



Progress report

2016



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1 LETTER FROM THE CHAIRMAN

Dear all,

I am pleased to present our sixth Corporate Social Responsibility report and hope it will be of interest for you.

Once again, in 2016, we renewed the commitment we acquired in 2011 by joining the United Nations Global Compact, the principles promoted by this international initiative being the backbone of our company's policy. The ten principles of the Global Compact are always present when we plan the strategy and growth of our company.

Tag Systems has renewed all its ISO certificates following all the standards of ISO 9001:2008, ISO 14001:2004 and OHSAS 18000:2007, and working on the migration of ISO 9001:2015 throughout the next year.

Our global objective is that TAG Systems becomes a sustainable company in terms of environment, finance, society and corporate governance, which means that in the objectives to be met year after year, we always have some that refer to these principles (this year, specifically the reduction of waste that we generate and the improvement in the working environment).

With our employees, we promote different actions to improve health, well-being, quality of life and the happiness of each one of them. We are working to make the company more and more attractive to the people that work with us. We all gain, the employee is happier, the company is more efficient, and it benefits the society.

For our customers, we strive to do things better every day, transmitting our commitment to them and towards the company's principles of governance: honesty, transparency, professionalism, sustainability and ethics, in all its aspects.

In relation to our suppliers and the different agents with whom we have relations, we ask them to acquire the same commitment to society, human rights, the environment and we invite them to subscribe to the United Nations Global Compact, as it gives them positive points in the evaluation.

We will continue to do our bit to make a fairer society and a better world. Without forgetting to thank you for your support, all this would not be possible without your collaboration.

Best Regards,

Joaquim Miró

President

2 WHO WE ARE AND WHAT WE DO

PRINCIPLES

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

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

2.1 A solid start to reach out to the world

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

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

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

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

HISTORY

1999 - 2000	Tag Systems Andorra completes the certification to produce bank cards (Visa and MasterCard)
2002	The first subsidiary is set up abroad, CarTag Spain SL, in Barcelona (Spain)
2003	The production facilities are equipped to insert chips
2006	Tag Systems Andorra obtains Card Quality Management (CQM) certification by MasterCard
2007	The subsidiary Tag Systems Finland Oy is set up in Helsinki, Finland The subsidiary Tag Systems Poland sp. z. o.o. is set up in Warsaw, Poland Tag Systems is awarded the ISO 9001 quality standard certificate
2008	Tag Systems Andorra is recognised as a Diners Club International Approved Card Manufacturer
2009	The subsidiary Tag Systems Smart Solutions SL is set up in Madrid, Spain
2011	Tag Systems opens Tag Cadena S.A.S in Medellin and begins its expansion towards Latin America
2012	Tag Systems Andorra achieves ISO 14001 and OHSAS 18001 certification, issued by Applus Tag Systems Finland Oy takes over the commercial offices of First Data Latvia in Riga, Latvia Tag Systems Andorra obtains certification to produce Discover cards
2013	Tag Systems sells Tag Systems Finland Oy and its subsidiary in Latvia
2015	Tag Systems completes AMEX certification Tag Systems buys shares in the Spanish mobile payment solutions provider, Seglan Tag Systems partners with the Banking Division of the UK-based company Nitecrest, to establish tagnitecrest Ltd

2.2 What we do

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

Business figures (2016)

85% Bank cards

15% Non-bank cards

19 million
Cards produced

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





SMART CARDS, MAGNETIC STRIPE CARDS AND STICKER CARDS

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

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

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

TECHNOLOGY

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

- Contact chips
- Dual interface
- Contactless

SOLUTIONS

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

CONSULTANCY FOR SMART CARD PROJECTS

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

OTHER PRODUCTS AND SERVICES

- Personalisation services
- PKI developments

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

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

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

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

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



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

2.3 How we're organised and how we work

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

Centres of production and/or personalisation:

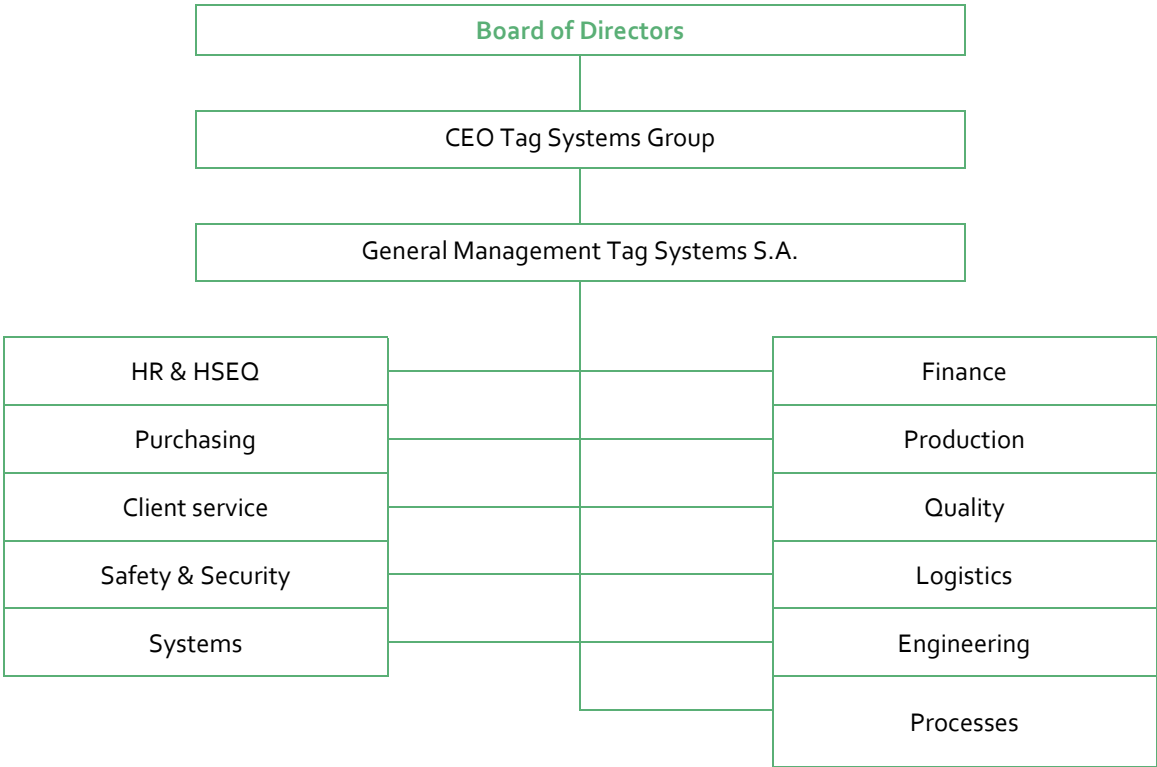
- Andorra (Andorra la Vella) – Head Office
- Madrid (Spain)
- Warsaw (Poland)
- Medellin (Colombia)
- Leyland (United Kingdom)

Commercial offices

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



TAG SYSTEMS S.A. ORGANISATION CHART



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



2.4 Our stakeholders

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

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

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

STRATEGIC ALLIANCES

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



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

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

We promote participation
with the global card
industry

3 PEOPLE

PRINCIPLES

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

- PRINCIPLE 3** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- PRINCIPLE 4** Businesses should uphold the elimination of all forms of forced and compulsory labour.
- PRINCIPLE 5** Businesses should uphold the effective abolition of child labour.
- PRINCIPLE 6** Businesses should uphold the elimination of discrimination in respect of employment and occupation.

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

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People on the workforce

3.1 Profile of the workforce and quality employment

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

Workforce indicators	2014	2015	2016
Average full-time equivalent (FTE) workforce	112	120	124
Employees with permanent contract	100%	100%	100%
Average time in company (in years)	8	7	7
Unplanned staff turnover (voluntary resignations/Average FTE workforce *100)	8.93	12.61	17,74

100% Employees with permanent contract

7 years Average time in company

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

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

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

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



3.2 Equal opportunities

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

Workforce by gender and employee category (at 31 December)		2014	2015	2016
Managers	Men	2	2	2
	Women	3	3	3
Department heads	Men	6	8	8
	Women	4	4	5
Administrative and sales staff	Men	4	3	4
	Women	11	11	16
Technicians and operators	Men	28	30	38
	Women	54	59	65
Total workforce	Men	40	43	52
	Women	72	77	89

60% Female managers

38% Female department heads

80% Female administrative and sales staff

63% Female technicians and operators



Retention rates after parental leave	2016
Number of men taking parental leave	2
<ul style="list-style-type: none"> Return to work in same job (men) 	100%
Number of women taking parental leave	4
<ul style="list-style-type: none"> Return to work in same job (women) 	100%

Workforce by gender and age group ¹ (at 31 December)		2014	2015	2016
Under 30 ¹	Men	7	5	8
	Women	13	10	11
Between 30 and 50	Men	29	32	35
	Women	57	65	72
Over 50	Men	4	5	9
	Women	2	3	6
Total workforce	Men	40	44	52
	Women	72	76	89
Average age		37	38	38

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

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

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

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Nationalities in the
workforce



3.3 Health & Safety

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

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

Year after year, the Human Resources Department at **Tag Systems** devotes a lot of time and effort to raising awareness among the workforce of health & safety issues to reduce work-related accidents.

Work Accidents	2014	2015	2016
Number of accidents at work	6	4	3

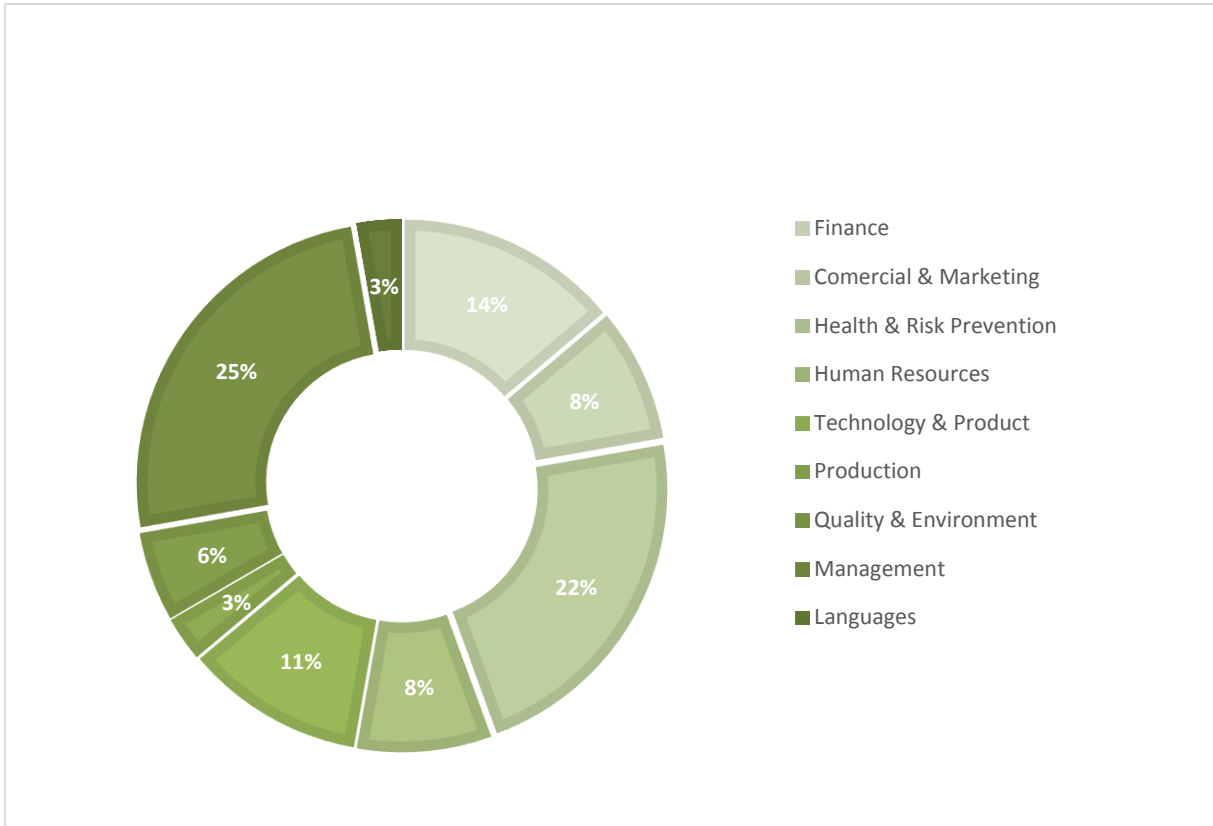
3.4 Training

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

Training indicators	2014	2015	2016
Total hours of training	2.513	2,142.5	1.456
Workforce receiving training	100%	100%	100%



Type of training given (2016)



Hours of training by employee category and by gender		2014	2015	2016
Administration staff	Men	487	249	400
	Women	1.466	406	654
Production staff	Men	284	864,5	235,5
	Women	278	640	166,5
Total workforce	Men	771	1.113,5	635,5
	Women	1.744	1.046	820,5

4 WE CARE FOR THE ENVIRONMENT

PRINCIPLES

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

PRINCIPLE 7 **Businesses should support a precautionary approach to environmental challenges.**

PRINCIPLE 8 **Businesses should undertake initiatives to promote greater environmental responsibility.**

PRINCIPLE 9 **Businesses should encourage the development and diffusion of environmentally friendly technologies.**

We incorporate sustainable development criteria in our business practices

4.1 Environmental policy



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



- 32%

Water consumption
compared with 2015

Our environmental policy is based on the following principles:

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

Involving all employees is key to ensuring the correct implementation of the measures promoted by **Tag Systems**. In this respect, we help to raise awareness about the environment by employing a range of resources related to good practices and individual responsible behaviour.

- 62,5%

Gas oil consumption
compared with 2015

4.2 Consumption of resources and emissions

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

Consumption of resources	2014	2015	2016
Electricity consumed (MWh)	844.23	942.81	1.147,86
Water consumed (m ³)	6,433	4,453	1.426
Gas oil consumed (l)	13,850	8,000	5.000
Paper consumed (kg)	989	1,044	1.091

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

CO ₂ emissions (tCO ₂ eq)	2014	2015	2016
Emissions from transport	28.2	30.9	25,2

4.3 Waste management

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

Waste generated	2014	2015	2016	Treatment
Paper (kg)	1,093	1,151	1.625	Recycled. Dump
Light packaging (kg)	954	1,060	1.775	Recycled. Dump
Batteries (kg)	41	25	0	Recycled. Dump
Toner (kg)	22	75	31	Recycled. Used to produce energy
Fluorescent tubes (units)	13	27	6	Recycled. Dump
General waste (kg)	1,147	1,031	1.458	Dump. Used to produce energy

5 OUR VALUE CHAIN: CLIENTS AND SUPPLIERS

PRINCIPLES

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


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

5.1 Client service

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

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

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



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

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

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

5.2 We pass on our commitment to our suppliers

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

We apply the following criteria to select our suppliers:

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

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

