the company)
- Adherence to free prevention programs (such as vaccination against flu, tetanus, etc.)

The mandatory maternity leave is up to all staff of the Group in accordance with relevant legislation in the different countries.

All employees can take parental leave in accordance with local regulations.

The Organisation adheres strictly to the laws and, if necessary, favours ancillary requests by granting holidays and leaves.

## Diversity and equality

(Ref. G4 LA12)

The roles and responsibilities are well defined as reported in documentation relating to the management systems and all our employees are treated with social equality ensuring the same equal opportunities. The employment's processing is through the recognition of qualifications of staff, experiences and skills. All this is in order to frame each worker in a befitting manner in order to pay an adequate salary for the work performed, regardless of any discrimination. Managers and employees of the various Italian and foreign subsidiaries are generally residing in the local communities of reference or surrounding areas. In order to promote and encourage their career development, all employees are annually evaluated on the basis of individual or collective (by department) performance. Internal and external training courses, allow us to increase the skills of our human resources to facilitate, if necessary, exchanges between departments and operations of mobility within the group. The above support the implementation of the company policy to give priority to internal recruitment. The company, in order to anticipate or reduce any negative impact due to redundancies, makes use of employment agencies for minor activities (e.g. Portering and warehousing)

In October, 27 temporary workers were left without salary for the difficulties of the interim agency that had hired them to be redirected to Palladio Group.

<http://iltirreno.gelocal.it/.../palladio-group-salva-gli-inte...>



Palladio Group salva gli interinali senza stipendio - Cronaca - il Tirreno

PONTEDERA. Non tutte le storie che parlano di aziende e di occupazione sono tristi e cupe. Arriva da Pontedera il racconto del salvataggio di 27 lavoratori...

IL TIRRENO GELLOCAL.IT

Palladio, in order to give them continuity in what they were working on, and in what they were learning in our company, paid their salaries and managed the change of the agency, confirming their place in the company; Place that they are still holding today.

## Industrial Relations

In the event of significant organisational changes, the Group will inform in advance the workers' representatives and trade unions in accordance with what is defined by the European Regulation 2002/14 / EC, implemented by the Member States, in terms of transfers of businesses or plants (fully or partially) to another employer as a result of a legal transfer or merger, the transferor and transferee are required to inform the representatives of the workers concerned "in due time", this means that , in Italy, according to the law (art. 47 l. 428/1990), the communication has to be made at least 25 days before.

The Italian legislation establishing a general framework of informing and consulting employees is Legislative Decree. N. 25/2007, which implements the European directive mentioned above

In the reporting period there were no organizational changes and / or significant changes in corporate operations.

## Health and Safety in the workplace

(Ref. G4 LA5, LA6, LA7, LA8, HR2)

Each manufacturing site of the Group has active formal committees for health and safety. These committees, consisting of representatives of management and workers, have the task of assessing, control, monitor and advise on programs for workplace safety. On average, the percentage of the workforce represented in these committees is up to 75%.

In each plant there is at least one person responsible for the calculation and updating of statistics on trends of accidents. These statistics result from the processing of data in accordance with UNI 7249 dated 21/06/2007. The trend of accidents is periodically examined, both per plant and at Group level.

The company assesses the risks and identifies the causes of the most serious diseases and disorders (example: work-related stress, manual handling of loads, noise, use of computers) to prevent them the following measures for workers are in place: training, surveys of opinion, reduction of overtime, flexible working hours and interventions on systems, equipment and property assets. These measures aim to maintain the organisation of workplaces always adequate to protect the health and safety of the workers, to create more comfortable working conditions and increase the efficiency and reliability of the man-machine systems. All the measures listed above are reassessed at least annually or at the request of the parties concerned.

During 2016, four requests for occupational disease were submitted. These are still in the process to be assessed by the relevant government bodies.

In Italy, it is enforced the Decree n. 81 -April 9, 2008 -"Consolidation Act for the protection of health and safety in the workplace" to which is added the agreement governing the workers' representation for Safety.

Memoranda of understanding or formal agreements with trade unions are in place in the National Collective Labour agreement (CCNL), health and safety issues such as, for example, the participation of workers' representatives to inspections and audits on employees' health and safety, accident investigations, training, performance targets or commitments on the level of practices to be adopted, periodic inspections and the presence of joint committees for the health and safety.

In the foreign plants, in compliance with applicable laws of the country and not as part of formal agreements with trade unions, the same activities under the Italian sites are still implemented, such as regular meetings with employees on health and safety at work. In both the Serbian and Irish plants there are WSR (Workers' Safety Representative).

## Training and education

(Ref. G4 LA9, LA10, LA11, SO4)

We invest in training and opportunities for improvement because we are convinced that they are essential elements for the personal growth of our employees. During 2016 our employees have attended more than 10366 hours of training, of which over:

- 4238 hours specific on the safety in the workplace
- 784 that included specific courses of Team Working and Change Management for employees, managers and executives



Training is not only a key element of Palladio Group, but also one of the objectives that we pursue constantly in our daily activities.

In order to make our corporate identity explicit, to make us aware of what we do, to be able to properly share and explain our Know-How, in July 2016, Palladio Academy was born, a new way of learning knowledge!!!!



### Safety Training

In order to promote a more interactive communication the Company has established the "Circles of Security" which are organised by the head of departments involving the staff. Within these circles, the safety data together with the outcome of any complaint received from the employees are analysed and any improvement opportunity is shared and evaluated.

To reduce the so-called "abnormal" behaviour among the employees we have adopted a disciplinary code that defines sanctions in connection with possible violations of company rules on safety.

### Professional Training

Professional training is also managed starting from:

- Specialised technical courses useful in carrying out specific tasks of the Group's business;
- Training courses useful to comply with the rules in force;
- Transversal Courses for the development of managerial skills (e.g. Time management, innovation, negotiation, sustainability, etc.);

The following courses, having the purpose of skills' development, were carried out during the year 2016:

- Roles and Skills
- Safe Driving Course
- The pawn of the lions
- Team Building - Escape Room
- Increase efficiency and reduce production costs
- Transfer and reimbursement of expenses and fringe benefits
- Project management
- Internal Audit Quality Management Systems
- Innovation standard ISO 9001: 2015
- year-end accounting and tax Check up

- The new accounting principles
- The new budget
- Develop strategy and marketing plan and sales
- Installing and configuring windows server 2012
- Serial innovators
- Management of the training project
- Intensive HR Management Program
- Risk Based Thinking application ISO 9001: 2015
- Customs Exports Import Export
- VAT Fulfilment for foreign operations
- International cargo /freight for goods deliveries
- Formative visit at the production site of Glaxo Verona



### Ethical Training

Aware that the fight against corruption is a major global challenge and is a major obstacle to a sustainable development; in 2013 we carried out training in this regard. This training, which involved all employees, executives and managers of Italian and foreign sites, treated globally topics listed in the Code of Conduct focusing particularly on issues relating to corruption.

### Environmental and sustainability Training

The staff awareness, in this field, is very strong; the company promotes initiatives that directly involve the employees, and in some cases their families through advertising campaigns of our sustainability activities using brochures, posters and visits to our facilities.

All this is in order to ensure that our vision and commitment to the environmental sustainability cause is also shared with the workforce.

### Weekly meetings

The weekly meetings attended by all the members of the commercial and production departments (made via video-conference) contribute to the formation and growth of the competence of participants through the sharing of know-how held by executives. Such meetings are not recorded in the official record but their amount can be estimated at more than 6000 hours per year.

### Percentage of employees evaluated on performance and career development

At the beginning of 2016 self-assessment matrixes has been filled in by every employee with the purpose of assessing the knowledge of all employees, enhancing or developing their competence, identify training gaps and be able to finally develop specific and individual training plans.

Over the course of 2016 individual meetings have been carried out to compare the feedbacks of the heads of the department/managers against each employee's self-assessment, in order to identify any training

deficiencies and to give annual feedback on staff performance.

## Palladio Pensioners

(Ref. G4 EC3)

Palladium Group, totally in line with the regulations in force, provides a pension plan to its employees as provided by the countries where it operates.

Palladio Group assists its employees in the transition from employment to retirement, which sometimes causes problems.

Since a few years it also created the "Palladio Pensioners Group" to give the opportunity to the retired employees to meet and, together refresh the binding of long working life spent within the company.

In this context, the company has taken charge of organising tours, plant visits, theatre performances and other initiatives to involve former colleagues. The same are increasingly called to participate in the exchange of Christmas greetings and to the delivery of the Christmas hampers, along with all the staff still in the force.



Also this year, for our retirees and their families, it has been organized free trip to the major Venetian islands.



## 10.2 Human Rights

Palladio Group always operates in compliance with fundamental human rights. As established by international conventions on the subject, it has based its activities on the support of those rights. The main points of reference were already reported in our Chart of Values.

Our policies define at all the levels of the organisation and in all countries where we operate the commitment relating to the practices of respect and preservation of Human Rights.

To confirm the above:

- We maintain working relationships with suppliers that demonstrate respect for human principles
- Any discriminatory behaviour based on race, colour, sex, religion, political opinion, nationality or social extraction is reported, to the Committee of Ethics.
- Child labour is forbidden
- We don't accept any form of forced labour. Any required work, falling outside the normal working hours, is regulated by national contracts in agreement with the workers' representatives and trade unions, providing compensation based on the overtime worked.
- In all countries where our Factories are and where we operate, the employees are guaranteed a working treatment above the average of workers present in that particular country. We also indirectly guarantee the respect of indigenous people and their territorial assets through membership of the FSC & PEFC Standards.
- Disputes concerning human rights have never risen as a result of our decisions or activities

## Non-discrimination

(Ref. G4 HR3)

Among the objectives of the company policy is the right to equal opportunities and social, racial and religious discrimination is condemned in favour of the integration of individuals and cultural exchange. We are in line with the national law requirements with regard to the percentage of disabled people employed, in order to ensure equal treatment; Palladio Group also supports their integration within the Organisation through assignments of dignifying tasks in respect of their disability. The conditions and workplaces are maintained / designed to encourage mobility for people with disabilities. During the year 2016 no reports on discriminatory human rights practices have been submitted.

## Freedom of association and collective bargaining

(Ref. G4 HR4)

All employees are free to join trade unions or similar organisations, without this causing any attitude of advantage or disadvantage in their regards. The trade unions have the freedom to carry on their business, within all Palladio Group activities, without experiencing pressure or interference from the Company. In the Group companies, periodically, are held meetings with the trade unions (paid) open to all employees in order to support the right of workers to the freedom of association.

During the year 2016:

- There were no hours of strike by employees;
- 272 paid hours has been spent for meetings with trade union;
- The percentage of members of trade unions is 13,72%.

Our suppliers are monitored through appropriate control

activities (guidelines and questionnaires), in which there are specific references to the freedom of association and collective bargaining.

## Child Labour

(Ref. G4 HR5)

Child labour is not allowed in any plant of the Organisation (please Employees minimum age explanatory table in section 12).

With regard to the provisions of our Code of Ethics our main raw material suppliers are monitored through specific questionnaires (see HR4) and all service providers (contractors) are controlled by specific statements attesting to their fulfilment of legislative and contractual obligations

## Forced Labour

(Ref. G4 HR6)

Inside of our company there have never been examples of forced or compulsory labour.

We guarantee to all our employees appropriate working hours as enshrined by the National Contract; the work done in overtime is paid in accordance with the relevant legislation and workers participate on a voluntary basis to any initiative of overtime. Palladio Group's working hours are determined so as not to prejudice the right of every worker to daily rest periods, needed for the refreshment of psychophysical and intellectual energies. Every worker has the right to holidays and sick leaves as they require. Once again our suppliers are monitored / controlled, on this regard, through specific activities.

## Assessment

(Ref. G4 HR9)

The organisation, aware of its commitment to respect human rights, periodically controls and reviews the human rights' aspects relating to all its activities. This is done through a process of formal assessment based on information provided by the Ethics Committees and the various directors for all activities of the Group's plants. In this way Palladio Group can correctly address the decisions of the Organisation avoiding to be associated or considered complicit in the activities undertaken by other entities with which they have or may have relationships.

## Human rights complaints management

(Ref. G4 HR12)

In 2016, neither the Group's factories nor the work carried out by our employees (from either internal or external stakeholders) have been subjected to complaints concerning the violation of human rights.

## 10.3 Society

Palladio Group intends to be active and participatory in the territories in which it operates by creating better economic opportunities for the local community, supporting the improvement of the social and cultural conditions. Many were the initiatives in the field of solidarity, environmental education and sustainability, which are considered priorities for our organisation.

Social commitment has always played an important role in the corporate culture of Palladio Group, it is firmly anchored to our values and it is reflected in the daily activities of all Plants which are programmed in order to mitigate the potential and actual impacts of our business. Prevention programs have been established and implemented to ensure compliance with the law, protect the physical, economic, and natural resources of the populations present in the areas where our Plants are located.

Palladio Group has no tolerance to corruption. The value that guides our choices is based on meritocracy and ethics, rewarding our employees only in accordance with these principles. This principle is taken into account in the management of our customers, suppliers and any authority with which Palladio Group has relation.

In Palladio Group:

- It is allowed to promote the development of roles and reward corporate's collaborators only in regard to the merits they demonstrated in terms of participation, professional growth, achievement of objectives and a sense of belonging to society.
- It is not allowed to promise and / or offer (to managers, Officials and employees of the

Public Administration or their relatives) objects, services, benefits or favours of value in order to achieve an interest or an advantage for Palladio Group. The offer of gifts or other benefits of nominal value are permitted only if consistent with the legitimate uses or customs.

- Political parties, their representatives or candidates are cannot be funded, and shall refrain from any pressure (direct or indirect) towards politicians.
- It is allowed to provide donations only to non-profit associations and Charities with regular statutes and constituent acts.
- The sponsorship of activities may relate to social, environmental, sports, art and culture in general.

Our commercial relations are based solely on trusting relationships with our customers which choose us only for the intrinsic qualities of the product we supply our suppliers are properly selected and qualified. None of them receive preferential treatments and there are no agreements in place where conflicts of interest are exposed or evident.

Those who collaborate with our company should see in us a valuable partner in business and be aware that our way of doing business is based on principles and values of social ethics, not based on monopolistic practices that could lead to unfair competition or which may be in conflict with principles of anti-trust. For this reason, from the point of view of fair Marketing, we sent our customers and suppliers disclosure in which we present the commitment made by Palladio Group on Social Responsibility,

aiming to sensitise them to operate in line with our principles. As stated above, it is confirmed, by the fact that our company has never received any administrative or judicial sanctions for noncompliance with laws and regulations

## Local Communities

(Ref. G4 SO1, SO2)

The Company has an on-going dialogue with the various local institutions and other organisations in order to assess any significant impact that our activities and business decisions may have on the community.

The required percentage is not available as there is no a system of measurement in use for this indicator.

In 2016 Palladio took part in the event organized by Legambiente "Clean Up the World"; this is a global environmental campaign held in collaboration with the United Nations Environment Programme (UNEP).

In the national territory, Palladio supported schools located in the areas where its plants are, giving away kit packages for the organization of the voluntary environmental day

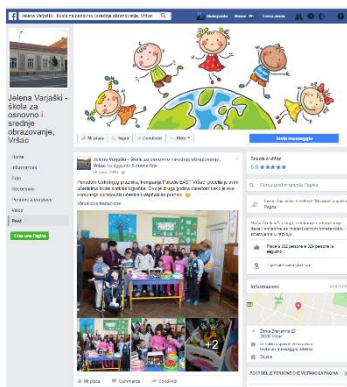
In recent years we have supported various local, national and international associations.

In 2016 the proceeds of the Christmas lottery of the Italian plants (doubled by the company) were donated to various humanitarian and social associations indicated by employees, such as:

- Centro Ascolto Caritas Dueville
- Centro Aiuto alla Vita Sezione di Dueville e Vivaro
- Doctors with Africa Cuamm
- Congregation Suore Divina Volontà

- Avipponlus
- Association Pangea Vicenza Onlus
- Stella Maris Foundation Agbalt Onlus
- Satyagraha
- Parish of San Michele Arcangelo
- Strawberry Field Onlus
- Team for Children

The plant in Palladio East, as well as last year, wanted to brighten the Easter holidays of orphaned children and those of children with special needs giving to all sweets and toys.



Furthermore, as every year, instead of making a Christmas present to our customers, Palladio has allocated the figure to charities.

This year has been devolved to the following Organizations:



## Recreational Activities

Palladio has always felt there was a deep connection between personal well-being and job performance, an indicator that in the past was measured only in terms of productivity.

Today we measure it by combining productivity with new ideas and the desire to continuously improve can only come from people who are motivated and interested in the work they do. Following this conviction and in line with our commitment, we believe it is essential to organise cultural, artistic and sports activities for our employees in order to increase the integration and to strengthen the team spirit that makes us stand out.



We believe that the above constitutes the key to improving the quality of life, work performance and the company atmosphere. Over the years we have promoted "recreational" activities in which the employees can connect their professional lives with their private one. Significant activities include yoga classes for all employees in order to increase the psycho-physical well-being and, consequently, the quality of the private and company life of employees, as well as improve the quality of the relationship with themselves and with their colleagues.

In 2016 we have organised further activities, among those:

- Prize contest
- Schools' tours of our factories
- Open recycle (by Conai)
- Go-kart races (following the safe driving course))

## Anti-Corruption

(Ref. G4 SO3, SO5, SO9)

In all factories of Palladio Group we have a zero tolerance policy against corruption. The value that guides our choices is based on meritocracy and ethics. This brings us to reward our employees only on the basis of that value. Such a principle is also taken into account in the management of our customers, suppliers and any authority dealing with Palladio Group.

Information about the percentage of business units analysed for risks related to corruption are not available due to the company size, an assessment of that risk is not carried out. Our financial statements, is subject annually to review by Reconta Ernst & Young which determine and verify compliance with the regulations governing the reporting criteria. In this perspective, any accounting operation or transaction is based on the accuracy, completeness and authorisation of the basic information for the entries. All payments to be paid are appropriate to business performance and contractual rules and cannot be made to an entity other than the contracting party. If employees become aware of any type of falsification or omission, they must immediately report it to our Ethics Committee.

In 2016 there were no corruption cases involving employees and / or suppliers; there have been no legal actions concerning corruption practices against the companies of the Group

In 2014, fraudulent legal actions were taken against two employees who were then laid off. Business relations were interrupted with a supplier for violations related to corruption.

There have been legal actions for fraud against him. The above actions are still on-going.

## Public Politic

(Ref. G4 SO6, EC4)

Palladio Group has relations with public institutions primarily through the national trade associations and consequently does not take positions on public policy and also does not participate in the development of public policies. Company policies forbid the founding of political parties or their members.

We do not receive financial benefits from the Public Administrations.

The public administration is not part of the shareholding.

## 10.4 Product Responsibility

(Ref. G4 PR1, PR3, PR5, PR6)

Customer care is of strategic importance to the Company. This concept has spread to all levels of the organization so that there is awareness of the duty to pay due attention to the demands and expectations of customers whose satisfaction is periodically checked through regular meetings and questionnaires.

For Palladio Group high quality standards means meeting customer needs in terms of functionality, reliability and safety. The Quality Management System, in line with the applicable GMP (Good Manufacturing Practice requirements requested by our customers, have the responsibility to ensure compliance with the procedures while promoting a culture of quality across the company through the involvement of all employees.

The customer satisfaction has a key role in the strategic vision of the Palladio Group that is committed to developing its own products and services according to a customer-driven approach to business. The ability to constantly be able to respond to the customer's actual needs and expectations constitutes a prerequisite for creating and maintaining the confidence needed for long-lasting relationships. To know the needs and the degree of satisfaction with products and services provided, we organise periodically numerous initiatives of dialogue with customers.

The management of customer relationships and the ability to provide specific services plays a key role for the implementation of business strategies. The Group therefore it prepares for sales

force specific training courses, weekly meetings and provides appropriate support and behavioural guidelines for carrying out the activity.

Contractual relations and communications with customers are based on principles of fairness and honesty, professionalism, transparency and cooperation in the search for the best solutions to their needs.

Over the years, our offer has been enriched and diversified, offering the full range of products and services to cover a variety of solutions for the pharmaceutical and cosmetic packaging. By investing in new technologies, research and development, and introducing ourselves to the customers as reliable partners it has been possible to achieve all these results, and we managed to be closer to our customers and focused on their satisfaction while still guaranteeing the compatible use and protection of natural and human resources.

Relationships with our clients are managed through a team of commercial accounts divided by geographical areas operating as specialised consultants.

We have also added to our team of commercial accounts a function of Marketing and Innovation which, through various communication channels (meetings at the premises, fairs, and website) this allows us to offer a consultancy service specialized in understanding customer needs and developing bespoke solutions depending on different needs of the market. Improvements were also made to the customer service function in order to continue to offer a precise, reliable and timely service to our clients. We also conduct customer satisfaction survey to measure the satisfaction of our customers and receive their

valuable suggestions to improve products and services

During 2016, the company Cerved has supported us in carrying out the survey of customer satisfaction.



A total Customer Satisfaction Index of 97.3 points / 100 resulted from this survey.

Quality and range of the product and preparation of the sales/technical office are element of excellence in our offer.

## Consumers Health and Safety

In general terms, due to the nature of products delivered by the Palladio Group's companies, there is not a significant risks to customers in terms of health and safety.

Nevertheless we have decided to consider the possible repercussions on the collectivity; therefore we have catalogued the life cycle of our product, and analysing and evaluating all aspects, in order to improve its manufacturing.

Labelling is not required for the type of product provided. The Group shall provide appropriate documentation to its customers in relation to each batch produced through appropriate statements issued by the Quality Office in which is stated the type of raw material used for the production.

In addition to the above, although we did not have direct contact with the end user, we have offered innovative solutions to our customers, such as the PhutureMed program.



A program conceived with the fundamental goal of creating innovative packaging solutions for the medicine of the future. It is indeed an intelligent packaging system designed to support patients in monitoring and adherence to their prescribed therapy.

From this program originated proposals such as: Memo Solution and Phill Solution.



## Privacy

(Ref. G4 PR8)

The awareness of the importance of properly generating, using and storing the information has led Palladio Group to implement, during the course of 2016, the "Information Security Management System" in accordance with ISO / IEC 27001.

Adherence to this voluntary standard has allowed us to pursue and maintain over time a level of confidentiality, integrity and availability of information complying with the requirements established by:

- a) Legislation in force (in particular protection of privacy and intellectual property);
- b) Customer Contractual Requirements;
- c) Any additional requirements set by Palladio Group.



## Marketing communication

The Organisation has not adhered to programs, codes of conduct for marketing activities. This is due to the fact that these types of product are not provided directly to the final user that could be the subject of any sponsorship activities.

Customers are typically contacted through normal business practices or through participation in public tenders.

## Participation in events and Exhibitions

The main exhibitions we attended in 2016 were:

- Pharmintech Bologna,
- AFI Symposium at the Palacongressi Rimini,
- CPhI Worldwide di Barcellona.



In Dublin, at Lucan House, residence of the ambassador of Italy in Ireland, it was held an



international workshop entitled "PhutureMed - Smart inks for smart pharma". The meeting focused on were the "smart inks" inks that are capable, because of

their "intelligence", to make a communicative packaging that will be able to communicate with smart devices (smartphones and tablets).

## Main awards and prizes received during 2016



Over the years, several awards and prizes have been awarded to witness the commitment of Palladio Group to responsible management.

In 2016 we received the following awards:



At the Global Supplier Award 2016, our company was awarded the Gold Award.

We have been the only global company to receive this kind of honour.



At the 28th DuPont Awards for Packaging Innovation, we have been awarded the "2016 Silver Award" for the excellent example

of packaging innovation that promotes patient safety.



Palladio Group winner in the "Concept" category at the HCPC Europe Columbus Award for Patient-Friendly Packaging Design 2016.



## 11.Compliance

### In the year 2016:

- ✓ There have been no reports or complaints about suppliers work practices (Ref. LA15)
- ✓ During the reporting period there have been no administrative or criminal sanctions, financial and non-financial res judicata due to nonconformity or failure to comply with laws and regulations relating to the environment (Ref. EN29)
- ✓ No significant environmental impacts or environmental impact complaints have been reported (Ref. EN33, EN34)
- ✓ There have been no legal actions related to unfair competition, anti-trust and monopolistic practices (Ref. SO7)
- ✓ In the reporting period we have not experienced any administrative or penal sanctions, pecuniary and non-pecuniary res judicata for non-compliance or non-compliance with laws and regulations to which the Group's facilities must comply (Ref. SO8)
- ✓ There have been no reports or complaints concerning impacts on society (Ref. SO10, SO11)
- ✓ There have been no cases of non-compliance with voluntary regulations and codes concerning the impacts on the health and safety of products / services supplied by the Palladio Group plants during their lifecycle (Ref. PR 2)
- ✓ There were no cases of non-compliance with laws and voluntary regulations concerning information and labelling of products / services (Ref. PR 4)
- ✓ there were no cases of non-compliance with laws and voluntary regulations concerning the provision and use of the Group products and services (Ref. PR7)
- ✓ There have been no complaints regarding privacy breaches or loss of customer data (Ref. PR8)
- ✓ There have been no cases of non-compliance with laws or regulations concerning the supply and use of products and services of companies in the Group (Ref. PR9)

## 12.Data and indicators

Economic and financial results			
Ref. EC1, EC7			
Palladio Group	2014	2015	2016
Directly Economic Value Generated	66.055.508,11	70.348.839,00	75.827.265,00
a) Revenues	66.055.508,11	70.348.839,00	75.827.265,00
Economic Value Distributed	60.453.974,73	65.822.717,00	69.580.540,00
b) Operating Costs	42.958.247,82	46.515.223,09	48.437.331,53
c) Employee wages and benefits	16.148.111,82	17.048.524,00	17.520.385,00
d) Payments to providers of capital	621.185,17	490.759,00	953.330,00
e) Payments to government (by country )	1.931.595,26	1.738.329,00	2.641.567,00
f) Community investments	37.205,00	40.697,91	27.926,47
Economic value retained	5.601.533,38	4.526.122,00	6.246.725,00
(1) - Donations and financial contributions			

Detail analysis of employees						
Ref. G4-10, EC3, EC5, EC6, SO5						
	TOTAL			BREAKDOWN 2016		
	2014	2015	2016	ITALY	IRELAND	SERBIA
Total Employees Men	387	410	449	317	15	117
Total Employees Women	109	121	141	94	2	45
Total General Employees	496	531	590	411	17	162
Employees on permanent contract Men	304	337	347	262	10	75
Employees on permanent contract Women	70	82	90	64	2	24
Employees on fixed term contract Men	45	23	52	5	5	42
Employees on fixed term contract Women	19	18	22	1	-	21
Employees on part-time Men	9	6	7	7	-	0
Employees on part-time Women	15	11	10	10	-	0
temporary workers Men	28	44	43	43	-	0
temporary workers Women	6	12	19	19	-	0
With trade union membership	84	91	81	81	-	0
Affected by Disability	22	24	26	24	-	2
Foreigner	17	15	25	15	10	0
Salaries above minimum wage % employees	78,80%	91,17%	76,98%	68,02%	100,00%	100,00%
Annual salary Increments % over employees	32,19%	33,15%	4,99%	6,39%	12,00%	0,00%
Bonuses % over employees	100,00%	100,00%	99,23%	100,00%	76,00%	100,00%
Overtime % of hours worked	5,55%	5,75%	6,12%	2,22%	6,70%	13,63%
Holiday hours % of hours worked	8,59%	8,88%	8,83%	9,39%	8,04%	7,83%
Disciplinary Measures - % over employees	6,25%	5,88%	0,83%	1,16%	0,00%	0,00%
Worked hours	831033	828626	854877	544379	30690	279808
Holiday hours	71364	73557	75493	51130	2467	21896
Overtime	46151	47644	52279	12097	2055	38127
% Ethical complaints	0,00%	0,55%	0,52%	0,72%	0,00%	0,00%
Cover of the pension plan	3.882.512	4.021.668	4.166.169	3.439.096	56.585	670.488
% Senior manager hired in the local community	90	90	100	100	100	100
The total number of episodes for which employees have been dismissed or subjected to disciplinary measures for corruption	1	0	0	0	0	0
Total number of episodes for which contracts with business partners have not been renewed for corruption-related offenses	1	0	0	0	0	0
Number of legal actions regarding corruption practices against the organization or its employees	2	0	0	0	0	0

Employees age Analysis Ref. G4-10, LA2						
	TOTAL			BREAKDOWN 2016		
	2014	2015	2016	ITALY	IRELAND	SERBIA
Employees age < 18 years						
Total Employees age < 18 years	0	0	0	0	0	0
Employees age < 30 years						
Men	76	56	63	37	2	24
Women	19	12	20	14	-	6
White collar Men	3	3	3	0	-	3
White collar Women	5	4	5	2	-	3
Blue collar Men	73	53	60	37	2	21
Blue collar Women	14	8	15	12	-	3
Manager	0	0	0	0	-	0
<b>Total</b>	<b>95</b>	<b>68</b>	<b>83</b>	<b>51</b>	<b>2</b>	<b>30</b>
Employees age 30 - 50 years						
Men	247	277	296	197	11	88
Women	72	87	95	56	2	37
White collar Men	36	40	39	22	-	17
White collar Women	21	25	30	13	2	15
Blue collar Men	211	236	258	174	11	73
Blue collar Women	50	61	62	43	-	19
Manager	0	0	2	1	-	1
<b>Total</b>	<b>0</b>	<b>0</b>	<b>391</b>	<b>253</b>	<b>13</b>	<b>125</b>
Employees age > 50 years						
Men	64	77	90	83	2	5
Women	18	22	26	24	-	2
White collar Men	16	15	19	19	-	0
White collar Women	6	7	6	5	-	1
Blue collar Men	42	56	65	60	2	3
Blue collar Women	12	15	20	19	-	1
Manager	6	6	6	4	-	2
<b>Total</b>	<b>82</b>	<b>99</b>	<b>116</b>	<b>107</b>	<b>2</b>	<b>7</b>
Employees age						
<b>Average age</b>	<b>39,62</b>	<b>40,42</b>	<b>40,34</b>	<b>45,03</b>	<b>40,00</b>	<b>36,00</b>
<b>Minimum age</b>	<b>19</b>	<b>20</b>	<b>18,00</b>	<b>24,00</b>	<b>19,00</b>	<b>18,00</b>

Hiring and Terminations Ref. LA1						
	TOTAL			BREAKDOWN 2016		
	2014	2015	2014	2015	2014	2015
New hires Men <30	6	8	15	1	3	11
New hires Women <30	6	2	1	1	0	0
New hires Men 30-50	3	12	25	9	3	13
New hires Women 30-50	2	6	15	3	2	10
New hires Men >50	0	0	0	0	0	0
New hires Women >50	0	0	1	0	0	1
Total leaving employment	9	11	24	14	5	5
Total New employees hires	17	28	57	14	8	35
New hires Men <30	1,21%	1,51%	2,54%	0,24%	17,65%	6,79%
New hires Women <30	1,21%	0,59%	0,29%	0,24%	0,00%	0,00%
New hires Men 30-50	0,60%	14,63%	27,78%	2,19%	17,65%	8,02%
New hires Women 30-50	0,40%	26,09%	28,85%	0,73%	11,76%	6,17%
New hires Men >50	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
New hires Women >50	0,00%	0,00%	14,29%	0,00%	0,00%	0,62%
Total leaving employment	1,81%	2,07%	4,07%	3,41%	29,41%	3,09%
Total New employees hires	3,43%	5,27%	9,66%	3,41%	47,06%	21,60%

Right to parental leave Ref. LA3									
	TOTAL			BREAKDOWN 2016					
	2014	2015	2016	ITALY		IRELAND		SERBIA	
				men	women	men	women	men	women
number of employees who were entitled to parental leave.	6	13	9	1	3	0	0	0	5
number of employees who have taken parental leave	6	13	9	1	3	0	0	0	5
number of employees who have returned to work at the end of parental leave	4	14	4 <sup>(1)</sup>	1	3	0	0	0	0 <sup>(1)</sup>
number of employees who have returned to work after parental leave and who were still employed twelve months after they returned to work	4	13	4 <sup>(1)</sup>	1	3	0	0	0	0 <sup>(1)</sup>
rate of return of employees(in %)	100%	100%	100%	100%	100%	-	-	-	100%
retention rate of employees back to work(in %)	100%	92,86%	100%	100%	100%	-	-	-	100%
(1) – Still in parental leave									

Training Ref. LA8, LA9, LA10, LA11, HR2							
		TOTAL			BREAKDOWN 2016		
		2014	2015	2016	ITALY	IRELAND	SERBIA
Total training hours		8851	7486	10366	7010	782	2574
Average training per employee		17,84	14,10	17,57	17,06	46,00	15,89
Number of 2016 training hours divided by category							
ITALY		IRELAND		SERBIA		TOTAL	
White collar	Blue collar	White collar	Blue collar	White collar	Blue collar	White collar	Blue collar
1124	5886	20	762	564	2010	1708	8658
Average 2016 training Hours by category							
ITALY		IRELAND		SERBIA		TOTAL	
White collar	Blue collar	White collar	Blue collar	White collar	Blue collar	White collar	Blue collar
18,43	17,06	10,00	50,80	14,46	16,75	16,75	18,04
Number of 2016 training hours divided by gender							
ITALY		IRELAND		SERBIA		TOTAL	
Men	Women	Men	Women	Men	Women	Men	Women
6020	990	764	18	1854	720	8638	1728
Average 2016 training Hours by gender							
ITALY		IRELAND		SERBIA		TOTAL	
Men	Women	Men	Women	Men	Women	Men	Women
18,99	10,53	50,93	9,00	15,85	16,00	19,24	12,26
Human Rights Training							
		2012	2013	2014	2015	2016	
Hours of training		44.5	426.5	15	406	165	
Trained Employees		89	488	15	379	165	
% Employees trained in the year of reference		20%	100%	3%	71%	28%	
general % Of trained employees		20%	100%	100%	100%	100%	
Health and safety at work training		TOTAL			BREAKDOWN 2016		
		2014	2015	2016	ITALY	IRELAND	SERBIA
		2919	3869.5	4238	4077	46	115

Health and safety at work									
Rif. LA6									
	TOTAL			BREAKDOWN 2016					
	2014	2015	2016	ITALY		IRELAND		SERBIA	
				Men	Women	Men	Women	Men	Women
N° total work accidents	6	15	18	16	0	1	0	1	0
N° total accidents in transit	1	0	2	2	0	0	0	0	0
N° total days of absence due to accidents (no in transit)	425	409	497	491		0		6	
Hours worked by the Employees (excluding holidays, illnesses)	867.909	853.737	912.347	563722		30690		317.935	
N° total hours of absence due to accidents (no in transit)	3396	3272	3976	3928		0		48	
% hours of absence due to accidents on total hours worked	0,391	0,383	0,436	0,697		0,000		0,015	
Injury severity index	0,49	0,48	0,54	0,87		0,00		0,02	
Accident frequency index	8,07	17,57	21,92	31,93		32,58		3,15	
Absenteeism	4,00%	3,25%	3,32%	4,01%		2,03%		2,23%	
Hours out for sick leave	34.741	27.728	30.327	22623		624		7.080	
Total N. supplier's accidents	0	0	0	0		0		0	

Expenditures and investments for the environmental protection and security				
Ref. EN31				
	U.M.	2014	2015	2016
Waste disposal, treatment of emissions, reclamation and prevention, environmental management	Euro	260583,83	210140,51	281017,8
Safety costs	Euro	201.001,06	210.798,46	288020,76

Sustainable Procurement Rif. G12, G13, EN32, SO9			
Division	2014	2015	2016
Percentage Selected and qualified suppliers based on social, environmental, and impact on society	47,24%	85%	100%
Total Raw Materials Provider (Paper and Cardboard)	21	21	21
Total forestry raw material suppliers conforming to EUTR 995/2010 and / or DDS	21	21	21
Total raw material suppliers of FSC and / or PEFC certified forestry	21	21	21
Percentage of forestry products certified and / or coming from controlled sources	100%	100%	100%

Raw Materials Used Rif. EN1					
	U.M.	2014	2015	2016	anno -1
Board	kg	18.198.627	18.967.429	19.577.489	3,22%
Paper	kg	2.852.735	3.338.770	3.829.507	14,70%
Self-adhesive material	kg	89.354	108.904	61.300	-43,71%
Aluminium for blister	kg	9.430	10.691	9.566	-10,52%
Total Raw Materials from renewable resources	kg	21.140.716	22.415.103	23.468.296	4,48
Total Raw Materials from no-renewable resources	kg	9.430	10.691	9.566	-10,52%
Total Raw Materials	kg	21.150.146	22.425.794	23.477.862	4,69%
Product delivered	kg	14.159.878	14.994.793	14.927.526	-0,45%

Percentages supply acquired in the local markets of the country for each Division Rif. G4-12			
division	2014	2015	2016
Italy	64,5%	56,8%	51,0%
Serbia	46,93%	35,49%	42,23%
Ireland	80,14%	75,24%	91,21%

Percentage incoming Recycled raw materials Rif. EN2				
	U.M.	2014	2015	2016
Total recycled raw materials	kg	3.791.475	3.918.578	5.493.238
Total board used	kg	18.198.627	18.967.429	19.577.489
Percentage incoming board / recycled raw material used	%	20,83%	20,66%	28,06%

Percentage of recycled product Rif. EN28				
	U.M.	2014	2015	2016
Product sold	kg	14.159.878	14.994.793	14.927.526
Total Purchase recycled raw material	kg	3.791.475	3.918.578	5.493.238
Total recycled products and their packaging	kg	6.980.838	7.420.310	8.540.770
Percentage recycled products	%	49,30%	49,49%	57,21%



Energy consumption for production & air conditioning during Summer				
	U.M.	2014	2015	2016
Electric Power	GJ	30.221,6	33.922,8	34.812,6
For the conversion from KWh to gigajoule it has been used the standard conversion factor equal to 0.0036				
Energy consumption for heating R				
	U.M.	2014	2015	2016
Natural Gas	GJ	7.587,45	12.095,19	12.038,29
Gas oil	GJ	440,0	680,2	509,6
For the conversion of volumes into gigajoule, the table in Annex 2 of this report has been used				

energy consumption in comparison with shipped products or with worked hours					
	U.M.	2014	2015	2016	anno -1
Absolute and comparative Consumption of natural gas					
Natural Gas Consumption	Sm3	230.724	367.400	363.061	-1,18%
Gas used Sm3 / working hour	Sm3/h	0,974	1,453	1,293	-10,99%
Gas used Sm3 / kg delivered product	Sm3/kg	0,016	0,025	0,024	-0,74%
Absolute and comparative Consumption of electric power					
Electric power Consumption	kwh	8.394.892	9.422.989	9.670.180	2,62%
Electric power used Kwh / working hour	kwh/h	35,451	37,258	34,441	-7,56%
Electric power used Kwh/kg delivered product	kwh/kg	0,5929	0,6284	0,6478	3,09%
Absolute and comparative Consumption of gas oil					
Gas oil Consumption	l	12.022	18.587	13.925	-25,08%
Gas oil litres/ working hour	l/h	1,247	2,238	1,400	-37,43%
Gas oil litres/ kg product delivered	l/kg	0,033	0,061	0,045	-25,50%

Water consumption					
	U.M.	2014	2015	2016	anno -1
Water withdrawn from mains	m3	5.162	6.298	6.042	-4,06%
Water withdrawn from wells	m3	1.162	1.328	648	-51,20%
Water withdrawn from other sources	m3	0	0	0	0
Total water withdrawal	m3	6.324	7.626	6.690	-12,27%

Waste					
	U.M.	2014	2015	2016	anno -1
Total waste produced	kg	1.729.927	1.728.109	1.391.255	-19,49%
Total raw material waste (*)	kg	6.980.838	7.420.310	8.540.770	15,10%
Total waste retrieved (R)	kg	1.472.300	1.498.910	1.135.091	-24,27%
hazardous waste	kg	147.650	103.147	107.176	3,91%
% hazardous waste on total waste generated	%	8,535	5,969	7,704	29,06%
non-hazardous waste	kg	1.582.277	1.624.962	1.284.079	-20,98%
Waste directly related to production	kg	223.730	211.753	223.258	5,43%
Production waste / raw materials taken	kg/kg	0,011	0,009	0,010	0,71%
Total waste / raw materials taken	%	8,18%	7,71%	5,93%	-23,10%
Total hazardous waste / raw materials taken	%	0,70%	0,46%	0,46%	-0,75%
(*)Note: part of the raw material waste is sent, by the paper mills, for recycling or reuse.					

Emissions Rif. EN15, EN16, EN17, EN18, EN19					
UNITARY DATA CARBON FOOTPRINT					
Data reference	U.M.	2014	2015	2016	anno -1
CO <sub>2</sub> Emissions (Market based)	tonCO <sub>2</sub>	18.282,82	20.279,49	20.383,11	0,51%
Direct CO <sub>2</sub> emissions from fossil fuels (natural gas+oil)	tonCO <sub>2</sub>	456,31	725,90	710,53	-2,12%
Indirect emissions of CO <sub>2</sub> eq (i.e. generated by the E.P. provider )	tonCO <sub>2</sub>	4.399,48	4.989,31	5.105,50	2,33%
indirect emissions of CO <sub>2</sub> from paper and paperboard production ( as finished product)	tonCO <sub>2</sub>	11.326,65	11.983,41	11.830,25	-1,28%
Indirect CO <sub>2</sub> emissions from paper and cardboard purchases	tonCO <sub>2</sub>	16.900,57	17.912,19	18.583,35	3,75%
Indirect CO <sub>2</sub> emissions from paper and cardboard waste	tonCO <sub>2</sub>	5.573,92	5.928,78	6.753,11	13,90%
indirect emissions of CO <sub>2</sub> from incoming transportation	tonCO <sub>2</sub>	904,05	891,83	1.041,34	16,76%
indirect emissions of CO <sub>2</sub> from outgoing transportation	tonCO <sub>2</sub>	1.196,33	1.689,05	1.695,49	0,38%
Carbon footprint fuel	tCO <sub>2</sub> /ton delivered product	0,0322	0,0484	0,0476	-1,68%
Carbon footprint electric power	tCO <sub>2</sub> /ton delivered product	0,2889	0,3094	0,2904	-6,12%
Carbon footprint paper and board production	tCO <sub>2</sub> /ton delivered product	0,7999	0,7992	0,7925	-0,83%
Carbon footprint Transportation	tCO <sub>2</sub> /ton delivered product	0,1483	0,1721	0,1833	6,52%

CARBON PRICE					
Data reference	U.M.	2014	2015	2016	anno -1
weighted average carbon price calculated	€/tonCO <sub>2</sub>	7,58	8,78	5,15	-41%
gross carbon price	€/tonCO <sub>2</sub>	138.560,51	178.002,41	104.885,99	-41%
carbon price from fossil fuels (natural gas)	€/tonCO <sub>2</sub>	3.700,32	6.775,78	3.928,27	-42%
carbon price (i.e. generated by the E.P. provider )	€/tonCO <sub>2</sub>	34.389,16	44.279,01	27.120,82	-39%
carbon price from paper and paperboard production ( as finished product)	€/tonCO <sub>2</sub>	85.061,12	104.812,88	60.076,23	-43%
Indirect CO <sub>2</sub> emissions from paper and cardboard purchases	€/tonCO <sub>2</sub>	127.551,50	156.946,70	95.217,87	-39%
Indirect CO <sub>2</sub> emissions from paper and cardboard waste	€/tonCO <sub>2</sub>	33.789,71	39.843,40	26.927,94	-32%
indirect emissions of CO <sub>2</sub> from incoming transportation	€/tonCO <sub>2</sub>	6.848,87	8.491,50	5.729,89	-33%
indirect emissions of CO <sub>2</sub> from outgoing transportation	€/tonCO <sub>2</sub>	8.651,22	62.284,40	37.225,90	-40%
Total turnover	€	66.058.098,83	70.348.839,00	75.827.265,00	8%
Scope 1 Carbon price indicator	€/€	0,0000560161	0,0000963169	0,0000518055	-46%
Scope 2 Carbon price indicator	€/€	0,0005205897	0,0006294206	0,0003576658	-43%
Scope 3 Carbon price indicator	€/€	0,0015223147	0,0024959726	0,0013587727	-46%
Gross carbon price indicator	€/€	0,0020975552	0,0025302822	0,0013832227	-45%

inbound and outbound travels for goods transportation Rif. EN30				
	U.M.	2014	2015	2016
Total inbound + outbound travels	n.	393.174	422.938	8.073
Total inbound travels	n.	389.561	417.002	2.021
Total outbound travels for finished product shipments	n.	3.613	5.936	6.052
Inbound Km	km	1.270.090	1.253.016	1.960.673
Outbound Km	km	1.556.635	2.372.258	2.381.305

## 13. Annex

Annex 1- Determination Table of the material aspects and borders

Aspect Typology	GRI G4 Indicators	Material Aspect	Internal	External	Significance	Influence on Stakeholder	Priority
ECONOMIC	EC1, EC2, EC5, EC6, EC7, EC8, EC9, EN1, EN2, EN27, EN28, EN31, EN32, LA14, LA15, LA16, HR1, HR8, HR10, HR11, SO9	Sustainable development	X	X		YES	
		Supply	X			YES	
ENVIRONMENTAL	EN3, EN5, EN6, EN7, EN8, EN9, EN10, EN11, EN12, EN13, EN14, EN15, EN16, EN17, EN18, EN19, EN20, EN21, EN22, EN23, EN24, EN25, EN26, EN30	Emissions		X			
		Energy	X		YES	YES	YES
		Water	X				
		Biodiversity		X			
		Waste	X		YES	YES	YES
SOCIETY	LA1, LA2, LA3, LA4, LA5, LA6, LA7, LA8, LA9, LA10, LA11, LA12, LA13, HR2, HR3, HR4, HR5, HR6, HR9, HR12, SO1, SO2, SO3, SO4, SO5, SO6, SO9, EC3, EC4, PR1, PR3, PR5, PR6, PR8	Health & Safety in the workplace	X	X	YES	YES	YES
		Training and education	X		YES		
		Diversity and equal opportunities	X	X		YES	
		Industrial Relationships	X	X		YES	
		Child Labour and Forced Labour	X	X			
		Local Communities	X		YES	YES	YES
		Anti-corruption	X	X	SI		
		Product Responsibility	X		YES	YES	YES
COMPLIANCE	LA15, EN29, EN33, EN34, SO7, SO8, SO10, SO11, PR2, PR4, PR7, PR8, PR9	Compliance	X	X	YES	YES	YES

Annex 2- Table of the coefficients used for environmental calculations over the three years

CONVERSION FACTORS						
CRITERIA		REF.	U.M.	CONVERSION FACTORS		SOURCES
GAS OIL	What is described below is used to determine the CO2 emissions resulting from the combustion of gas oil in the reference period (calendar year). The amount of fuel used is expressed in terms of energy content (TJ) and therefore the basic calculation formula is: Ton/CO2 = (t of gas oil x PCI x Emission factor x Oxidation factor) x 0.000001. Where: the quantity of gas oil is given by the purchase invoices. The other data are retrieved from the table of the Irish national parameters	DENSITY	kg/l	0,845		Source: <a href="http://www.seai.ie/Energy-Data-Portal/Frequently-Asked-Questions/data_and_data_manipulation_FAQ/#What_fuel_densities">http://www.seai.ie/Energy-Data-Portal/Frequently-Asked-Questions/data_and_data_manipulation_FAQ/#What_fuel_densities</a>
		LCV	GJ/t	43,310		<a href="file:///C:/Users/Utente/AppData/Local/Microsoft/Windows/NetCache/Content.Outlook/UQN17NNM/Emission%2520Factors%2520for%25202015%2520V14231120151.pdf">file:///C:/Users/Utente/AppData/Local/Microsoft/Windows/NetCache/Content.Outlook/UQN17NNM/Emission%2520Factors%2520for%25202015%2520V14231120151.pdf</a>
		EMISSION FACTOR	TCO2/TJ	73,300		
		OXIDATION FACTOR	COEFF.	1,000		
NATURAL GAS	What is described below is used to determine the volume of CO2 in relation to the electricity purchased regardless of how this is used. The amount of fuel used is expressed in terms of energy content (TJ) and therefore the basic calculation formula is: Ton / CO2 = (Sm3 of gas x PCI x Emission factor x Oxidation factor) x 0.000001. Where the amount of gas used is derived from the invoice data The other data are retrieved from the table of the national parameters  For Italy, they are notified by the Ministry of Environment (Emission Trading Directive)	LCV	GJ/ 1000Stm³	35,0197		Publication by the Ministry of the Environment and the Protection of the Territory and the Sea: : <a href="http://www.minambiente.it/sites/default/files/archivio/allegati/emission_trading/Tabella_coefficienti_standard_nazionali_2013_2015_v1.pdf">http://www.minambiente.it/sites/default/files/archivio/allegati/emission_trading/Tabella_coefficienti_standard_nazionali_2013_2015_v1.pdf</a>
		EMISSION FACTOR	TCO2/TJ	55,837		
		OXIDATION FACTOR	COEFF.	1		
		PCI Serbia	GJ/ 1000Stm³	33,33835		AERS Serbia <a href="http://www.aers.rs/Index.asp?l=2&amp;a=662">http://www.aers.rs/Index.asp?l=2&amp;a=662</a> in the specific excel file: Kalkulator-PrimerSvodjenja
		Turn. Emiss. Serbia	TCO2/TJ	56,100		IPCC (2006 IPCC Guidelines for National Greenhouse Gas Inventory)  <a href="http://www.sinanet.isprambiente.it">www.sinanet.isprambiente.it</a> Specifically Factors electricity emission production and consumption _2014-1 file excel n.11 Average Value Natural Gas, IPCC'06
ELECTRIC POWER	What is described below is used to determine the volume of CO2 in relation to the electricity purchased regardless of how this is used. The specific quantity of CO2 grams related to 1 kWh (as provided by the grid or by recognized standards) needs to be calculated. Through these benchmarks the amount of electricity-produced CO2 is determined. The formula will then be: (amount of purchased energy in kWh x conversion factor) x 0.000001.	CONVERSION COEFFICIENT	gCO2/ kWh	ITALIA	Market based 434,590	<a href="https://www.ecohz.com/wp-content/uploads/2016/06/European-Residual-Mixes-2015-AIB-FINAL_2016-05-13_web.pdf">https://www.ecohz.com/wp-content/uploads/2016/06/European-Residual-Mixes-2015-AIB-FINAL_2016-05-13_web.pdf</a>
					Location based 323,63	<a href="http://www.sinanet.isprambiente.it">www.sinanet.isprambiente.it</a> Specifically Factors electricity emission production and consumption _2014-1 file excel n. 17
				SERBIA	Market based 724	Serbia <a href="http://www.iea.org">http://www.iea.org</a>
					Location based 724	Serbia <a href="http://www.iea.org">http://www.iea.org</a>
				IRLANDA	Market based 639	<a href="https://www.ecohz.com/wp-content/uploads/2016/06/European-Residual-Mixes-2015-AIB-FINAL_2016-05-13_web.pdf">https://www.ecohz.com/wp-content/uploads/2016/06/European-Residual-Mixes-2015-AIB-FINAL_2016-05-13_web.pdf</a>
					Location based 467,5	Ireland - <a href="http://www.seai.ie/Energy-Data-Portal/Emission_Factors/">http://www.seai.ie/Energy-Data-Portal/Emission_Factors/</a>
TRANSPORTS	Transformation from km to gCO2	DA KM A GCO2	GCO2/ KM	712		ANPA Publication (Agenize National Protezione per l'Ambiente) CO2 emission for transportation: 712 gCO2/km.
ADHESIVE	Transformation from m² to kg	COEFF.	KG/MQ	0,107		Specific weight
RAW MATERIALS		CONV COEFF.	TCO2/ Ton. prod.paper	Board 0,936		ETS data provided by suppliers or maximum value recorded in the table
				Paper 0,571		
				Adhesive 0,936		
CARBON PRICE	Currency Exchange	EXCHANGE COEFF.	Euro	0,938		Carbon price value deduced from the last edition of Report of Word Bank Group - State and Trends of Carbon Pricing

### Annex 3- Correlation Table of the Report and link with the 10 principles of the UN Global Compact

AREA	GLOBAL COMPACT PRINCIPLE	GRI INDICATOR
HUMAN RIGHTS	<b>Principle 1</b> Businesses should support and respect the protection of internationally proclaimed human rights in their respective spheres of influence.	HR2 – HR7 – HR8 – HR9 – HR12 – SO1 – SO2
	<b>Principle 2</b> Businesses should make sure that they are not complicit in human rights abuses, not even indirectly.	HR1 – HR10 – HR11
LABOUR	<b>Principle 3</b> Businesses should uphold the freedom of association of employees and the effective recognition of the right to collective bargaining	G4-11 – HR4 – LA4
	<b>Principle 4</b> Businesses should uphold the elimination of all forms of forced and compulsory labour	HR6
	<b>Principle 5</b> Businesses should uphold the effective abolition of child labour	HR5
	<b>Principle 6</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation.	G4-10 – EC5 – EC6 – LA1 – LA3 – LA9 – LA11 – LA12 – LA13 – HR3
ENVIRONMENT	<b>Principle 7</b> Businesses should support a precautionary approach to environmental challenges	EC2 – EN1 – EN3 – EN8 – EN15 – EN16 – EN17 – EN20 – EN21 – EN27 – EN31
	<b>Principle 8</b> Businesses should undertake initiatives to promote greater environmental responsibility	EN1 – EN2 – EN3 – EN4 – EN5 – EN6 – EN7 – EN8 – EN9 – EN10 – EN11 – EN12 – EN13 – EN14 – EN15 – EN16 – EN17 – EN18 – EN19 – EN20 – EN21 – EN22 – EN23 – EN24 – EN25 – EN26 – EN27 – EN28 – EN29 – EN30 – EN31 – EN32 – EN33 – EN34
	<b>Principle 9</b> Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN6 – EN7 – EN19 – EN27 – EN31
ANTI-CORRUPTION	<b>Principle 10</b> Businesses should work against corruption in all its forms, including extortion and bribery	G4-56 – G457 – G4-58 – SO3 – SO4 – SO5 – SO6

## Annex 4 – Life Cycle Assessment (LCA)

LCA assess, in a systematic way, the environmental aspects and impacts of a system or multiple production systems, from the extraction of raw materials and resources to their final disposal, in accordance with the objectives and the scope defined.

The study of LCA was performed on each of the Group's plants.

The following environmental aspects were identified and taken into account:

- 1) Greenhouse gas emissions due to the transportation of raw materials, products and waste (indirect emissions);
- 2) Greenhouse gas emissions due to the processing of raw materials getting into to the production cycle (indirect emissions);
- 3) Greenhouse gas emissions from the combustion of natural gas in the plants (direct and controllable emissions);
- 4) Greenhouse gas emissions from the production of electricity needed in the plants (direct and controllable emissions);
- 5) Water consumption;
- 6) Waste and scrap generated from raw materials (paper, cardboard and by-products). This aspect, albeit indirectly, impacts the consumption of raw materials;
- 7) Production of liquid waste

### Life cycle Inventory LCI

At this stage was carried out data collection relating to the three years in question for each factory included within the system. All data, whether they are measured, calculated or estimated, were used to quantify the elements input to the limits chosen for reporting.

Greenhouse gas emissions from the transport of raw materials, products and waste

The data used included:

List of incoming trips (for the procurement of paper and cardboard as raw materials) and outgoing trips from the plant in Pontedera

List of all incoming trips (for the procurement of paper and cardboard as raw materials) and outgoing trips from the two plants in Vicenza (Dueville and Thiene);

List of incoming trips (for the procurement of paper and cardboard as raw materials) and outgoing trips from the plant in Vršac ;

List of incoming trips (for the procurement of paper and cardboard as raw materials) and outgoing trips from the plant in Tullamore;

### Greenhouse gas emissions from the processing of incoming materials (paper, cardboard and their derivatives)

We used the last three years data containing the quantities of raw materials entering in each plant in detail, the following incoming materials were identified:

- Cardboard for folding cartons;
- Paper for information leaflets;
- Self-adhesive labels for stickers;

### Greenhouse gas emissions from the consumption of natural gas for premises heating

For each plant, we used the natural gas consumption (invoices) for the last three years.

### Greenhouse gas emissions from the consumption of electricity

We used data on energy consumption of each plant (invoices) for the last three years.

### Water Consumption

We used data on water consumption (invoices) for the last three years

### Production of waste and scraps from the raw material (paper, cardboard and derivatives).

We used the last three years data of the quantities of raw material (paper, cardboard and derivatives) coming into the plants and the production of waste and scraps of paper and cardboard products in each factory(MUD/ PO)

### Production of liquid waste

We used the quantities of liquid waste produced at each plant in the last three years (annual declaration of production waste e.g. MUD for the Italian plants).

The following types of waste were taken into consideration:

- CER 08 01 20: water suspensions containing paint or varnish
- CER 08 03 13: waste ink;
- CER 08 03 14: ink sludge containing dangerous substances;
- CER 09 01 01: water based developer and activator solutions;
- CER 14 06 03: other solvents and solvent mixtures;
- CER 16 10 02: aqueous liquid waste.



## Annex 5 - Life Cycle Impact Assessment (LCIA)

The results emerged from the inventory cycle life have been correlated with specific environmental categories through the use of indicators of impact category, which represent in a quantifiable way the category concerned. After the impact categories and the related indicators have been selected, the LCI results have been converted using the characterisation factors, obtaining the results of the different category indicators.

The sum of the contributions relating to each category allows obtaining the profile LCIA, which has the purpose of providing information regarding the environmental factors, associated with the input and output flows of the system chosen.

### Impact categories selection

The environmental categories proposed by the Society of Environmental Toxicology and Chemistry (SETAC Europe) in its "Working Group on LCIA" are listed below:

- Extraction of abiotic resources: these type of resources includes three different types of natural elements:
  - Non-renewable resources (fossil fuels or minerals);
  - resources (groundwater, sand and gravel);
  - Renewable resources (surface water, solar energy, wind energy, etc.).
- Extraction of biotic resources: including biomass harvested in sustainable modes as well as in unsustainable ways (deforestation)
- Land use: reduction of plant and animal species present in a given territory.
- Global Warming: increase in temperature in the lower atmosphere as a result of the presence of greenhouse gases that trap infrared radiation.
- Depletion of ozone layer: a consequent increase in the incidence of ultraviolet rays, which are harmful to humans and to all ecosystems in general.
- Eco-toxicity: impacts on species and ecosystems due to direct emissions or subsequent degradation of the products.
- Human toxicity: due to the presence of chemical or biological substances emitted into the environment
- Photochemical pollution: caused by the formation of tropospheric ozone following the reactions of volatile organic components in the presence of light and NOX.
- Acidification: release of protons (H +) in aquatic and terrestrial ecosystems.
- Eutrophication: due to an excess of nitrates, phosphates, organic substances and nutrients.

### Classification

Now that the effects and potential harm of emissions on human health and the environment are known, the results from the inventory phase of the life cycle can be associated with one or more categories of impact.

### Characterisation

In this phase we obtain the quantification of the impact generated. The data in the inventory are transformed into indicators of numeric character, thus determining the relative contribution of each individual substance or resource used.

#### Application to the Palladio Group

Referring to the results from the inventory phase of the life cycle, the relevant impact categories are listed below:

- emissions of greenhouse gases have been linked to the category GLOBAL WARMING;
- water consumption has been associated with the category EXTRACTION OF ABIOTIC RESOURCES
- the production of waste and therefore, even indirectly, the consumption of paper and cardboard has been associated with the category EXTRACTION OF BIOTIC RESOURCES
- the production of liquid waste has been associated with the category ECOTOXICITY.

### Total Global Warming and comparison between the group's plants

Following the classification, the greenhouse gas emissions have been associated with this category of impact resulting from:

- Transportation of raw materials, products and waste;
- Processing of the incoming paper material;
- Consumption of natural gas;
- Consumption of electric power.
- Consumption of heating oil.

## 14. Sustainability Report Certifications

### 14.1 Financial Statements Certification (page1/2)



EY S.p.A.  
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37126 Verona

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ey.com

#### Relazione della società di revisione indipendente ai sensi dell'art. 14 del D.Lgs. 27 gennaio 2010, n. 39

Agli Azionisti di Palladio Group S.p.A.

#### Relazione sul bilancio d'esercizio

Abbiamo svolto la revisione contabile dell'allegato bilancio d'esercizio di Palladio Group S.p.A., costituito dallo stato patrimoniale al 31 dicembre 2016, dal conto economico e dal rendiconto finanziario per l'esercizio chiuso a tale data e dalla nota integrativa.

#### Responsabilità degli Amministratori per il bilancio d'esercizio

Gli Amministratori sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità alle norme italiane che ne disciplinano i criteri di redazione.

#### Responsabilità della società di revisione

È nostra la responsabilità di esprimere un giudizio sul bilancio d'esercizio sulla base della revisione contabile. Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia) elaborati ai sensi dell'art. 11 del D.Lgs. 27 gennaio 2010, n. 39. Tali principi richiedono il rispetto di principi etici, nonché la pianificazione e lo svolgimento della revisione contabile al fine di acquisire una ragionevole sicurezza che il bilancio d'esercizio non contenga errori significativi.

La revisione contabile comporta lo svolgimento di procedure volte ad acquisire elementi probativi a supporto degli importi e delle informazioni contenuti nel bilancio d'esercizio. Le procedure scelte dipendono dal giudizio professionale del revisore, inclusa la valutazione dei rischi di errori significativi nel bilancio d'esercizio dovuti a frodi o a comportamenti o eventi non intenzionali. Nell'effettuare tali valutazioni del rischio, il revisore considera il controllo interno relativo alla redazione del bilancio d'esercizio dell'impresa che fornisca una rappresentazione veritiera e corretta al fine di definire procedure di revisione appropriate alle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno dell'impresa. La revisione contabile comprende altresì la valutazione dell'appropriatezza dei principi contabili adottati, della ragionevolezza delle stime contabili effettuate dagli Amministratori, nonché la valutazione della presentazione del bilancio d'esercizio nel suo complesso.

Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

#### Giudizio

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria di Palladio Group S.p.A. al 31 dicembre 2016, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data, in conformità alle norme italiane che ne disciplinano i criteri di redazione.

EY S.p.A.  
Sede Legale: Via Po, 32 - 00198 Roma  
Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 2.950.000,00 (i.v.)  
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma  
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904  
P.IVA 00891231003  
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998  
Iscritta all'Albo Speciale delle società di revisione  
Consob al progressivo n. 2 delibera n. 10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

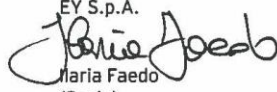


### Relazione su altre disposizioni di legge e regolamentari

#### Giudizio sulla coerenza della relazione sulla gestione con il bilancio d'esercizio

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere, come richiesto dalle norme di legge, un giudizio sulla coerenza della relazione sulla gestione, la cui responsabilità compete agli Amministratori di Palladio Group S.p.A., con il bilancio d'esercizio di Palladio Group S.p.A. al 31 dicembre 2016. A nostro giudizio la relazione sulla gestione è coerente con il bilancio d'esercizio di Palladio Group S.p.A. al 31 dicembre 2016.

Verona, 13 aprile 2017

EY S.p.A.  
  
Maria Faedo  
(Socio)

## 14.2 Financial Statements Certification Ireland



### INDEPENDENT AUDITOR'S REPORT

#### to the Shareholders of Palladio Ireland Packaging Solutions Limited

We have audited the financial statements of Palladio Ireland Packaging Solutions Limited for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Shareholders' Funds, the Cash Flow Statement, the Accounting Policies and the related notes. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland.

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board's Ethical Standards for Auditors, including 'APB Ethical Standard - Provisions Available for Small Entities (Revised)', in the circumstances set out in Note 4 to the financial statements.

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2016 and of its results for the year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, the requirements of the Companies Act 2014.

#### Matters on which we are required to report by the Companies Act 2014.

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the Directors' Report is consistent with the financial statements.

#### Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by Sections 305 to 312 of the Act are not made.

  
Michael Casey

for and on behalf of

BYRNE CASEY & ASSOCIATES

Chartered Accountants and Registered Auditors

Clonminch Hi-Technology Park

Clonminch Road

Tullamore

Co. Offaly

R35A2Y4

Ireland

13 March 2017



## 14.3 Financial Statements Certification Palladio East



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*This is English translation of the Report  
originally issued in Serbian language  
(For management purposes only)*

### INDEPENDENT AUDITORS' REPORT

#### TO THE OWNERS OF PALLADIO EAST DOO VRSAČ

We have audited the accompanying financial statements of Palladio east doo Vrsac (hereinafter: the Company), which comprise the balance sheet as at 31 December 2016, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law on Accounting and other accounting regulations in the Republic of Serbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing applicable in the Republic of Serbia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the Law on Accounting and other accounting regulations in the Republic of Serbia.

Belgrade, 23 March 2017

  
Olivera Andrijašević  
Authorized Auditor  
for Ernst & Young d.o.o. Beograd



PIB: 101824091 • Matični broj: 17155270 • Upišani i uneti osnovni kapital: 15.075.01 EUR  
Registarski broj: 47839 kod Agencije za privredne registre  
Poslovni račun 160-000000399176-13 kod Banke Intesa a.d. Beograd

## 14.4 Sustainability Report SGS certification (page 1/2)



## ASSURANCE STATEMENT

**STATEMENT OF PALLADIO GROUP 2016 SUSTAINABILITY REPORTING**

SGS Italia S.p.A. ( SGS ) was commissioned to conduct an independent assurance of Palladio Group ( Palladio ) 2016 Sustainability Reporting.  
The information in the document is the exclusive responsibility of Palladio.

SGS Italia S.p.A. expressly disclaims any liability or co-responsibility in the preparation of any of the material included in this document or in the process of collection and treatment of the data therein.

Palladio is responsible for the identification of stakeholders and material issues and for defining objectives with respect to sustainability performance.

SGS affirms its independence from Palladio, being free from bias and conflict of interests with the Organization, its subsidiaries and Stakeholders.

**Responsibilities and Scope of Assurance**

The responsibility of SGS is to express an opinion concerning the text, the qualitative and quantitative information, the graphs, the tables and the statements included in the Sustainability Reporting, within the below mentioned assurance scope, with the purpose to inform all the Interested Parties.

The scope of assurance agreed with Palladio includes the verification of following aspects:

- review of the Group approach to materiality analysis and stakeholder engagement processes and initiatives;
- evaluation of the 2016 Sustainability Reporting against the Global Reporting Initiative Guidelines (GRI-G4), with reference to the 'in accordance' *Core* option;
- Verification of the accuracy and reliability of data.

**Assurance methodology and limitations**

The verification process started from materiality analysis and stakeholder engagement methodology validation activities and was performed through examination of records and documents, interviews with personnel and management and analysis of policies, procedures and practices adopted within the organization. The texts, graphs and tables included in the Report were verified by selecting, on a sample basis, qualitative and/or quantitative information to confirm the accuracy and to follow the process of data elaboration and synthesis.

Audit activities were carried out during April 2017 at Palladio site and Head Quarters in Dueville ( VI - Italy) and at Palladio East plant in Vrsac ( Serbia ) and they refer to data and performance of the whole Group.

The audit team was assembled based on their technical know-how, experience and the qualifications of each member in relation to the various dimensions assessed.

Financial data are drawn directly from the Palladio Consolidated Financial Statements at 31 December 2016, already certified by the auditing firm.



## Sustainability Report SGS certification (page 2/2)

### Statement of conclusion

On the basis of the auditing activities performed, the data included in the 2016 Sustainability Reporting were balanced and traceable; personnel and management were able to reliably demonstrate the origin and interpretation of the data.

The verification process confirmed that the Report was prepared based on rigorous processes; SGS confirms the completeness, reliability and accuracy of the information contained in 2016 Sustainability Reporting is confirmed, which represents a significant synthesis of the activities carried out by the Palladio Group as well as an essential tool for communication with Stakeholders.

We believe that Palladio 2016 Sustainability Reporting tackles in a complete and transparent manner themes considered "material" for the organization and its stakeholders, describing the materiality process and the internal analysis for the determination of the material aspects and their relevance in terms of sustainability.

With reference to the approach of the Group to materiality analysis and stakeholder engagement processes and initiatives, the Audit team provides the following opinion:

- In 2016, the materiality analysis evolved and the Company identified the new material topics that reflect the relevance and evolution of sustainability issues in relation to the context in which the group operates;
- the stakeholder engagement and the sustainability targets, demonstrate in a tangible way the integration of sustainability issues in the Group's strategy.

With reference to the GRI-G4 indicators, the completeness and accuracy of KPIs reporting has been verified.

Sustainability, perceived as a business priority, is extensively applied both through internal policies and in the responsible management of the supply chain.

At the Serbian plant of Vrsac, the audit team notes and appreciates the full implementation of internal standards related to data collection and processing as well as operational management practices.

Detailed information on the quantification of greenhouse gases emissions with reference to Internationally recognized standards has been provided. In particular, it is worth to mention the thorough work carried out by the Organization for the adoption of the new Scope 2 emissions reporting methodologies (location-based and market-based), in accordance with the specific GHG Protocol guidelines.

SGS confirms the adherence of the Palladio 2016 Sustainability Reporting to the GRI-G4 requirements according to the option 'in accordance' *Core*.

Milan, May 2017

#### SGS Italia S.p.A.

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Consumer and Retail Services  
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## 15. Explanatory table of the contents of Report (GRI 4)

### Option “in accordance - Core”

#### Strategy and analysis

G.R.I. REF.	DESCRIPTION	REPORT PARAGRAPH
<b>G4-1</b>	Statement by the Chief Executive Officer and commitment to the principles of the U.N. Global Compact	3
<b>G4-2</b>	Description of key impacts, risks, and opportunities.	4

#### Organisational Profile

G.R.I. REF.	DESCRIPTION	REPORT PARAGRAPH
<b>G4-3</b>	Name of the organization.	5-8
<b>G4-4</b>	Primary brands, products, and/or services.	
<b>G4-5</b>	Location of organization's headquarters.	
<b>G4-6</b>	Number of countries where the organization operates,	
<b>G4-7</b>	Nature of ownership and legal form.	5-8
<b>G4-8</b>	Markets served	
<b>G4-9</b>	Dimensions of the organisation.	
<b>G4-10</b>	Number of employees per contract type, region e type	
<b>G4-11</b>	Percentage of employees covered by collective bargaining agreements	28, par.12
<b>G4-12</b>	Description of the supplier chain	
<b>G4-13</b>	Significant changes during the reporting period regarding	20-21
<b>G4-14</b>	Explanation of the precautionary approach application	
<b>G4-15</b>	Codes of conduct Underwriting	9
<b>G4-16</b>	membership to associations	

#### Identified Material Aspects and Boundaries

G.R.I. REF.	DESCRIPTION	REPORT PARAGRAPH
<b>G4-17</b>	Companies included in the consolidated financial statements and an indication of the companies included in the report	10
<b>G4-18</b>	Process of defining report content	
<b>G4-19</b>	List of aspects identified as material	
<b>G4-20</b>	Indication of the scope of consolidation for each material aspect (within the organization)	
<b>G4-21</b>	Indication of the scope of consolidation for each material aspect (external to the organization)	12, par.12
<b>G4-22</b>	Explanation of the effects of changes in calculations	
<b>G4-23</b>	Significant changes from the previous reporting period	

### Stakeholder Engagement

G.R.I. REF.	DESCRIPTION	REPORT PARAGRAPH
<b>G4-24</b>	List of stakeholder groups involved in the organization's engagement activities	
<b>G4-25</b>	Basis for identification and selection of stakeholders with whom to undertake engagement activities	
<b>G4-26</b>	Approach of stakeholders engagement activities, including frequency of engagement by type and by stakeholder group	13, par.12
<b>G4-27</b>	Key topics and criticalities emerging during the stakeholder engagement and how the organization has responded to those concerns, with reference to what is stated in the report	

### Report's Profile

G.R.I. REF.	DESCRIPTION	REPORT PARAGRAPH
<b>G4-28</b>	Reporting period.	
<b>G4-29</b>	Date of most recent previous report.	
<b>G4-30</b>	Reporting cycle (annual, biennial, etc.).	
<b>G4-31</b>	Contact point for questions regarding the report or its contents.	14, par.12
<b>G4-32</b>	Indication of the chosen option "In accordance" ; GRI table of contents; references to external verification	
<b>G4-33</b>	External assurance of the report	

### Governance

G.R.I. REF.	DESCRIPTION	REPORT PARAGRAPH
<b>G4-34</b>	Governance structure of the organization	15

### Ethical integrity

G.R.I. REF.	DESCRIPTION	REPORT PARAGRAPH
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### Economic Performance Indicators

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<b>G4-DMAEC</b>	Management approach on the Economic responsibility	
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<b>G4-EC2</b>	Financial implications and other risks and opportunities for the organization's activities due to climate change.	19, 31, par.12
<b>G4-EC3</b>	Coverage of the organization's defined benefit plan obligations.	
<b>G4-EC4</b>	Significant financial assistance received from government.	35
<b>G4-EC5</b>	Range of ratios of standard entry level wage by gender compared to local minimum wage in the most significant operational plants.	
<b>G4-EC6</b>	Procedures for hiring people residing in the area where the main operations are carried out and proportion of senior management hired from the local community.	19, par.12
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G.R.I. REF.	DESCRIPTION	REPORT PARAGRAPH
<b>G4-DMAEN</b>	Management approach on the Environmental responsibility	
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<b>G4-EN2</b>	Percentage of materials used that are recycled input materials.	
<b>G4-EN3</b>	Energy consumption within the organization	23, par.12
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<b>G4-EN5</b>	Relative energy consumption	
<b>G4-EN6</b>	Reduction of energy consumption	23, par.12
<b>G4-EN7</b>	Reduction of energy consumption of products and services	
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<b>G4-EN10</b>	Percentage and total volume of water recycled and reused.	
<b>G4-EN11</b>	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	
<b>G4-EN12</b>	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	24
<b>G4-EN13</b>	Habitats protected or restored.	
<b>G4-EN14</b>	Number of species of IUCN Red List and species in the national conservation lists with habitats in areas affected by operations, broken down by level of extinction risk	
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<b>G4-EN18</b>	Relative greenhouse gas emissions	
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<b>G4-EN21</b>	NOx, SOx, and other significant air emissions by type and weight	25, par.12
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<b>G4-EN27</b>	The entity of reduction of the environmental impacts of products and services	20
<b>G4-EN28</b>	Percentage of products sold and their packaging materials that are retrieved, broken down by category	20-21, par.12
<b>G4-EN29</b>	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	par.11

<b>G4-EN30</b>	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	26
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<b>G4-EN33</b>	Existing and potential significant adverse environmental impacts in the supply chain and actions taken	par.11
<b>G4-EN34</b>	Number of complaints received relating to the environmental impacts addressed and resolved through formal complaint management system	

#### Social Performance Indicators

G.R.I. REF.	DESCRIPTION	REPORT PARAGRAPH
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<b>G4-LA1</b>	Total number of hiring and turnover rates age groups, gender and region	28, par.12
<b>G4-LA2</b>	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	
<b>G4-LA3</b>	Return to work and retention rates after parental leave, by gender.	
<b>G4-LA4</b>	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	
<b>G4-LA5</b>	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	29, par.12
<b>G4-LA6</b>	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	
<b>G4-LA7</b>	Workers with a high incidence or high risk of accident or occupational disease	
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<b>G4-LA9</b>	Average hours of training per year per employee by gender, and by employee category.	29-30, par.12
<b>G4-LA10</b>	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	
<b>G4-LA11</b>	Percentage of employees receiving regular performance and career development reviews, by gender.	
<b>G4-LA12</b>	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	28, par.12
<b>G4-LA13</b>	Ratio of male and female base salary by category and operational qualification	20-21, par.11
<b>G4-LA14</b>	Percentage of new suppliers evaluated based on criteria relating to work	
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#### Human rights Performance Indicators

G.R.I. REF.	DESCRIPTION	REPORT PARAGRAPH
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<b>G4-HR1</b>	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	20-21

<b>G4-HR2</b>	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	29, par.12
<b>G4-HR3</b>	Total number of incidents of discrimination and corrective actions taken.	
<b>G4-HR4</b>	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	32
<b>G4-HR5</b>	main suppliers with high risk of recourse to child labour, and measures taken to contribute to its elimination	
<b>G4-HR6</b>	Activities with a high risk of recourse to forced or compulsory labour, and measures to contribute to the elimination	
<b>G4-HR7</b>	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	-
<b>G4-HR8</b>	Number of violations involving rights of indigenous people and actions taken	33
<b>G4-HR9</b>	Number and percentage of operational areas subjected to screening on human rights	
<b>G4-HR10</b>	Percentage of new suppliers evaluated based on criteria relating to human	
<b>G4-HR11</b>	Existing and potential aspects relating to human rights significant to the supply chain and actions taken	20-21, par.12
<b>G4-HR12</b>	Number of complaints related to aspects concerning human rights received, addressed and resolved through formal complaint management	33

#### Society Performance Indicators

G.R.I. REF.	DESCRIPTION	REPORT PARAGRAPH
<b>G4-DMASO</b>	Managerial approach to a responsible business conduct	34
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<b>G4-SO2</b>	Operational areas with existing and potential significant negative impacts on local communities	
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<b>G4-SO4</b>	Communication and training on anti-corruption policies and procedures	29-30, par.12
<b>G4-SO5</b>	Actions taken in response to incidents of corruption.	35-36
<b>G4-SO6</b>	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	35
<b>G4-SO7</b>	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices.	par.11
<b>G4-SO8</b>	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	
<b>G4-SO9</b>	Percentage of new suppliers evaluated based on criteria related to the impacts on society	20, 34, par.12
<b>G4-SO10</b>	Aspects regarding the negative impacts on existing companies and potentially significant in the supply chain and actions taken	par.11
<b>G4-SO11</b>	Number of complaints received related to the impacts on society, addressed and resolved through formal complaint management	

#### Product Responsibility Performance Indicators

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<b>G4-PR3</b>	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	37
<b>G4-PR4</b>	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling	par.11
<b>G4-PR5</b>	Results of customer satisfaction surveys	37, 38
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<b>G4-PR8</b>	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	
<b>G4-PR9</b>	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	





