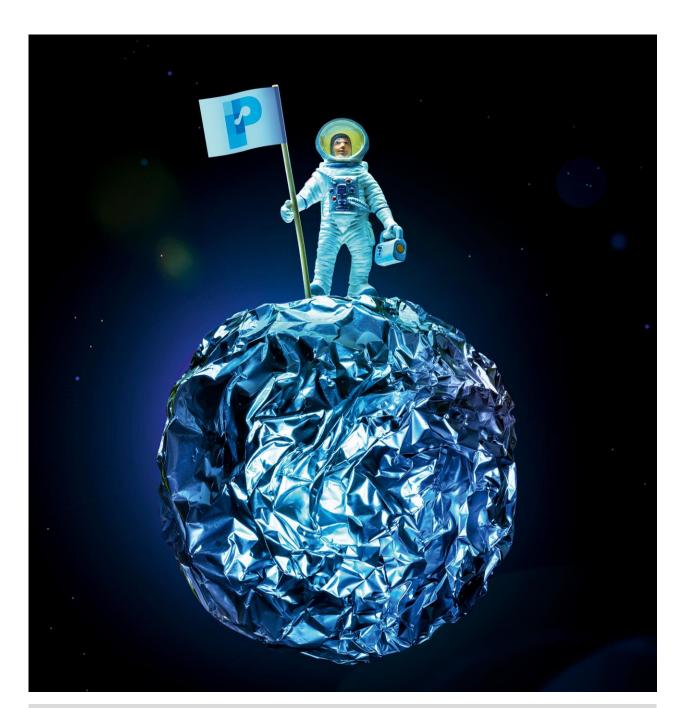


PALLADIO IRELAND

PALLADIO EAST

PALLADIO BNM





# SUSTAINABILITY REPORT 2019

reporting period 2018

COMMUNICATION ON PROGRESS

his is our Communication on Progres a implementing the principles of the inited Nations Global Compact and upporting broader UN goals.

according to the GRI Sustainability Reporting Standard

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## VISION

To be a benchmark in the healthcare world, anticipating the needs of our partners with valuable solutions

## MISSION

We aim to make excellence our standard, paying great attention to innovation and to the full sustainability of our processes

## 1. Letter to Stakeholders (Rif. 102-14/15)



This year passed fast and many are the events that occurred during this period. The most important occurred in month of March and it was the acquisition of the company Poliweb Graphic srl. based in Gossolengo near Piacenza.

This is a company specialised in producing high-end labels for the pharmaceutical industry.

With this acquisition the Group wanted to complete the range of products to offer to our pharmaceutical customers. Today we are able to present ourselves as a global secondary packaging provider offering cartons, leaflets and labels.

It was also a year accompanied by steady growth in terms of employment, production, technological innovation and strong investments that materialized with the arrival of the new Heidelberg printing press in the Thiene plant and with the installation of new folding machines for the leaflets and flow pack department. Investments also continued in the foreign plants with the arrival of new machinery. The new departments have grown and we have hired new employees to cope with the increase in orders, especially in the leaflets and P24 departments.

Impresa 4.0 issues, in particular, have become an increasingly integral part of the mechanisms underlying the functioning of the Group.

The economic trend was also positive this year with the growth of the new departments and the increase in orders. A few clouds are glimpsed on the Italian economy after the calm seemed to appear, proposing challenges that can lead companies to focus on a short-term time horizon and overshadow the need to prepare for the challenges of the future.

To avert this risk, Palladio Group has made every effort by formalizing the Strategic Plan 2018-2022 which has launched 35 strategy deployment projects that will allow us to look to the future with confident optimism that, with the resources that the company is ready to make available, we can win any future challenge.

A fundamental contribution to the definition of the Strategic Plan is also attributable to the approval, by the United Nations, of the Global Agenda for Sustainable Development and of the relevant Goals 8 and 9which encourage to:

- "stimulate lasting, inclusive and sustainable economic growth, full and productive employment and decent work for all"
- "build resilient infrastructure and promote innovation and fair, responsible and sustainable industrialization".

This year we also took on the challenge to measure our work by referring to the "Sustainable Development Goals" (SDGs) approved by the United Nations with the 2030 Agenda. The above comes from the awareness of what we can still do to affirm a truly sustainable economic model and as an incentive to continue to improve processes while adopting procurement methods that respect the environment and human dignity.

To do this, at year-end 2018, it became operational the Sustainability Committee formed by the Corporate Managers of the Group, who have identified the SDG's most impacted by our business activities and defined future targets related to same.

The task of this Committee is to promote a path of continuous improvement towards sustainability which for the company also translates into greater competitiveness and the strengthening of the Group's identity.

Furthermore, in relation to the need to combat climate change provided for in the 2015 Paris Agreement, this year we included in the report a chapter dedicated to our decarbonisation process. This chapter, in addition to exposing the commitment linked to the Sustainable Development Goal No. 13 which encourages "promoting actions, at all levels, to combat climate change", also includes the recommendations promoted by the Task Force on Climate-related Financial Disclosures (TCFD) on reporting on risks related to climate change.

Aware that the responsibility of a company does not end with the adoption economic of resilient strategies, adopted we have a company policy that reconciles economic objectives with social and environmental ones with a view to future sustainability that creates tangible and intangible values, for everything that involves the company. So, in line with the commitments undertaken and pursued over the years for the quality, environmental and health and safety at work and ethics, we will continue to make sustainability a central element of all the corporate processes that contribute to the realisation of the product supplied to the market in which we operate.

The intention of the company in this regard can be summarised in the sustainable conviction that development is the only form of development of society that does not compromise the possibility of future generations to persist in the development itself, preserving the quality and quantity of heritage and natural reserves.



Respect for and protection of Health and Safety at Work, of the Environment and Human Rights are the foundation of corporate operating strategies and concern the entire organization in relation to the relevant activities / processes planned and carried out for the: "Design and production of materials packaging and services for the pharmaceutical and cosmetics industries".

In compliance with the Legal Requirements in force in the countries in which we operate and in compliance with the principles defined in the Code of Ethics, the Group is committed to respecting and promoting actions for the management of forest resources consistent with the respect of the values ethical and environmental and with the orientation to continuous improvement. In particular, the organization is committed to the major concerns of our time: sustainable development, respect the Universal Declaration of Human Rights and adherence to international accounting standards, as defined by the OECD and the UN, such as the Global Compact.

The objective of the entire Palladio Group is to pursue, year after year, an economic development compatible with social equity and ecosystems, operating under an environmental balance. This means that the economic, social and environmental dimensions are closely interrelated, and any programming intervention will inevitably have to take into account mutual interrelations. Over the years we have always invested in human and economic resources to ensure well-being and satisfaction at the workplace.

have confirmed We also our commitment to adhering to charitable activities that could help the next by making donations to non-profit foundations, local and international aware that our small gesture is a great help for them. We will continue to be active in supporting environmental projects, social and cultural activities in the local communities in which we operate especially by involving future aenerations.

The evolution of the Company, which took place over time through multiple acquisitions and the increase in the range of products and services for customers, is the testimony of an organic strategy of shared value guaranteeing creation, the commitment to protect and use compatible and ethical natural and human resources. In fact, what has never changed over the years, and that helped us to grow, was to make excellence our standard, always paying great attention to innovation, comprehensive sustainability of processes and promoting a series of projects related to the Business Plan 4.0 with the support of technologies developed ad hoc.

We want to continue to be the reference point in the health care world, anticipating the needs of our partners with valuable solutions and contributing to the sustainable development of the company and the stakeholders.

I hope that the Stakeholders, by reading this Report, can understand the actions and the results achieved by the Group in compliance with the principles of Corporate Social Responsibility. Enjoy the reading!

Mauro Marchi Chief Executive Officer

## 1.1 Support for the United Nations Global Compact



In May 2012 Palladio Group has formalized its adhesion to the Global Compact of the United Nations, a joint initiative between companies from

around the world, United Nations agencies and groups representing the interests of labour and civil society.

The aim of the initiative is to involve the business world in a new form of collaboration through the adherence to ten universal principles concerning human rights, labour protection, environmental protection and the fight against corruption. It also aims to make its principles an integral part of the business strategy and to promote collaborations in line with the objectives of the United Nations in order to achieve alobal arowth that takes into account the interests and concerns of stakeholders.

Palladio Group's motivation to join the UN Global Compact was based on the fact that many of its principles favour our business, while others are directly related to the Group's main activities and its competitiveness on the market. Furthermore, since 2018 we have included in our corporate responsibility strategy an integrated approach to the implementation of the Sustainable Development Goals (UN SDG's) also targets using these as general guidelines for the formation of management decisions.

Treating employees fairly and respectfully is a natural thing for a wellmanaged company and contributes to the ability of Palladio Group to attract and retain the best talent. The maintenance of safeguards against corruption and violations of human rights as well as being the right thing to do protects the Company from legal responsibilities.

Optimizing the environmental performance of our company's activities is a key business responsibility and helps reduce material and energy costs.

In relation to these general rules of good business management, we therefore undertake to maintain the Global Compact (and its principles) as an integral part of our business strategy and our culture in all business activities that focus on the protection and compatible use of natural and human resources.

In order to be able to provide our customers, employees, suppliers and other stakeholders with information on our sustainability and performance objectives, we have based sustainability reporting on GRI Sustainability Reporting Standards in order to communicate the results obtained to our Stakeholders in complete transparency.

The usual Communication On Progress (COP) to describe what has been done and implemented by Palladio Group to respect the principles promoted by the Global Compact and the Sustainable Development Goals (UN SDG's) has been integrated into this reporting.

As a Managing Director, I cordially thank you, honoured in pursuing this

path together with the United Nations Global Compact.

Mauro Marchi

Chief Executive Officer Man M.A.

## 2. Information general (Rif. 102-1/2/3/4/5/6/7)



Palladio Group, the parent company of the Group, is a public limited company under Italian law.

The three foreign subsidiaries are limited liability companies.

The object of the Group's activity is substantially homogeneous among the various Plants and can be referred to as "design and production of packaging and services for the pharmaceutical and cosmetic industries".

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.

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.

The Group's customers are the leading multinational industries with which supply and collaboration relationships have been established that are fundamental for innovation and continuous improvement of the products and services provided.

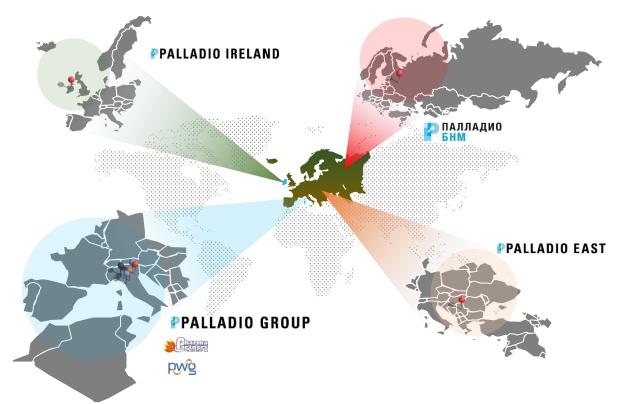
The reference market is the pharmaceutical market and the core business is the production of packaging material. Palladio Group's main goal is to offer products, services and expertise in compliance with the requirements, while trying to anticipate and meet Stakeholder's needs.

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

activities All the production are using machinery performed and facilities that are technologically highly advanced, this in order to guarantee containment safety, of energy consumption and environmental protection

## 2.1 The Plants

Palladio Group spa has its headquarter in Dueville (Vicenza) and several production plants located in Italy and abroad in line with the company's strategy to produce in countries where growth and / or market opportunities are expected.



#### Registered office and Italian plants

#### Palladio Group spa

Headquarter - Via Cresole, 8 Dueville (Vicenza) - Italy Products: cartons, leaflets

Via Campazzi, 10 - Thiene (Vicenza) – Italy Products: cartons, blister

Via Maremmana (Z.I. Gello) – Pontedera (Pisa) - Italy Products: cartons, leaflets, labels, aluminium foils

#### Pharma Partners srl

Via Ettore Strobino, 55/57 - Prato Packaging of medical devices

#### **Poliweb Graphics srl**

Via Morigi, n.19 - Gossolengo (Piacenza) Product: labels

#### Foreign Plants

#### Palladio Ireland Itd

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

Palladio East doo Beogradski put 26300 - Vršac (Vojvodina) - Serbija Products : cartons, leaflets, labels

#### Palladio BMN IIc

Kievskoe highway, km. 104 249032 Obninsk, Kaluga Region Russian Federation Products:cartons,leaflets

## 2.2 Business lines

In the Group, at 31/12/2018, over 700 employees were employed, operating at the eight plants.

The total production capacity of the Group is approximately:

- 1700 million cases,
- 800 million sheets of illustrations
- 600 million labels.
- 500 tons of aluminium

## Our brands



#### FOLDING CARTONS

Development and production of a wide range of cartons, boxes and display cases based on the technical specifications of the customers using cutting-edge printing technologies



#### LEAFLTES & BOOKLETS

Production of leaflets in single, double and triple reel, folded and pre-folded with perforations. Outserts with closure labels are also available. The booklet is particularly suitable for multilingual information purposes, the booklet is easy to read, easy to transport and long lasting



#### LABELS

Production of self-adhesive labels on paper, transparent and laminated materials. Embossed Braille labels, peel-off labels, calendar labels and serialized security stickers complete the range.



#### ALUMINIUM

A flexographic printing line is dedicated to the production of small batches of printed aluminium for blisters to be used with the Kit System service.

### Our services

#### Brand protection Track & Trace

Dedicated teams, software, machinery and quality systems dedicated to every type of market need.

#### Pharma Partners

Contract consulting and production services for secondary packaging.



#### Smart Packaging –

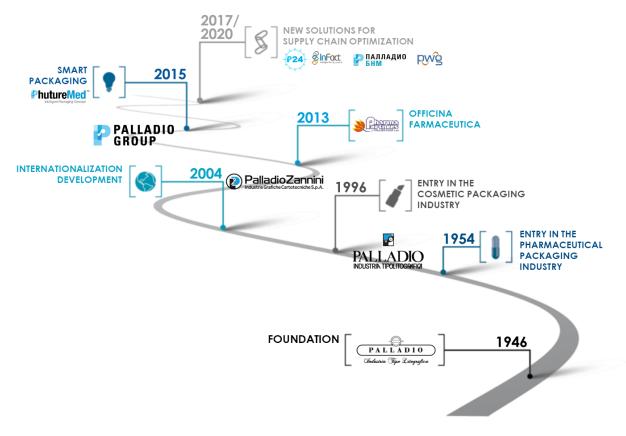
IOT (Internet of Things) Intelligent packaging solutions to support patients and healthcare professionals in monitoring adherence to therapy.

#### Supply Chain Management

Just in Time, Full Customization production scalable from VMI (Vendor Managed Inventory), InFact (logistics services), Delivery within 24 hours from the PO

## 2.3 Our History

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 remaining firmly attached to a business 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 the Società Tipolitografica Andrea Palladio. During the 1950s, the company developed and changed its name to Palladio Industria Tipolitografica S.p.A. The specialization in the pharmaceutical sector began.

#### 1980

Work is constantly increasing. The company moved to the new factory in Dueville, which is still Palladio's headquarters

1996

50 years after the foundation a second plant is opened in Thiene. The production capacity is doubled and at the same time the packaging market extends to the cosmetic industry.

#### 2000

Official start-up of the production of leaflets in Dueville's plant; leading to the expansion of the range of products of secondary-packaging supplied to our customers.

#### 2004

The acquisition of Grafica Zannini is accomplished: the group is now enriched by two new plants in Tuscany, one in Ireland and one in Serbia. The Group is the absolute leader in Italy in the field of secondary packaging for the pharmaceutical sector.

#### 2011

The fusion between Palladio and Grafica Zannini is formalized. Creation of the Palladio Zannini Industrie Grafiche Cartotecniche S.p.A.

#### 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..

#### 2015

Beginning construction of the new plant, at Obninsk in the Kaluga Oblast (Russia), the company name is Palladio Obninsk.

#### 2015

In October Palladio Zannini changes its name and becomes Palladio Group S.p.A. Even the foreign offices in Serbia and Ireland, Zannini East and Zannini Ireland witness this evolution becoming Palladio East and Palladio Ireland Packaging Solutions.



Palladio Group celebrated 70 years of commitment and passion, marking this important anniversary with a ceremony in the prestigious setting of the Basilica Palladiana in Vicenza

#### 2017



An important step has been added to our development project: Palladio BNM.

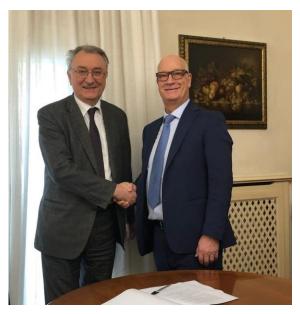
2018



In March Palladio Group completed the acquisition of the company Poliweb Graphics in Gossolengo (Piacenza). The goal is to improve our rank in the international market for the label for the healthcare industry.

## 2.4 Main activities and results in 2018

### Palladio expands its offer in labelling



In March 2018, Palladio Group carried out a strategic operation to strengthen the Group's position in the international

labelling market for Healthcare, announcing the acquisition of Poliweb Graphics S.r.I.

Poliweb Graphics S.r.l., an Italian company founded in 1994 with headquarters in Gossolengo (PC), specializes in the design and production of self-adhesive labels with innovative technical solutions for the pharmaceutical markets.

With this acquisition, Palladio Group will complete the range of products it is able to supply the pharmaceutical market with a high-tech global service perspective.

## PluggyMed, monitoring the adherence of oral therapies

Intellettiva Srl, a startup - born from a joint venture between Palladio Group S.p.A. and Omnys Srl - which deals with designing and developing technological solutions for the healthcare world and pharmaceutical companies with the aim of improving patients' daily life, has provided a new innovative and non-invasive solution for monitoring adherence of therapies oral exam to Italiassistenza spa. The solution consists of a cardboard box customized for the specific blister pack that contains the primary packaging of the drug, an electronic device that can

connect to the carton and collect and transmit data on drug consumption in a safe way and, from a cloud platform that collects consumption data , provides remote control and monitoring of all devices in use.



### Palladio receives the EcoVadis Gold rating

For the seventh consecutive year, Palladio Group has received the "Gold medal" Corporate Social Responsibility (CSR) award from EcoVadis, one of the leading evaluators of global supply chains.

Receiving an overall score of 75/100, it was placed among the companies with the highest rating compared to the 40,000 companies analysed by the organization that act proactively and responsibly in relation to Corporate Social Responsibility.



This certification, besides being a reward for our vision and efforts in the field of CSR, is also a help to our customers to achieve their sustainability and environmental goals.

### Palladio improves its rating in the "Carbon Disclosure Project"



Palladio Group SPA has received a score of B- which is within the MANAGEMENT band. This is HIGHER han the Paper & forestry average of D, and HIGHER than the Europe regional average of D. Palladio Group has increased its rating to level B (on a scale ranging from A to D) both in the management of its own climate impact and in the management of water resources. This is an important acknowledgment to the actions and strategies of contrast to the Climate Change adopted by Palladio as well as to the transparency in the communication to confirm the continuous commitment towards a sustainable development model that combines economic performance with the reduction of CO2 emissions. A

of COP 21, enshrined in the Paris Agreement to fight climate change.

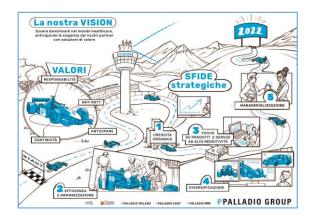
commitment in line with the outcomes

## Strategic Plan 2018-2022



As a result of the integration process launched a few years ago, in 2018, the Strategic Plan 2018-2022 was presented, aimed at creating longterm sustainable value for all categories of stakeholder and which has given rise to 35 strategy projects deployments that will allow us to look to the future with optimism sure that, with the resources that the company is ready to make available, we will be able to win any future challenge.

The Plan, in line with the provisions of the 2030 Global Agenda approved by the United Nations (Objectives SDG 8 and SDG 9), is based on five pillars: Organic growth and cross selling, efficiency and harmonization, focus on highly profitable products and services , diversification, managerialisation.



## Pharma Partner, speech at "All You Can Track&Trace"

Palladio Group is structuring itself to successfully face the challenge of traceability and anti-counterfeiting with the new Track & Trace line that since June 2018 is able to serialize on the finished product, in addition to having the ability to over-label, apply Tamper Evident, aggregate and acquire the data in line with the regulation (EU) 161/2016, to which all Member States (excluding Italy) will have to adapt by February 2019.

Pharma Partners, Officina Farmaceutica of Palladio Group, took part in the "All you can track and trace - 2018" event, focusing on the regulatory and technical aspects of the serialization world.



## 3. Palladio Group's corporate structure

## 3.1 The structure

(Ref 102-45/46)

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(cartons, labels, leaflets, aluminium foil), namely:

Palladio Group spa – plants in:

- Dueville-Vicenza (Italy),
- Thiene-Vicenza (Italy),
- Pontedera-Pisa (Italy)

Palladio East doo – Vršac (Serbia) Palladio Ireland Itd - Tullamore (Ireland)

Note: Exclusions from the reporting scope
Palladio BNM (Russia) was not included in the scope as it is not yet fully operational.
Pharma Partners is not included in the reporting scope as it operates in a different context.

• Poliweb Graphics will be included in the scope upon completion of full integration into the Group.

Therefore, when the report mentions Palladio Group or Group, only the plants previously mentioned shall be considered.



## 3.2 Governance

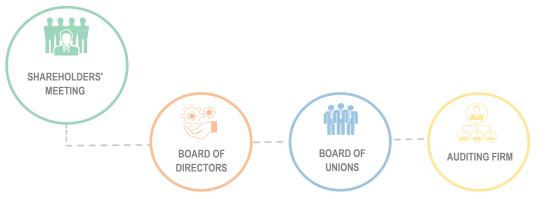
The Governance model in use is the "traditional" type, which means that it is characterised by the dichotomy between the management body (Board of Directors) and the supervisory body (Union Board); the activities of statutory audit are entrusted to an Audit firm.

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.



Shareholders' Meeting - Approves the Financial Statements, appoints the Board of Directors, the Board of Unions, the Auditing firm and amends the statute

Board of Directors - Ensures that the management of the Company takes place in implementation of the mission and the corporate purpose. Board of Unions, - Supervises compliance with the law and the Articles of Association, compliance with the principles of correct administration, the adequacy of the organizational, administrative and accounting structure and its level of functioning Auditing firm- Performs the audit of the financial statements and periodically verifies the accounting

## 3.3 3.3. Establishment of the Sustainability Committee

During 2018, the Sustainability Committee formed by the Group's Corporate Managers was set up.

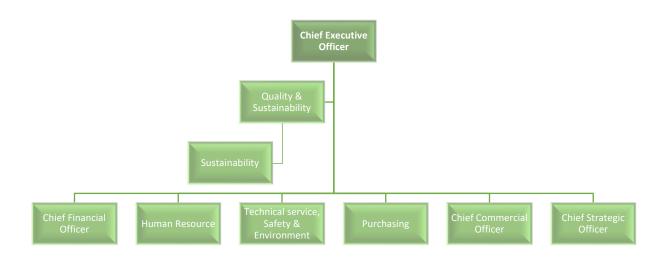
The Committee has the responsibility to promote a path of continuous improvement towards sustainability, which for the Company also translates into greater competitiveness and strengthening of the Group's identity.

Specific meetings based on discussion work involved Committee members on:

 the most relevant economic, social and environmental aspects for the company in order to identify the SDG's,

- approval process of the materiality matrix,
- definition of the Sustainable Development Goals (SDGs) most affected by the company's business activities.

The Committee, every six months, will hold formal meetings at Group level to review the risk framework, the environmental strategy, the objectives and key sustainability indicators and related activities.



## 3.4 Sustainable Development Goals (SDG's)

The 2030 Agenda for Sustainable Development is an action program for people and the planet signed in September 2015 by the governments of the 193 UN member countries. It incorporates 17 Goals for Sustainable Development (SDG's) and 169 related targets in a major action program that is leading the world on the way to go over the next 15 years.



Everyone, both individual citizens and public, private and non-profit organizations, are called to contribute to the achievement of development goals for their own part.

In this context, Palladio Group, aware of its role in Sustainable Development in

the countries in which it operates, has decided to make a tangible contribution by linking the Agenda 2030 Goals to its Sustainability Report.

Therefore, in each chapter of this Sustainability Report, one or more of the Goals for Sustainable Development are connected so that the targets can be referable and comparable with the commitments that Governments have taken to safeguard the future of the planet.

Therefore, the Sustainable Development Goals were evaluated in order to identify which were the closest to the Group's business activities and related projects, i.e. those for which policies and strategies can be developed that can directly or indirectly contribute to their achievement.

The Sustainable Development Goals, policies, strategies and actions that are implemented in relation to the nature of the Group's business are listed in a special section.

## 3.5 The management systems (Ref. 102-11/12/13)

The adoption of specific procedures for change management, analysis of the associated risks, and the use of advanced technologies facilitates the achievement of the targets set in our respect for the Environment and Policy Health and Safety at Work. In recent years, thanks to effective technological processes, there have been reductions and (in some cases) elimination of substances harmful to the environment as well as health and safety in the workplace. The above has allowed greater protection for our employees and the reduction of emissions (waste production, air emissions, discharges, etc.) of hazardous substances.

The precautionary approach of Palladio Group can be found in the adoption of the certifications listed below and in the financial statements of the Risk Fund, the Bad Debt Fund and the product RC. 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** (Quality Management Systems)
- **G.M.P.** (Good Manufacturing Practice) applicable to Pharmaceutical Packaging
- **ISO 14001** (Environmental Management Systems)
- OHSAS 18001 (Occupational Health and Safety Assessment Series)
- **CoC FSC®** (Forest Stewardship Council <sup>®</sup> Chain of Custody)
- CoC PEFC™ (Chain of Custody of Forest Base Products)
- **ISO/IEC 27001** (Information Security Management System)

|           | Active Certifications |               |                         |  |   | Other                             |                                   |
|-----------|-----------------------|---------------|-------------------------|--|---|-----------------------------------|-----------------------------------|
| Plant     | SGS                   | Sector Sector | REAL PROPERTY AND A SGS | FSC<br>www.fsc.org<br>FSC c102451<br>The mark of<br>responsible forestry | PEORS244<br>Promoting<br>sustainable forest<br>management<br>www.pefc.org | Good<br>Manufacturing<br>Practice | Information<br>Security<br>System |
|           | ISO 9001              | ISO 14001     | OHSAS 18001             | CoC FSC®   | CoC PEFC™   | G.M.P                             | ISO/IEC 27001                     |
| Dueville  | ✓                     | ✓             | ✓                       | ✓  | ✓   | ✓                                 | ✓                                 |
| Thiene    | ✓                     | ✓             | ✓                       | ✓  | ✓   | ✓                                 | ✓                                 |
| Pontedera | ✓                     | ✓             | ✓                       | ✓  | ✓   | ✓                                 | ✓                                 |
| Tullamore | ✓                     | -             | -                       | -  | -   | ✓                                 | ✓                                 |
| Vršac     | ✓                     | ✓             | ✓                       | ✓  | ✓   | ✓                                 | ✓                                 |
| Obninsk   | 1                     | -             | -                       | -  | -   | ✓                                 | ✓                                 |

The Quality Management System is developed and maintained considering 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<sup>®</sup> or PEFC<sup>™</sup>. 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 2017 our management systems have been aligned with the regulations ISO\IEC 27001 (Information Security Management System).

It is also noted that in the Palladio Ireland and Palladio Obninsk plant, although there are no certified Environmental and Safety systems, compliance with the binding legislation applicable on this matter is in force.

In 2017, the management systems were aligned with the ISO 27001 (Information Security Management System) regulation while adopting Regulation (EU) 2016/679 (General Data Protection Regulation, GDPR) relating to the protection of individuals with regard to the processing personal data, as well as the free circulation of such data. The Group also adhere to initiatives promoted by::

- COMIECO Consortium
- LEGAMBIENTE (UNEP)

Palladio Group is also a member of the following national and international trade 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)



## 3.6 Our Principles and Values (Ref. 102-16)

Consistently with our Mission Palladio Group has always invested in cuttingedge technologies and equipment, often developed in preview thanks to the close relationship established with customers and suppliers. All this has contributed and contributes to provide measurable added value in terms of logistics, productivity and lead time.

The parameters within which our ethical conduct is positioned are represented by our values and the contents of the Code of Ethics. In fact, Palladio Group pursues its economic objectives by giving priority to social factors, health and safety and the defence of the environment in the awareness that our entrepreneurial action must be in line with the interests of society. Our commitment to Ethics, Social Responsibility and respect for the 10 principles of U.N. Global Compact, is expressed in a set of documents necessary to define the behaviour of each participant in the Organization, i.e.:

- Ethic Code
- Chart of Value
- Ethical Trading Initiative Code (ETI)
- Chart of Principles for Environmental Sustainability
- Sustainability Report
- Supplier Code of Conduct
- Social Responsibility Policy
- Human Rights Policy
- Sustainable supply policy
- Policy for the prevention of corruption

## 3.7 Ethic Code

(Ref. 102-17)



The Ethic Code contains the values and principles that inspire and characterize the actions of Palladio Group in relations with its Stakeholders. The

Code of Ethics has been subject to some specific changes to adapt to the changes that have occurred in legislation and was approved by the Palladio Group spa Executive Committee on May 25, 2017.

The Code is an integral part of the employment relationship: all employees commit themselves to behave in line with the code itself. Palladio Group undertakes to monitor compliance with the provisions of its Code of Ethics by all its Employees and Collaborators working on its behalf. Palladio Group, also exercising its control over the companies with which it establishes collaborations for work and / or service, also undertakes not to be complicit in the abuse of human rights. It has also been formally requested to the Group's suppliers of goods and services to comply with our Code of Ethics and the "Social Responsibility Policy" by signing the "Supplier Code of Conduct", in order to respect the same ethical principles as Palladio group.

The Ethic Code can be downloaded from our website and is available in the languages of the countries where Palladio Group is present.

The Ethic Code was provided to and signed by all employees and made available on the company intranet site. The training, in accordance with the provisions of the Ethic Code, was renewed to all employees during 2017 on the occasion of the new issue of the Ethic Code. Training on the Ethic Code is given to all new employees at the time of hiring.

Consistently with our Code of Ethics, it is possible to implement the Whistleblowing procedure in order to report any unethical or illegal behaviour.

The Whistle-blowing procedure can be activated both from the inside and from the outside through the exchange and communication platforms with our Stakeholders.

In the course of 2018 there have been no reports to the Ethics Committee.



## 4. Identified material aspects and boundaries

## 4.1 Identification and context of each material aspect (Ref. 102-47/48/49 - 103-1)

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

- 1. Identification
- 2. Prioritisation
- 3. Validation
- 4. Review

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

In order to guarantee the quality of the information and the adequacy to the principles of balance, clarity, accuracy, timeliness, comparability and reliability provided by the GRI, Palladio Group was inspired, for the definition of the contents of this Report, to the following principles.

During the first **identification** phase, potential material aspects were selected through the analysis of various sources such as: Corporate documents and policies, Code of ethics, Consultation with various stakeholders, mandatory standards, GRI Sustainability Reporting Standards.

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 uses 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.

Based on the various consultations, assessments and observations made in the first phase, the Materials Aspects have been identified and are listed below, according to the following categories:

- Environmental
- Economic
- Social

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

- Environmental aspects most significant for Palladio Group S.p.A., according to the Environmental Management System.
- Economical aspects that best meet the needs of an increasingly competitive market.
- Most significant Social aspects according to :
  - the Company Policy and in respect of health and safety at work
  - the Occupational Health and Safety Management System and the binding laws.
  - the Code of Ethics of Palladio Group and in compliance with fundamental human rights, as established by the International Conventions on the subject.
  - Compliance aspects to international standards related

to the product in relation to the relationship with the consumer.

The application of the identification and prioritisation phases, according to the objective methodology indicated above, has allowed the determination of the material aspects and boundaries which are shown in the table in Annex 1 and in the following matrix.

#### Materiality

- Identification of which aspects can be defined "Material" through the parameters:
- Significance considering the strength of the
- economic, environmental and social impact; • Degree of influence on stakeholder assessments and decisions

#### Stakeholder Inclusiveness

 Involvement of the subjects "interested in a meaningful way and that will reasonably influence the ability of the organization itself to implement its own strategies and achieve its goals", throughout the report phase

#### Sustainability context

•The performances illustrated in the financial statements must give a clear idea of the organization's inclusion in the context of sustainable development, respecting the environmental and social limits and demands expressed at the sectoral, local, regional and international level

#### Entirety

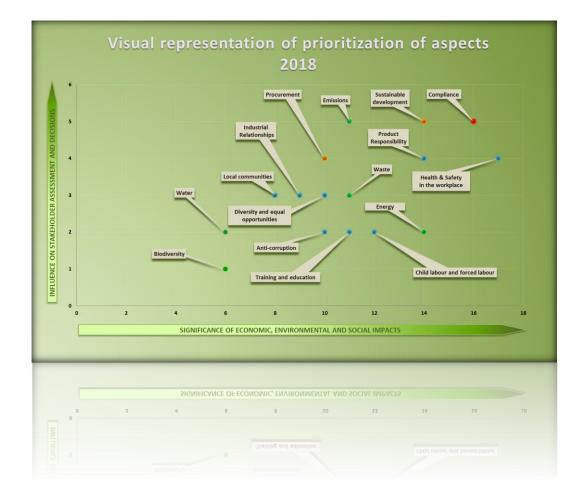
• The set of topics contained and dealt with in the report must be such as to reflect the entire sustainability performance and must allow stakeholders to evaluate it.

The reporting data refer to the last three years (2016, 2017, 2018) and are indicated for each individual production plant and for the whole Group. Some data may have been revised, if compared with previous due to changes in years, the coefficients, basic errors and homogeneity in the reporting, in order to allow comparisons without distortions The table (Annex 2) shows the coefficients used for the environmental calculations, during the reporting period.

1

During the reporting period there were no significant changes 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. It should be noted that during 2018 there were several significant changes regarding the introduction of new machines, the size of the buildings and the expansion of services that led to an increase in the consumption of energy resources.



## 4.2 External Assessment

This Sustainability Report was subjected to external verification by SGS Italia, an independent body with respect to our Group, as reported in the declaration in the appropriate section. The data relating to economic performance, in a specific section, derive from the Consolidated Financial Statements also subjected to verification by auditors of the Reconta Ernst & Young Company.

## 5. Stakeholders

(Ref. 102-40/42/43/44)

Palladio Group achieved its success on the domestic and international markets because it kept in mind that its activities are directed primarily to Stakeholders, therefore its 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 (such as Ecovadis e Carbon Disclosure Project) 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.

In 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 2018, 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:

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

We also consider Stakeholders all those individuals or groups, as well as the Organizations and Institutions that represent them, whose interests are influenced by the direct and indirect effects of the activities of Palladio Group, in particular, the local communities in which we operate, environmental associations. future generations.

# 5.1 Initiatives of communication and dialogue with stakeholders

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 the various stakeholders by promoting transversal initiatives involving different stakeholders through integrated external and internal communication platforms that stakeholders can use without any particular constraints, such as:

|    | Website  | www.palladiogroup.com                         |
|----|----------|---|
|    | Intranet | internal intranet                             |
| 0  | e-mail   | info@palladiogroup.com                        |
| f  | Facebook | www.facebook.com/pages/Amici-di-Palladiogroup |
| in | LinkedIn | www.linkedin.com/company/palladiogroup        |
| У÷ | Yammer   | www.yammer.com/palladiogroup.com              |
| V  | Vimeo    | vimeo.com/user44390006                        |

With the adoption of the techniques related to Enterprise 4.0 it is the company's intention to increasingly use these means of communication, and in particular social networks, as dynamic platforms where intercepting potential requests, sharing, understanding new needs, requirements and duties. Specific groups of internal stakeholders were involved in the preparation of this Report.

## 5.2 Palladio Group News (company magazine)

Since 2014, our company newspaper has been restored with the main purpose of telling everything about the company starting from the internal organization, going to the main events, up to the news on the products, but also with the very important goal of favouring and increasing the sense of belonging of the employees, the spirit of collaboration and teamwork, improving the working environment.

With this additional communication tool, we want to stimulate the

participation and involvement of employees, keeping them updated about the activities that are being carried out and promoting the circulation of information between the various departments. The structure of the publication includes an editorial signed by the CEO, "the focus" on a relevant topic or of particular interest for the company, then various columns that tell the news from our operational offices, then some pages dedicated to events, to business life and to our employees.



## 5.3 Transparency and sharing with Stakeholders

### Evaluation of Climate Change aspects

For the third consecutive year, Palladio Group participated in the CDP Climate Change Report, which measures, disseminates and shares environmental information by increasing the assessment to level B (on a scale from A to D).

This participation is a sign of a desire for commitment by Palladio Group to deal with issues such as climate change, identifying areas for potential improvement.



The Carbon Disclosure Project (CDP) is the international organization that measures the global commitment of companies in fighting climate change with the aim of encouraging them to take mitigation actions.

### Smeta Audit



For the fourth consecutive time, Palladio East has been evaluated successfully by Sedex in compliance with Smeta, confirming the strong commitment to permanent improvements in the CSR field. SMETA is an audit methodology that includes all aspects of responsible business practices, covering the four pillars of Sedex in the areas of work, health and safety, environment and business ethics.

Sedex it is a non-profit organization committed to increasing the spread of ethical principles along global supply chains and is the largest platform in Europe that collects and processes data on the ethical behaviour of supply chains.

### **CSR** Assessment

For the seventh consecutive year, Palladio Group has submitted its CSR to be assessed by Ecovadis, once again obtaining the "Gold Medal" (advanced level).



EcoVadis is an online platform for CSR assessment (Corporate Social Responsibility).

The assessment is based on sustainable development standards: Global Reporting Initiative, United Nations Global Compact and ISO 26000.

## Reporting GRI Standard

Since 2015 Palladio applies the reporting guidelines of the Global Reporting Initiative for the preparation of the Sustainability Report.

The Global Reporting Initiative (GRI), strongly supported by the UNEP (United Nation Environment Program), companies, auditing companies, environmental associations and the UN, is an international institute that establishes the principles of drafting the Sustainability Report and the contents.



Last year, the previous guidelines (GRI G4 Guidelines) have been updated giving rise to a recognized standard called GRI Sustainability Reporting Standard (GRI Standard), to which Palladio Group has promptly adapted.

## 5.4 Stakeholder engagement

#### Ricicloaperto"Open recycling"

For over 15 years, Palladio has joined the national initiative of the paper industry COMIECO (the Italian consortium



for the recovery and recycling of packaging based on cellulose) called " Ricicloaperto" because it is aware of its importance and of the action of ecological education and awareness of future generations.

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

The aim is to discover the industrial value of recycling, the professionalism and the technology of the sector and to show how recycled paper and cardboard are actually being recycled, to reassure citizens about the usefulness of their daily efforts in making recycling.

Our sites, annually, "open the doors" for two days in order to accommodate groups of children and adults that illustrate the processes and methods of recycling.

On March 2st and 22nd 2018 more than 200 kids from primary and secondary schools of the province of Vicenza have visited establishments to study the principles on which is based the paper recycling and how it is used in paper converting company for the production of packaging.



The enthusiasm shown by the students during the course of the event was remarkable, both for the courses offered by Comieco on good practices for waste management and for the chance to visit a real factory, discovering its operation and daily management.

#### **EKOLOGIJA** Project

In December 2018, Palladio East was available to support (technically and financially) a group of students from Vršac's high School for the new school program which proposes additional compulsory subjects related to "applied sciences". The study focused on the subject of material recycling.



After the first phase of introduction, theoretical and practical, performed by students of the high School of Vršac, is scheduled the activity to raise awareness and general involvement in their school with concrete proposals on how to organise themselves in their own environment to adopt a kind of behaviour that becomes " routine".The idea is to have the possibility to recycle the discarded materials in the context of school activities in order to have a return of benefits for the school itself in terms of new equipment.

To avoid that all this will end up in a good example made by a small group, Palladio East has proposed to launch a joint project of four years with Vršac's High School.



The project called Ekologija, with the supervision of the teachers and the principal of the high school it has the aim to increase the environmental culture in the school in order for younger generations to take on sustainable behaviours and lifestyles .



Palladio East took on the responsibility of sponsoring the project, making available technical and financial support, and implementing periodic monitoring of progress in the environmental culture.

### Clean up the world 2018

As confirmation of our environmental



commitment and consistently with the path taken in the previous years, also in 2018, Palladio Group joined the "Clean Up the World" initiative promoted by Legambiente.

The event, linked to "Clean Up the World", is a global environmental campaign held in collaboration with the United Nations Environment Program (UNEP). In this context, Palladio, in the national territory, has supported schools in the areas where its plants are located, allowing the purchase of membership packages to organise the environmental volunteer day.

At the Vršac plant, the children of the educational institutions have dedicated themselves to cleaning a part of the Mesic stream bed Mesic (Ποτοκ Μεςμħ) which passes through the center of Vršac.

### Visit of the Sismondi Graphic Institute's students



In April 2018, the Pontedera plant hosted three classes of the G. Sismondi Institute of Pescia (Lucca) on a company visit.

The students, who attend the third year and follow the graphic course, have seen the new printing processes with digital methodologies that allow a reduction in set-up times and production waste.

#### Sustainability day

As it has been implemented in the past in other plants of the Group, also in the new Russian plant Palladio BNM employees and their families were involved and sensitised on environmental issues by mean of a strong tool with an immediate impact.

A Sustainability day was therefore organized to fully understand the issue of sustainability in all its aspects: economic, social and environmental.



During this day, which also saw the participation of some local customers, the screening of the film "Home" by Yann Arthus- Bertrand was carried out.



Home is a wonderful documentary by Yann Arthus-Bertrand on environment and climate change promoted by the Good Planet Foundation and produced by Luc Besson.

The film was released simultaneously in cinemas in 50 countries, coinciding with World Environment Day.

Home denounces the current state of the Earth, its climate and the long-term repercussions on its future.

#### Health, safety and environment day



Also this year Palladio Group supported the Italian Institute for Safety through two important events in the framework of the Peer Safety Education 2018 project. L'EHS DAY 2018 It is a free and open to the public event that aims not only to involve more than 2,000 young people and students, considered as the engine of a true cultural change, but it is also addressed to institutions, professionals and representatives of small, medium and large enterprise.

The EHS DAY, conceived by the Italian Institute for Safety, has as its main goal to increase the culture of prevention and risk awareness among the new generations, combining health and environmental issues with safety issues.

#### Abilmente, a bridge between school and work



Palladio Group supports the project "Abilmente" born from the synergy Engim Veneto CFP Patronato San Gaetano and the Disability Service of ULSS4, to respond to the emerging need to accompany the delicate transition from secondary school to the working world for children with disabilities and neurodevelopmental disorders.

The project, born from the need to effectively face the moment of transition to the world of adults with children with disabilities, has an annual duration and includes activities in groups of a laboratory and experiential type to enhance the autonomy of the children. The intervention with the children is carried out by a psychopedagogical team that supports and manages the various laboratories.

## 5.5 The customers

#### (Ref. 103-2/3)

Customer is of strategic care importance for the companies. This concept is widespread at all levels of organization so that there is the awareness of having to pay due attention to requests the and expectations of the customer whose periodically verified satisfaction is through constant meetings and questionnaires.

For Palladio Group, high quality standards mean meeting the needs of

customers in terms of functionality, reliability and safety. The Quality Management System, in line with the applicable requirements of the GMP (Good Manufacturing Practice) required by our customers, is responsible for ensuring compliance with the procedures while promoting a culture of quality throughout the company through the involvement of all the employees.

## 5.6 Customer's satisfaction

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 relationships 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 solutions variety of 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 satisfaction while on their still guaranteeing the compatible use and protection of natural and human resources.

Relationships with our clients are through managed а team of commercial accounts divided by aeoaraphical areas operating as specialised consultants. Alongside the commercial account team, we have also a Marketing and Communication dpt which, through communication various channels (meetings at the offices, fairs, website) allows us to offer a specialized consultancy service to understand the client's needs and develop solutions ad-hoc according to the different needs of the market. The customer service dpt has also been strengthened in order to continue offering an accurate, reliable and timely service to our customers. Customer satisfaction analyses are also carried out to measure the satisfaction of our customers receive valuable and

suggestions from them to improve products and services.

During 2016, the company Cerved supported us in order to detect customer satisfaction. This survey resulted in a total Customer Satisfaction Index of 97.3 points / 100. Product quality, wide range and preparation of the technical sales office are elements of excellence in the offer.



## 5.7 Customer's health and safety

#### (Ref. 416-1)

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 any possible repercussion on the community; 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, innovative solutions are proposed to customers with the basic goal of developing new packaging solutions for the medicine of the future. Packaging designed to support patients in monitoring and adherence to the therapy prescribed for them.

## 5.8 Privacy

(Rif. 418-1)

Awareness of the importance of generating, using and storing information correctly led Palladio Group to implement, in January 2017, the "Information Security Management System" in accordance with ISO / IEC 27001.

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

a) Legislation in force (in particular protection of privacy and intellectual property);

- b) Customer Contractual Requirements;
- c) Requirements of other stakeholders;
- d) Any additional requirement independently set by Palladio Group.

In 2018 Palladio Group has adapted to Regulation (EU) 2016/679 (General Data Protection Regulation, GDPR) relating to the protection of individuals with regard to the processing of personal data, as well as to the free circulation of such data.





#### 6. Procurement of products and services (Ref. 103-2/3, 102-9/10, 204-1, 301-1/2/3, 308-1, 412-3, 414-1/2)

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:

- 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 initiatives have still originated positive results. In fact, also in 2018 the

request for use of recycled material by our customers was over 23%.

Not being bounded by requirements for materials of packaging used for the packing of products sold, it has been called the exclusive use of packaging made from recycled materials.

The criteria adopted by the pharmaceutical industry in accordance with the FDA (Food & Drug Administration) regulations, do not allow that the re-use of the boxes in which the product is shipped. The use of such packaging it is only allowed once to avoid cross-contamination issues.

Our activities, for the type of material used and in relation to the life cycle of the product, provide for a recycling system that stands at very high percentages. All the materials used in production, which can be reused or recycled at the end of their life cycle, are appropriately separated and collected for the purpose of their following treatment.

## 6.1 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.

EU Timber Regulation (EUTR)

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 2018, all Palladio Group's suppliers of forest based raw material have confirmed the origin of the material and all resulted to have a valid certification. Therefore, we can say that also in the year 2018 100% of the raw materials used from wood (paper and board) come from lawful resources.

## 6.2 Suppliers

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.

## 6.3 Control of supplier sustainability requirements

Palladio Group, committing itself not to be complicit in the abuse of human rights, also exercises control over the companies with which it establishes collaborations for work and / or service performances.



procedure of selection Our and qualification of suppliers, since 2016, provides that these are aware and share the principles and values set out in our Code of Ethics and that comply with the following standards: Safety and health in the workplace, Working conditions, Freedom association and not retaliation, forced and compulsory Labour, child Labour, nondiscrimination, compliance with

environmental legislation, Abuse of office and corruption.

During the reference year, the thirtyeight (38) new suppliers included in the vendor list were selected and qualified social on the basis of and environmental criteria and impacts on the company. We have also begun to consolidate the sustainability management monitoring activity by previously qualified suppliers. This activity will continue over the next few years so that the evaluation is extended to all our suppliers.

Through this activity we intend to encourage our Suppliers to understand and respect our Code of Conduct to allow, through compliance with the criteria set forth in it, the continuation of the Supply relationships according to clear and transparent criteria. It is in fact our intention to favour not only a responsible attitude towards Palladio Group, but also a profound commitment to respect the same issues 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).

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.

### 6.4 Our commitment on the Conflict Minerals 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"). The president of the United States of America has approved a new regulation, called Dodd-Frank Act, which requires companies, American or otherwise, to make public the possible use of the so-called "Conflict Minerals" mined in the mines of the Democratic Republic of the Congo (DRC) and related countries. For all the above, having signed the commitment to monitor human rights in our supply chain and in compliance with the requests of some customers, in 2015, we started by launching a survey with some of our suppliers to discuss the topic "conflict minerals" "And receive confirmation that materials extracted from the conflict zones are not used in the respective production processes.

#### 6 CLEAN MATER TOT IN LAND

#### 6.5 Focus on Biodiversity (Ref. 304-1/2/3/4)

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.

In relation to the prevalence of the raw material used, which is made up of paper and cardboard, and the awareness of the role that forests play in protecting the global environment and maintaining and enriching the biodiversity of the Group, through participation in Systems of Forest Management as the FSC® and PEFC<sup>™</sup> Custody Chains, privileges purchases of raw materials of forest origin that come from forests managed in a sustainable way from an environmental, social and economic point of view

# 6.6 Indigenous population's Rights



In Palladio Group there were no incidents involving the rights of the communities in which it operates. Although the production activity does not take place in countries where indigenous communities are present, confirming compliance with the principle of not being, albeit indirectly, accomplices in the abuse of Human Rights, the company is committed to obtaining the CoC FSC® certification, to buy the raw material in compliance with the principles promoted by this Organization, including the recognition and protection of the rights of indigenous peoples and other minorities (such as local communities) that depend on the forest.

## 7. Sustainable Development Goals

## 7.1 Goals, commitments and targets



| SDG                             | Ref. GRI                           | Goals and commitments   | Target   |
|---------------------------------|------------------------------------|---|--|
| 1 poverty<br>M****              |                                    | We will support projects in favour of the<br>community as social, cultural and artistic<br>activities that are fundamental values for civil<br>society, contributing to improving the quality of<br>life of the local communities in which we<br>operate.   |  |
|                                 | 203-2<br>202-1<br>413-2            | Through rewarding mechanisms, we will ensure<br>that the salaries of employees in all group<br>locations are on average higher than the<br>minimum salary required by law without any<br>distinction between genders and origin   | Target 2019: 100% of the salaries<br>paid will be included in the<br>minimum legal values without<br>any distinction between genders<br>and origin |
|                                 |                                    | We will continue to maintain a constant dialogue<br>with the various local institutions and other<br>organizations in order to assess any relevant<br>impacts that the activities and corporate<br>choices may have on the communities.   |  |
|                                 |                                    | We will support through donations, financial contributions and pro bono activities to non-profit associations and foundations.  | -  |
| 2 ZERO<br>HUNGER                | 201-1<br>203-1/2<br>411-1<br>413-2 | We will continue to promote various paths of<br>good practices aimed at improving people's<br>lives through the adoption of virtuous behaviours<br>regarding correct nutrition, personal and social<br>well-being, physical activity, road safety,<br>sustainable mobility, contrast to smoking, alcohol<br>and other types of addictions.  |  |
| 3 GOOD HEALTH<br>AND WELL-BEING | 403-2/3                            | <ul> <li>We will strengthen the prevention and treatment<br/>of substance abuse, including the abuse of drugs<br/>and harmful alcohol consumption by: <ul> <li>awareness courses for alcohol and<br/>drug abuse prevention, also in relation<br/>to the working environment (including<br/>foreign sites)</li> <li>awareness campaign against smoking<br/>in Palladio East</li> <li>courses dedicated to the prevention of<br/>accidents and occupational diseases</li> </ul> </li> </ul> | Target 2019: to detect 0 (zero)<br>positive for drug / alcohol test  |
|                                 |                                    | We will maintain the performance on occupational diseases in the plants and sites of the group  | Target 2019: 0 (zero) professional<br>diseases   |
|                                 |                                    | We will reduce severity and incidence of accidents through training and prevention  | Target 2030: Reach the 0 (zero) rate of accidents  |

| 4 OUALITY<br>EDUCATION          | 404-1                                  | We will continue to carry out professional training<br>courses within the company through:<br>- general training/communication<br>- training/communication on the ethic code<br>- training/communication on sustainability<br>- training for sustainability managers<br>- initiatives aimed at supporting in remote<br>education<br>We will continue to implement the Academy<br>and Palladio Wiki project to transfer / acquire<br>skills and know-how.<br>We will provide scholarships to be assigned to<br>deserving students, children of employees.  | Skills increase<br>TARGET 2019: >3,5h  |
|---------------------------------|--|---|--|
| 5 GENDER<br>Equality            | 202-1<br>401-1<br>405-1/2<br>406-1     | We will ensure the compliance of corporate<br>policy in which it is envisaged the right to equal<br>opportunities and is condemned social, racial<br>and religious discrimination in favour of<br>integration and cultural exchange.<br>We will ensure that all employees are treated<br>with social equality, guaranteeing them equal<br>opportunities, in particular gender equality.<br>We will guarantee universal access to sexual and<br>reproductive health and reproductive rights to all<br>employees of the Group through compulsory<br>maternity leave based on the laws in force in the<br>various countries.<br>The company will continue to favour, through the<br>granting of holidays and leaves, any ancillary<br>requests to support maternity and parenting<br>which benefits, without distinction, both men and<br>women. | <ul> <li>Target 2019:</li> <li>Activation of the Dragonfly<br/>Project (awareness of respect<br/>for the female gender)</li> <li>Activities of survey ITA/ABR</li> <li>Targeted activities (to be<br/>defined after a survey)</li> </ul> |
| 6 CLEAN WATER<br>AND SANITATION | 303-1/2/3,<br>304-1/2/3/4<br>306-1/2/5 | We will try to reduce water consumption at all<br>Group operating sites by minimizing waste,<br>despite the prevalent use of water for sanitary<br>purposes.  | Target 2019: per capita water<br>consumption <15 m <sup>3</sup><br>Target 2030: considerably<br>increase the efficiency of water<br>use by analysing innovative<br>solutions for limiting water<br>consumption                           |

| 7 AFTORIDABLE AND<br>CLEAR INIRGY         | We will implement the purchase of energy<br>produced exclusively from renewable sources for<br>all the Group's plantsrenewable energy<br>energy consum<br> | produced exclusively from renewable sources for  | Significantly increase the share of<br>renewable energies on total<br>energy consumption:<br>Target 2020: > 70%<br>Target 2025: > 80%<br>Target 2030: > 90%   |
|---|--|--|---|
|   |  | Target 2019: Investments in<br>energy infrastructure and clean<br>energy technologies:<br>- photovoltaic system installation<br>at the Pontedera site<br>- purchase of electric company<br>cars  |   |
| 8 DECENT WORK AND<br>CONMIC CROWTH        | 201-1  | <ul> <li>Through the Strategic Plan 2018-2022 we will continue to promote economic development and innovation in order to achieve higher standards of economic productivity through diversification, technological progress and innovation. We will continue to encourage lasting, inclusive and sustainable economic growth, full and productive employment and decent work for all, through the commitments expressed in the Corporate Ethic Code and related policies such as: <ul> <li>Human Rights Policy</li> <li>Social Responsibility Policy</li> <li>Health and Safety at Work and Environment Policy</li> <li>Policy for the prevention of corruption</li> <li>Forest Sustainability Policy</li> <li>Sustainable procurement policy</li> </ul> </li> </ul> | Target 2019: keep transport costs<br>within 1% of turnover.<br>Target 2019: keep the number of<br>full trucks within 40% of the total<br>number of outbound trips<br>Target 2022:<br>- Turnover >120M€<br>- MOL >20%<br>- Special Business over total<br>>30% |
|   |  | We will continue to purchase only certified forest products originating from controlled sources.   | Target 2019: 100% purchase of<br>certified forest products<br>originating from controlled<br>sources  |
| 9 REASTRY, INNOVATION<br>AND PRASTRUCTURE | 201-1, 203-1   | We will continue to improve infrastructure by<br>increasing resource efficiency and adopting<br>cleaner and more environmentally friendly<br>technologies and industrial processes.<br>On implementation of the 2018-2022 Strategic<br>Plan we will invest in:<br>- plant rejuvenation projects<br>- Enterprise 4.0<br>- Plants safety systems adjustment<br>refurbishing of the headquarters and<br>replacement of windows with low-emission glass"   | <ul> <li>Target 2022:</li> <li>&gt; 15% of total investments (for the replacement of plants)</li> <li>&gt;50% of total investments (for new technologies)</li> </ul>  |

| 10 REDUCED<br>INEQUALITIES                      | 203-2<br>405-2 | We will ensure respect for the dignity of each<br>person and offer equal opportunities in all phases<br>and for all aspects of the employment<br>relationship:<br>- adopting wage and social protection policies<br>for greater equality,<br>- avoiding any form of discrimination that may<br>derive from differences in gender, age, state<br>of health, nationality, political or religious<br>opinions  | Target 2030: Achieve 100% of the<br>value of the wage ratio between<br>men and women in order to<br>guarantee the equality of<br>remuneration of women than<br>men (on a comparable level of<br>role/ seniority)   |
|---|----------------|---|--|
| 11 SUSTAINABLE CITIES                           | 203-1          | We will continue to invest in education and<br>ecological awareness of future generations<br>through adherence to national / international<br>initiatives or by directly financing projects aimed<br>at understanding the issue of sustainability in all<br>its aspects.  | <ul> <li>Planned activities 2019:</li> <li>Clean Up The Word (UNEP)</li> <li>Riciclo aperto (CONAI)</li> <li>"Abilmente" Project</li> </ul> Activities 2019-2022: <ul> <li>"Ekologija Project" in collaboration with the Vršac High School, with the aim of increasing the environmental culture in the school in order to make sustainable behaviours and lifestyles take place for younger generations</li></ul> |
| 12 RESPONSIBLE<br>CONSUMPTION<br>AND PRODUCTION | 301-1/2/3      | We will guarantee that the purchase of raw<br>materials takes place exclusively from controlled<br>sources and that the suppliers are in possession<br>of specific certifications for the purposes of<br>sustainable management and efficient use of<br>natural resources.<br>We will evaluate the possibility of recycling the<br>waste from the self-adhesive production cycle<br>and the differentiated management of waste in<br>the kitchen. | Target 2019: 100% purchase of<br>certified forest products<br>originating from controlled<br>sources.  |
|   | 306-2/3/4      | We will continue to prevent and reduce the<br>amount of waste so that the global<br>environmental impact on waste remains<br>minimal.   | -  |
|   | 308-1          | We will continue to monitor suppliers'<br>sustainability requirements   | Target 2019: 100% of all new<br>suppliers will be selected and<br>qualified also on the basis of<br>social and environmental criteria<br>and impacts on society.   |

| 13 CLIMATE                                     | 201-2       | <ul> <li>We will continue to pursue the continuous improvement of environmental and energy performance, applying best practices that enable us to improve environmental management in an economically efficient manner such as:</li> <li>awareness of travel policies to limit unnecessary transfers</li> <li>continuous monitoring of the specific CO2 emission KPI</li> <li>awareness of the "full truck" factor in relation to transport activities</li> <li>evaluation of business car pooling</li> <li>We will continue to regularly assess the risks and opportunities associated with climate change as part of global strategic business planning and business risk management by striving to promote a cleaner energy future.</li> <li>In relation to the SDA 2DS scenario, consistent with the limitation of the global temperature increase of 2 ° C, pathways reduction rates were defined for the years 2015-2030 and 2015-2050 which provide for a reduction in carbon dioxide emissions from the our production activities for scope 1 &amp; 2 and for global CO2 emissions</li> </ul> | Target 2020: 20% reduction in<br>CO2 from scope 1 & scope 2<br>emissions (compared to the<br>reference year 2012) reaching<br>0.343 tons of CO2 per ton of<br>finished product.<br>Reduction of CO2 emissions in<br>relation to the SDA_2DS scenario<br>to contribute to the limitation of<br>raising the global temperature by<br>2°<br>Target: 2030<br>- 34% for scope 1 & scope 2<br>- 22% for global CO2 emissions<br>Target 2050:<br>- 83% for scope 1 & scope 2<br>- 52% for global CO2 emissions |
|--|-------------|---|---|
| 14 LIFE<br>BELOW WATER                         | 306-1       | We will continue to prevent and significantly<br>reduce any form of pollution by giving all solid<br>and waste water to authorized disposal<br>companies for transport and storage in suitable<br>premises to treat them for disposal or recycling  |   |
| 15 LIFE<br>DN LAND                             | 304-1/2/3/4 | Through membership and maintenance of Forest<br>Management Systems such as FSC® e PEFC <sup>TM</sup><br>Custody Chains We continue to support the<br>protection of forests and fauna present therein<br>by fighting against the wood industry illegal<br>markets; we will therefore only purchase<br>products of forest origin that come only from<br>controlled sources.   | Target 2019:<br>123/5000<br>Procurement of 100% forest-<br>based products by suppliers of<br>forest-based raw material<br>compliant with EUTR 995/2010 e/o<br>DDS.  |
| 16 PEACE JUSTICE<br>AND STRONG<br>INSTITUTIONS | 205-1/3     | We will maintain and constantly strengthen our<br>corporate governance system, aligning it with<br>the best national and international standards for<br>preventing corruption in accordance with the<br>tenth principle of the UN Global Compact, which<br>Palladio has adhered to since 2012 (based on<br>which "companies commit to fight against<br>corruption in all its forms, including extortion and<br>bribery").   | Target 2019: training on anti-<br>corruption policies to increase<br>awareness and the ability to<br>prevent corruption.  |

| 17 PARTNERSHIPS         203-2         203-2         We will continue to maintain active partnerships         with:         - COMIECO Consortium (Riciclo aperto)         - Clean Up the Word (UNEP)         - Unione Industriali (Membership of the Environmental Sustainability Charter)         - Vrsac high school (Ekologija project)         - Abilmente project (a bridge between school and work) | Target 2019: Participation to the<br>Dragonfly Project (awareness of<br>respect for the female gender |
|--|---|
|--|---|

## 7.2 Main Results

R

In the tables in paragraph 17 are available all the data / results of monitoring in relation to the indicators provided by the GRI in the course of the reference period. The main results achieved during the year 2018, in relation to the policies adopted and linked to the Sustainable Development Goals (SDG's), are the following:

| SDG                                     | 2018 Result  |  |  |
|---|--|--|--|
| 1 POVERTY                               | We have supported projects in favour of the community through donations, financial contributions<br>and pro bono activities in relation to a preventive analysis of the needs of local communities or of<br>general public interest for a total amount of 65,551 euros.                      |  |  |
| /   * T T *                             | The 73.41% of employees have received a higher salary than the minimum wage required by law without any distinction of genders and backgrounds.  |  |  |
| 2 ZERO<br>HUNGER                        | 88.96% of employees received Economic Benefits / Premiums.   |  |  |
| 11 SUSTAINABLE CITIES                   | We have invested in the education and ecological awareness of future generations through adherence to national / international initiatives and directly financing projects aimed at understanding the issue of sustainability in all its aspects (see chapter 5.4 Stakeholders involvement). |  |  |
| ▲■                                      | We have joined/opened a dialogue with various local institutions in the countries where we operate, including::  |  |  |
| <b>17</b> PARTNERSHIPS<br>FOR THE GOALS | <ul> <li>Legambiente "Puliamo il Mondo" (linked to "Clean Up the World").</li> <li>Abilmente Project with the Institute, born from the synergy of Engim Veneto CFP Patronato<br/>San Gaetano and the Disability Service of the ULSS 4.</li> </ul>  |  |  |
|   | - School for primary and secondary education "Jelena Varjaški" for orphans and disabled children   |  |  |
|   | <ul> <li>Vršac High School, launched "Ekologija project"</li> <li>Unione Industriali (Membership of the Environmental Sustainability Charter)</li> <li>COMIECO Consortium (Riciclo aperto).</li> </ul>   |  |  |
| 3 GOOD HEALTH<br>AND WELL-BEING         | Courses dedicated to the prevention of accidents and occupational diseases were carried out for 6,970 hours with an increase of over 3,900 hours compared to the previous year to favour the achievement of the accident target (aiming to zero).  |  |  |
| -vv •                                   | The free prevention program for influenza vaccination was implemented.   |  |  |
|   | Occupational diseases have maintained an incidence of 0%.  |  |  |
|   | The total training hours were 17,628 (about 6,500 hours more than in 2017).  |  |  |
| 4 QUALITY<br>EDUCATION                  | The average training rate per employee has increased by over 56%.  |  |  |
|   | Implementation of the Academy and Palladio Wiki project continued.   |  |  |
|   | Specific courses continued aimed at developing the skills that involved 50 employees.  |  |  |
|   | Provision of 4 types of scholarships to be awarded to students, children of employees.   |  |  |

|  | No reports were presented concerning discriminatory human rights practices.   |
|--|---|
| GENDER                                       | We have enhanced and developed the know-how of human capital, in line with the company's strategic guidelines, through specific training for skills development and performance evaluation.   |
| 5 GENDER<br>EQUALITY                         | We guaranteed universal access to sexual and reproductive health. During the year, 5 employees of the 5 eligible persons benefited.<br>The return rate of employees returned to work is 100%.   |
| 10 REDUCED INEQUALITIES                      | The Group's Social Responsibility commitments have been emphasized through the issue of Human Rights Policy.  |
| <b>₹</b>                                     | <ul> <li>We have ensured respect for the dignity of each by offering equal opportunities at all stages and for all aspects of the employment relationship:</li> <li>adopting wage and social protection policies for the purpose of greater equality,</li> <li>avoiding any form of discrimination resulting from differences in gender, age, state of health, nationality, political or religious opinions</li> </ul>    |
|  | 100% of the energy purchased for all Italian plants and for the Irish plant comes exclusively from renewable sources with a certified Origin Guarantee.   |
| 7 CLEAN ENERGY                               | To improve the infrastructures, increasing the efficiency in the use of resources and adopting cleaner<br>and healthier technologies and industrial processes for the environment, investments have been<br>made to increase energy efficiency, such as:<br>• replacement and installation of new production lines, technologically more advanced and<br>efficient, to respect the environment and pursue energy savings, |
| 9 INDUSTRY, INNOVATION<br>AND INFRASTRUCTURE | <ul> <li>reduction of internal climatic dispersion with installation of high energy efficiency fixtures.</li> </ul>   |
| 8 DECENT WORK AND<br>ECONOMIC GROWTH         | We continued the promotion of economic development and innovation by issuing the 2018-2022<br>Strategic Plan. Plan that aims to stimulate lasting, inclusive and sustainable economic growth, full and<br>productive employment and decent work for all. Investments were made for:<br>- new technologies, equal to 24% of total investments,<br>- replacement of installations, equal to 28% of total investments.       |
| Ĩ  | A Sustainable Procurement Policy has been issued to share the commitment to sustainable procurement practices.  |
| 12 RESPONSIBLE<br>CONSUMPTION                | 100% of the forest products purchased were of lawful origin   |
|  | 100% of the new suppliers have been selected and qualified also on the basis of social and environmental criteria and impacts on society.   |
| 15 LIFE ON LAND                              | 100% of forest-based products come from suppliers of forest-based raw materials compliant with EUTR 995/2010 and / or DDS.  |
| <u> </u>                                     | The percentage of waste sent for recycling / recovery has increased by 13.62% with a ratio of 1.04% to total waste.   |
| 14 LIFE<br>BELOW WATER                       | Total hazardous waste decreased by 2.32%.   |
|  | The percentage of hazardous waste compared to the total waste has decreased by 17.22.   |
|  | 100% of solid and waste water was sent to authorize disposal companies for transport and storage in premises that can be treated for disposal or recycling in order to prevent and significantly reduce any form of pollution.  |

| 13 CLIMATE                                     | An assessment was made on the risks and opportunities associated with climate change which led to scenarios consistent with the limitation of the global temperature increase of 2 ° C (see chapter 9.3 Climate change and following).<br>We have reduced CO2 emissions from our production activities by 19.91%, achieving the result set for the 2018 target (15% reduction compared to the reference year). |
|--|--|
| 6 CLEAN WATER<br>AND SANITATION                | During 2018, 7.815 m3 of water were consumed, reducing consumption compared to the previous year by 7.95%.<br>Per capita consumption, with targets set at 15m3 per year, was 12.12m3 with a reduction of 7.95% compared to 2017.   |
| 16 PEACE JUSTICE<br>AND STRONG<br>INSTITUTIONS | <ul> <li>In accordance with the tenth principle of the UN Global Compact, to which Palladio joined in 2012:</li> <li>the Policy for the Prevention of Corruption was issued,</li> <li>a risk analysis was performed and an audit was carried out on the ability to prevent corruption by a third party in line with the requirements of ISO 37001</li> </ul>   |

## 8. Economic Management

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In recent years Palladio Group has reorganised its structure to better meet needs increasingly the of an competitive market by making many aimed to make investments our production more efficient and to improve the organisation, increase customer services and strengthen leadership in the market in which it operates.

After the construction of the plant in Russian territory, which was the continuation the of already consolidated strategy with other foreign factories to produce directly in the countries where the market is expected to grow, 2018 led to the acquisition of the Poliweb Graphics Company for the purpose to expand the labelling offer.

This dynamism, in addition to generating value for the Company, contributes, albeit indirectly, to improve

the economic conditions of the local communities in which it operates. By supporting projects in favour of the community as social, cultural and artistic activities that are fundamental values for civil society, Palladio Group also contributes to improving the quality of life of the local communities in which it is present.

Donations, financial contributions and pro bono activities were carried out during the year with reference to a preventive analysis of the needs of local communities or of 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 the proceeds of the annual lottery, various associations of humanitarian and social nature of their own choice.



# 8.1 Sustainable development



As we are aware of the importance of ensuring a sustainable development of our activities and a more efficient use of energy and materials, 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 objectives, the Company has adopted a management model based on the preventive analysis of the environmental impacts of its activities, constant monitoring on the of consumption and waste and on the evaluation by third parties of the performance of its CSR.

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.

In this regard in 2018, expenses were incurred for the management and environmental protection for more than 142,000 euro, mainly due to the installation of cleaner and more efficient technologies, training 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 transformations in relation to climate change but, at present, it believes 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 itself in case of unexpected weather events and has put into procedures a Business Continuity and a Disaster Recovery plan to ensure continuity of its activities.

## 8.2 Palladio Group's Pensioners

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

It also assists employees in the transition from working life to retirement.



In the past several years the "Palladio's Pensioners Group" became a corporate institution that is in charge of organizing trips, convivial meetings, plant tours, theatre performances and other initiatives to involve all former colleagues and give them a chance to meet and together refresh the bond of a long working life spent in the company.



The same are always invited to participate in the exchange of Christmas greetings, the Christmas lottery and the delivery of the Christmas gift basket along with all staff on duty.



Also this year the company has taken charge of organizing the classic annual event of the completely free excursion open to pensioners and their spouses by proposing a romantic mini cruise among the Venetian villas of the Brenta Riviera from Padua to Venice.

# 8.3 Market Presence

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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 the plants; recruitment practices however priority is given to people living in the vicinity where the activity takes place.

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

For Senior managers are meant the toplevel functions and for local community is intended the country in which the plant operates.

## 9. Environmental Responsibility

Palladio Group has identified the environmental aspects related to the activities, products and direct and indirect services and the related impact factors associated considering the life cycle perspective. The significant environmental aspects have been determined to keep them under control and prevent any environmental risk.

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 targets of improvement are defined on an annual basis in order to improve our performance and reduce consumption resulting from any waste. These goals, during the years have brought significant benefits.

Several studies aimed at defining and modifying procedural methods and structural interventions have allowed a reduction in consumption resulting from waste. The implementation of these interventions, such as: demotic management of air conditioning, lights and various utilities at the service of production, use of LED lights, have led considerable improvements to in energy efficiencies.

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 managed as a by-product where permitted by the applicable local legislation of the countries in which the Group's plants are located. All this type of material is appropriately managed for the purpose of its reuse / recycling

The organisation, in order to improve the efficiency in the use of materials and resources, also separates the various packaging materials (such as wooden pallets, some types of plastic, iron, etc.) in order to help improve efficiency in the use of materials and resources.

Since 2009. Palladio Group has its LCA (Life Cycle analysed Assessment), starting to monitor areenhouse (GHG) emissions gas deriving in particular from:

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

the indirect impacts resulting from its productive activities were also checked, such as:

- 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 targets 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.

## 9.1 Emissions

(Rif. 305-1/2/3/4/5)

Palladio Group does not have significant emissions the in atmosphere or emissions for which the competent authorities have prescribed monitoring, the SO emissions depleting of ozone 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 а market-based method; the emission factors used for the two methods are shown in the table in the Annex 2. For the Market based methodology the following emission factors were used, where available, in the following order of preference:

- Certificate of Guarantee of Origin (Italy)
- Specific emission factor made available by the supplier (Ireland)
- Residual mix (Ireland)
- Emission factor used in the Location based methodology (Serbia)

#### 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);

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 (<u>www.ghgprotocol.org</u>)

## 9.2 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. 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. The strategic targets on greenhouse gas emissions have been determined as the sum of Scope 1 emissions and Scope 2 emissions Market Based.

The agreements signed since 2017 concerning the purchase of energy produced exclusively from renewable sources, have led to a reduction of approximately 45% in CO2 emissions at Group level for the Scope 2 calculated with reference to the year 2016.

Above all we monitor the indirect impacts arising from our productive activity 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. In fact, in order to mitigate the environmental impacts associated with the transport of products, the Organization constantly ensures the optimization of outbound and inbound journeys through the procurement and subsequent production of the finished product in the factories located closest to the customer to whom the material is delivered.

The different types of emission (Scope 1, Scope 2, Scope 3) are accounted for by transforming them into an economic value. The last value of the available carbon price derived from the last edition of the Word Bank Group Report (State and Trends of Carbon Pricing) is used for the above. Based on this information, considering the value in the different countries in which Palladio Group operates, a specific carbon price was identified as the ratio between economic value and carbon revenue.

This indicator has been included in the company's key indicators for the purpose of its monitoring.

## 9.3 Climate Change

It is now universally recognised that the battle against the impacts of climate change is an essential condition to ensure that other sustainable development goals can be usefully pursued.

In September 2015 there was the adoption of the United Nations Sustainable Development Goals (SDGs), a global agenda for sustainable development until 2030.

One of these goals (goal 13) concerns climate action and the need to take urgent measures to combat climate change and the resulting impacts.

This Agenda received a significant boost with the adoption of the Paris Agreement on the United Nations Framework Convention on Climate Change (UNFCCC) in December 2015. Agreement that established a complete framework to reduce greenhouse gas emissions and limit global warming to a maximum of 2 ° Centigrade above pre-industrial levels.

The Intergovernmental Group of Experts for Climate Change (IPCC), the main international body for the assessment of climate change, has estimated (AR5 ratio) that the achievement of the 2 ° Celsius limit requires a limitation of CO2 concentration in the atmosphere equal to 450 parts per million (ppm) by 2100 and proposing a range of different potential temperature scenarios including an extreme final climate risk. The report also highlights the enormous costs in terms of climate risk on the part of investors, regulatory authorities and governments in the event of immobility.

The establishment of the Task Force on Climate-Related Financial Information (TCFD), announced by the Financial Stability Board (FSB), has further strengthened the recognition of the financial importance of climate risk. The eventuality of exceeding the 1.5 ° C threshold leads to rather disturbing scenarios.

In fact, an increase in the global average temperature of 2 ° C would lead to the disappearance of coral reefs, and of their entire and articulated marine ecosystems. The sea level would rise to a global level of 10 centimetres, radically changing the lives of millions of people living along the coasts.

The oceans would face even more intense acidification processes than today, with very serious consequences for marine flora and fauna.

More torrid summers and extreme weather events would make cereal cultivation more difficult and expensive, the first source of food for billions of people in much of the world.

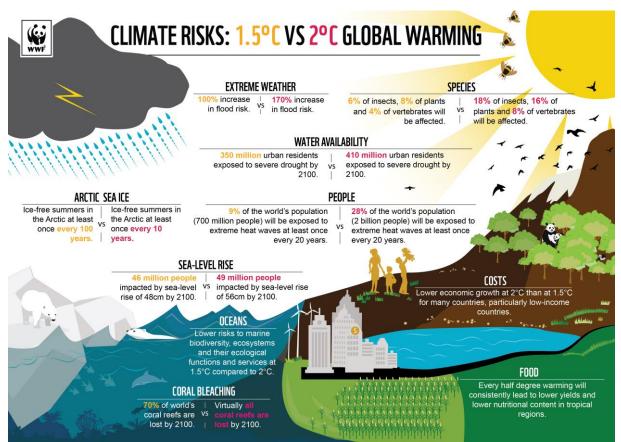
Action is needed at all levels to ensure a sustainable economy, society and environment in general.

The IPCC report indicates that only through a significant and very rapid change in the way we live and our



habits can we avoid serious consequences.

This implies changing the way we produce electricity, giving priority to renewable sources above all else, the way the production chain works, the transport system, the crops and the organization of our cities. The longer it expects, the more difficult it will be to do it in an organized and economically sustainable way. This action is necessary at all levels to ensure a sustainable economy, society and environment in general



Ref.: https://www.wwf.org.uk/updates/our-warming-world-how-much-difference-will-half-degree-really-make

#### 9.4 The approach to climate change

Palladio Group regularly assesses the risks and opportunities associated with climate change as part of global strategic business planning and business risk management by committing to promoting a cleaner energy future. Actions include the use of innovative approaches to integrate energy consumption with renewable energy resources. In fact, following the strategic restructuring and investments in recent years, CO2 emissions (Scope 1 + Scope 2) have fallen by over 58% from 2012 to 2018.

In line with the requirements of the report concerning the TCFD recommendations issued in June 2017, and in addition to what has already been disclosed in past years, this report includes an update and in-depth analysis of the Group's climate strategy. Palladio Group has in fact decided to engage with its Stakeholders by publishing the assessment of potential impacts resulting from future requirements and technological advances aimed at limiting global warming to 2° C compared to preindustrial levels.

#### 9.5 The analysis

The Palladio Group business is strongly focused on the supply of pharmaceutical packaging and the consequent impact is closely connected to the consumption of electric energy and the consumption of raw materials of forest origin.

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For this assessment, the Group analysed the potential impacts on production activities through long-term scenario models.

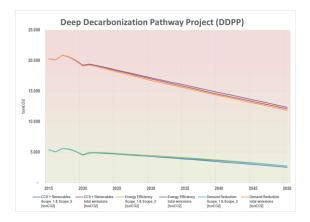
In these scenarios, possible variations in raw material quantities, energy consumption and incoming / outgoing transport were considered. In relation to the scenario models considered we presumed decreases in CO2 emissions differentiated for each scenario model. For the development of the scenario analysis for the Palladio Group business, two calculation models were used and compared:

 the model published in the report Deep Decarbonisation Pathways Project (DDPP) which is a global initiative promoted by the Sustainable Development Solutions Network (SDSN) and by the Institute for Sustainable Development and International Relations (IDDRI). Deep Decarbonisation Pathways Project, is included among the transition scenarios mentioned by TCFD and coherent with the containment targets of the global temperature rise within the 2 ° C defined in the Paris agreement

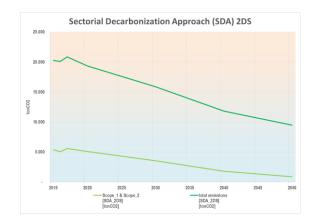
2. the calculation model Sectoral Decarbonisation Approach (SDA) proposed by Science Based Target (SBT). This method is based on the 2 °C (2DS) scenario developed by the International Energy Agency (IEA) within the Energy Technology Perspectives (ETP) 2014 study (IEA, 2014). It was developed by CDP, WRI and WWF with the technical support of Ecofys as a consulting partner. The methodology provides companies with a sector-specific method to set emission targets based on the latest ETP data.

#### 9.6 Results and scenarios

The graphs shown below show the trends relating to the scenarios identified in the two models (DDPP and

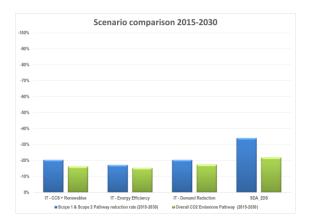


SDA\_2DS) divided by scope 1 + scope 2 and total emissions.

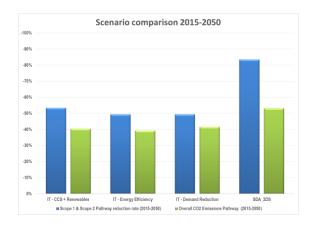


### 9.7 Comparing scenarios DDPP vs SDA-2DS

The graphs respectively show the comparisons between the two models of scenario studied referring to the 2030 and 2050 target year, which indicate the greatest effort required for Palladio



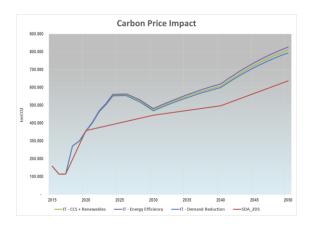
Group S.p.A. in terms of reduction in particular for the Scope 1 and Scope 2 issues of the SDA\_2DS scenario compared to the DDPP scenario.



### 9.8 Carbon Price Impact

The scenario study was accompanied by an assessment of the economic impact typical of direct and indirect CO2 associated with the activities of Palladio Group S.p.A.

The graph below compared the impact assessments associated with the different scenarios in terms of specific Carbon Prices.





### 9.9 Energy

(Ref. 302-1/3/4/5)

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

Since 2017, agreements are in place signed for the purchase of energy produced exclusively through renewable sources for Italian plants and for the Irish plant.

This choice is positively reflected in the significant reduction in emissions associated with electricity consumption calculated according to the Market Based methodology of the Guideline Scope 2 of the GHG protocol.

### 9.10 Waste

(Ref. 306-2/3/4)

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..



The total waste produced has increased in relation to the increase in production, however, the actions undertaken have led to a decrease in hazardous waste of 2.32% with a reduction of over 19% in the ratio between hazardous waste and total waste.

The percentage of waste sent for recycling / recovery has also increased by 15% with a ratio of 0.45% to total waste.



#### 9.11 Drains (Ref. 306-1/5)

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 in 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, which includes all the 197 Italian Policy Species (species included in the annexes of Directive 92/43 / EEC "Habitat" and of the Berne Convention, both ratified by the Italian Government and in fact constituting national laws), have their habitat. For this reason, there are no measurements in.



#### 9.12 Water

(Ref. 303-1/2/3)

Water is a very important resource that is used sparingly in all Group's plants.

Almost all the water consumed comes from municipal water while about 2.5% of consumption consists of ground water, used only at the plant in Dueville.

The Group's plants take quantities of water that do not significantly damage water sources and use the same mainly for hygienic-sanitary purposes (recycling / reuse methods are not used). In the production process the use of water is generally limited to offset printing activities for wetting the printing plates. Consequently the relative consumption is closely linked also to the quantity of processed product.

However, to limit water consumption and minimize waste of this resource, flow regulators have been installed on the taps located in the toilets of the various locations, simple devices that mix air with the water coming out of the taps and double buttons for draining the toilet water. During 2018, 7.815 m3 of water were consumed, reducing consumption compared to the previous year by approximately 8%.

Per capita consumption, with targets set at 15 m3 per year, was 12.12m3 with a reduction of 7.95% compared to 2017.

Despite the reduced water impacts on the activities, in the last three years, Palladio Group has provided a complete report on water problems by completing the "CDP Supply Chain Water questionnaire", dedicated to the management of water resources.

With regard to the Sustainable Development Goal 6 there is a commitment to carry out appropriate analyses aimed at finding innovative solutions for containing water consumption to considerably increase water use efficiency.

## 10. Work 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, performance helps the 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 fundamental of nine 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 cooperate 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 2018, at the Serbian site of Palladio East, an independent audit was carried out by the company SGS conducted in compliance with SMETA. This is the fourth audit carried out using the "4 pillar" method (the first was carried out in 2014), passed positively as a demonstration of Palladio Group's commitment even on foreign sites.



#### 10.1 Employment

(Ref. 102-8/41, 401-1/2/3, 402-1)

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 for complainants while solutions 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.

Some example of our benefits:

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

# 10.2 Diversity and equality (Ref. 405-1/2)



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 plants are generally residing in the local communities 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. Porterage and warehousing).

### 10.3 Industrial Relationships

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 any other significant change in corporate operations.

## 10.4 Health and Safety at work

Each manufacturing site of the Group has active formal committees for health safety. and committees, These of representatives consisting of management and workers, have the task of assessing, control, monitor and advise on programs for workplace safety. In each plant there is at least person responsible for the one 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: workrelated 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

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measures listed above are reassessed at least annually or at the request of the parties concerned.

During 2018, 6 requests were made for occupational illnesses of which 2 received a negative response and 4 are still being evaluated by the competent 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 as in the Italian sites are implemented, i.e. regular meetings with employees on health and safety at work. In both the Serbian and Irish plants there are Workers' Safety Representatives.

# 11. Training and Education (Ref. 404-1/2/3, 205-2)

Palladio Group invests in training and opportunities for improvement because we are convinced that they are essential elements for the personal growth of our employees.

During the year 2018 our employees attended to 17.628 hours of training with an increase of over 36% compared to the previous year.

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 our employees aware of our activities, sharing, explaining and conveying the company's know-how, in July 2016, Palladio and Palladio Academy Wiki were born.

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Palladio Academy has been defined as "a new way of knowing knowledge" while Palladio Wiki is an encyclopaedia of Palladio Group's knowledge.



### 11.1 Professional development, careers and human resources' evaluation

As part of its strategy of consolidating enhancina careers and and developing staff, Palladio Group has defined training interventions designed and organized by Human Resources and aimed at increasing and strengthening the skills of internal staff. In order to achieve the standard, a role mapping system was implemented aimed at the effective management of career paths (vertical and horizontal progressions, internal mobility, management of professional

development trajectories), in a logic of valorisation and recognition of skills.

Since 2017, specific courses have been launched aimed at developing skills.

In 2018 the courses involved 50 employees for a total of 2026 hours of training.

Operational mechanisms have also been launched to consolidate the organizational model pursued in recent years, such as:

## Standardization of human resources policy.

Common classification systems, position weighting schemes and incentive systems have been defined. The compensation process has been made more transparent thanks to the standardization of levels and job titles within the company.

#### Team development.

The development of teams has been further pursued through appropriate courses dedicated to develop personal skills, mediation skills, problem solving skills and learn how to interact with other team members and with other work groups.



The establishment of shared functions at Group level has enabled the elimination of barriers between the various functions facilitating the sharing of knowledge and continuous training.

# Evaluation of skills and development of human resources

a process has been developed that, through an assessment of



the knowledge of all employees, plans to enhance or increase potential, identify training gaps, develop specific and individual training plans and plan dedicated career paths. The assessment of skills and performance has been divided and optimized according to two different targets:

- First target, aimed at assessing individual skills and goals for training and development,
- Second target focuses instead on performance, as a tool specifically designed to guide the professional performance of the individual.

The self-assessment tools have been added to standard top-down assessment processes with the aim of making employees aware of career development.

This activity, implemented in 2017 in Italian plants, will also be extended to foreign plants in the coming years.

#### 11.2 Training on Safety

In order to promote a more interactive communication the Company has established the "Safety Circles "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.

During 2018, 6790 hours of specific training on occupational safety were carried out, an increase of approximately 58% compared to the previous year.

#### 11.3 Palladio Academy

Palladio Academy is a training project focused on developing the skills of employees through the provision of tailor made training courses based on the professional level of the employee.



Palladio Academy is a single large brain managed by 10 founders who, with the help of

over 35 trainers, are committed to sharing with everyone the company knowledge and the task of training the personnel while maintaining the standard of training at any group establishment. Palladio Academy promotes a culture of learning and sharing of business know-how for a cutting-edge company.



Palladio Academy is continuing to grow and to pursue step by step the goals set at the time of its foundation. The team continued its path always working collectively and gradually "enlisting" new members who, with great commitment and perseverance, have contributed to the development of several projects launched.

#### 11.4 Palladio Wiki



Palladio Wiki is our tool designed to "know the business knowledge", an encyclopaedia of

knowledge of Palladio Group to which anyone who is interested can draw on and/or contribute to, collaborating with the team Academy. Palladio Wiki is the intellectual property of Palladio Group, accessible only through company email address or on special totems for consultation available to all those who do not have a business email address.

#### 11.5 Ethic and anti-corruption training

Aware that the fight against corruption is one of the main global challenges and represents a major obstacle to sustainable development, in 2017, on the occasion of the new issue of the Code of Ethics, Palladio Group provided information on Human Rights to all employees. All new employees during the reference year received appropriate training in this area.

#### 11.7 Environmental and sustainability training

Personnel awareness in this field is very strong; the promotes company initiatives that directly involve employees, and in some cases also the sphere through advertising family campaigns sustainability of our

activities through brochures, posters and visits to our factories, to ensure that the Group's vision and commitment in the environmental field is properly shared.

#### 11.8 Lean Manufacturing meetings

Palladio Group, through specific Lean Manufacturing meetings, develops specific programs for updating the skills of employees to enable the achievement of strategic objectives in an evolving work environment.

The most qualified employees increase the human capital of the organization contributing to the improvement of performance. Our weekly meeting system that involves members from sales. production and quality sectors (also made in video conference with the Group's sites) contributes to the training and growth of the competencies of the participants through the sharing of the know-how held by the specific managers.

## 12. Human Rights

(Ref. 103-2/3)

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:

- social and environmental criteria were included in the selection of suppliers with which to establish collaborations for work and / or service performances
- 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,

- there is no forced labour and any work request, which goes beyond normal working hours, is regulated by national contracts in agreement with the workers' representatives and trade unions, providing for compensation based on overtime hours,
- In all countries where our Factories are and where we operate, the employees are auaranteed 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.

In 2018, in the Group's plants, there were no reports regarding violations of Human Rights relating to the work of Group employees or those coming from internal or external Stakeholders.

#### 12.1 Anti-discrimination (Ref. 406-1)

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 2018 no reports on discriminatory human rights practices have been submitted.

# 12.2 Freedom of association and collective bargaining (Ref. 102-41, 407-1)

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 2018:

- There were no hours of strike organised by employees,
- 321 paid hours has been spent for meetings with trade union,
- the percentage of members of trade unions is 9,95.

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.

#### 12.3 Child Labour

(Ref. 408-1)

Child labour is not permitted at all Group facilities.

The minimum age of our employees in 2018 was 18, while the average age was 40.

In relation to the provisions of the Policies, the main suppliers of raw materials are monitored through specific questionnaires and codes of



conduct, while all service providers (contractors) are controlled through specific declarations that certify the fulfilment by the company of the legislative and contractual obligations including child labour.

#### 12.4 Forced Labour

(Ref. 409-1)

In Palladio group 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's 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.

#### 12.5 Evaluation

(Ref. 412-1)

Palladio Group, aware of its commitment to respecting human rights, checks and periodically verifies the human rights aspects of all its activities. This operation takes place through a formal evaluation process based on information provided by the Ethics Committees and by the various Managers for all the activities of the Group plants. This activity is necessary to correctly address the company's decisions and to prevent it from being associated or considered as complicit in activities undertaken by other parties with whom it has or could have relations.



## 13. Society

(Ref. 103-2/3)

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 considered in the principle is 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 disclosures to our customers and suppliers 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.

# 13.1 Local communities (Ref. 413-1/2)

The Company has a constant 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 percentage of the activities in which the community have been involved is not available as there is no a system of measurement in use for this indicator.

In 2018 Palladio joined the event promoted by Legambiente "Puliamo il Mondo". Event linked to "Clean Up the World" which is a global environmental campaign held in collaboration with the United Nations Environment Program (UNEP). In recent years, various local, national and international associations have been supported.

In 2018 the proceeds of the Christmas lottery of the Italian plants (doubled by the company) were donated to various humanitarian and social associations indicated by the employees.

The Palladio East plant, as well as last year, has cheered the Easter holidays of orphans and children with special needs by giving sweets and toys to everyone.

Moreover, also in 2018, the funds traditionally destined to make a Christmas present to customers, were donated to support the associations "Città della Speranza" and "I Bambini delle Fate".



### 13.2 Recreational activities

Palladio has always considered that there was a profound link between well-being personal and work performance, an indicator that in the past was measured solely in terms of productivity. Today it is measured with productivity combined with new ideas and the desire to continuously improve that can only come if people are motivated and interested in the work they do. Following this conviction and consistent with this commitment, the company believes it is essential to organize cultural, artistic and sporting activities for employees in order to

increase integration and strengthen the team spirit that distinguishes the Group. The above is the fundamental element for improving the quality of life, work performance and the corporate climate. Precisely for this reason over the years "recreational" activities have been promoted in which to alternate professional private life and experiences, such as: yoga classes, prize competitions, company visits, tournaments, safe driving sports courses.

of corruption. The information that emerged showed that the areas in which the Group operates cannot be classified as high risk of corruption. During 2019 specific actions will be envisaged to increase awareness of corruption prevention elements.

Our financial statements are 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

## 13.3 Anti-corruption

(Ref. 205-1/3, 414-1)

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.

During the year 2018 an evaluation and an audit was carried out by an external body in compliance with the 37001 regulation concerning the prevention



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. lf employees become aware of any type of falsification or omission, they must immediately report it to our Ethics Committee.

In the year 2018 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 this. The above actions are still on-going.

## 13.3 Public administration

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.



## 14. Marketing Communication

Palladio group 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. During 2018 we participated in various events and exhibitions, among them:

- Pharmtech & Ingredients Moscow
- Phrmapack Cphi Worldwide -Madrid
- Pharmapack Europe Paris
  - 58° edition of Simposio AFI -Rimini
- All you can track & trace Macerata





## 15. Report's Profile

(Ref. 102-50/51/52/53/54/55/56)

The Sustainability Report is published annually.

The report's data refer to the last three years (2016, 2017, 2018) and they are indicated both per production unit and at group level.

The report will be made available to all stakeholders through publication on the United Nations Global Compact website, on the G.R.I website, on the Palladio Group website and on the company intranet.

For more information you can contact the company via the following e-mail: sustainability@palladiogroup.com.

The aim is to annually disclose, to Stakeholders, information relevant to economic, environmental and social the performances resulting from 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. So far have been published:

- N. 7 Sustainability Reports (inclusive of the Communication On Progress),
- N. 2 Communication On Progress,
- N. 3 CDP Supply Chain Climate Change Report
- N. 2 CDP Supply Chain Water questionnaire.

The latest publication, available on the Palladio Group web site, on the G.R.I. and on that of the U.N. Global Compact dates back to July 2018.

This report has been:

- prepared in accordance to GRI Standard: Core option.
- subjected to external verification activities by SGS.Italia spa (certification shown in a specific section).

Data on economic performance, deferred in the relevant section, are extracted from the Consolidated Financial Statements verified by auditors of Soc. Ernst & Young..

#### 15.1 Link to the 10 principles of the UNGC

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 the universally to 10 accepted principles concerning human rights, labour, environment and anticorruption.

The evidence of Palladio Group commitment to respect and promote these principles is accounted for in this report, in fact the GRI standard, applicable to Palladio Group, is considered in conjunction with each of the 10 principles of the U.N. Global Compact. (Source: GRI-UNGC, "Making the Connection"). To facilitate the search for relevant information to Stakeholders interested in evaluating the implementation of the Principles by the Palladio Group, it has been prepared the table in attachment 3.

The table shows which GRI STD performance indicators applicable to the Palladio Group are to be related to each of the 10 Principles of the U.N.



Global Compact. For the search of the pages where the GRI indicators are treated, see the explanatory table of the report's contents.

### 16. Compliance



#### During the year 2018:

- There have been no reports or complaints about suppliers work practices (Ref. 414-2)
- 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. 307-1)
- No significant environmental impacts or environmental impact complaints have been reported (Ref. 308-2)
- There have been no legal actions related to unfair competition, antitrust and monopolistic practices (Ref. 206-1)
- have not been 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. 419-1)
- There have been no reports or complaints concerning impacts on society (Ref. 414-2)

- ✓ There have been no cases of noncompliance 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. 416-2)
- There were no cases of noncompliance with laws and voluntary regulations concerning information and labelling of products / services (Ref. 417-1/2)
- ✓ There were no cases of noncompliance with laws and voluntary regulations concerning the provision and use of the Group products and services (Ref. 417-3)
- There have been no complaints regarding privacy breaches or loss of customer (Ref. 418-1)
- There have been no cases of noncompliance with laws or regulations concerning the supply and use of products and services of companies in the Group (Ref. 419-1)

## 17. Data And Indicators Tables

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| Detailed analysis of employees         |           | TOTAL     |           | BREAKDOWN 2018 |           |         |  |
|--|-----------|-----------|-----------|----------------|-----------|---------|--|
| Ref. 102-8, 201-3, 202-1/2             | 2016      | 2017      | 2018      | ITALY          | IRELAND   | SERBIA  |  |
| Total Employees Men                    | 449       | 491       | 498       | 348            | 17        | 133     |  |
| Total Employees Women                  | 141       | 149       | 147       | 87             | 3         | 57      |  |
| General Total Employees                | 590       | 640       | 645       | 435            | 20        | 190     |  |
| on permanent contract Men              | 347       | 366       | 393       | 281            | 12        | 100     |  |
| -full time                             |           |           | 388       | 276            | 12        | 100     |  |
| -part time                             |           |           | 5         | 5              | 0         | 0       |  |
| on permanent contract Women            | 90        | 98        | 119       | 72             | 3         | 44      |  |
| -full time                             |           |           | 109       | 62             | 3         | 44      |  |
| -part time                             |           |           | 10        | 10             | 0         | 0       |  |
| fixed term contract Men                | 52        | 45        | 41        | 3              | 5         | 33      |  |
| -full time                             |           |           | 40        | 2              | 5         | 33      |  |
| -part time                             |           |           | 1         | 1              | 0         | 0       |  |
| fixed term contract Women              | 22        | 19        | 15        | 2              | 0         | 13      |  |
| -full time                             |           |           | 14        | 1              | 0         | 13      |  |
| -part time                             |           |           | 1         | 1              | 0         | 0       |  |
| temporary workers Men                  | 43        | 76        | 64        | 64             | 0         | 0       |  |
| -full time                             |           |           | 64        | 64             | 0         | 0       |  |
| -part time                             |           |           | 0         | 0              | 0         | 0       |  |
| temporary workers Women                | 19        | 21        | 13        | 13             | 0         | 0       |  |
| -full time                             |           |           | 13        | 13             | 0         | 0       |  |
| -part time                             |           |           | 0         | 0              | 0         | 0       |  |
| part-time and solidarity Men           | 7         | 5         | 4         | 4              | 0         | 0       |  |
| part-time and solidarity Women         | 10        | 10        | 10        | 10             | 0         | 0       |  |
| With trade union membership            | 81        | 73        | 64        | 64             | 0         | 0       |  |
| Affected by Disability                 | 26        | 28        | 25        | 23             | 0         | 2       |  |
| Foreigner                              | 25        | 24        | 17        | 7              | 10        | 0       |  |
| Salaries above minimum wage            |           |           | 472       | 262            | 20        | 190     |  |
| - Men                                  |           |           | 351       | 201            | 17        | 133     |  |
| - Women                                |           |           | 121       | 61             | 3         | 57      |  |
| Annual salary Increments %             | 4,99      | 7,28      | 52        | 40             | 12        | 0       |  |
| Bonuses /Premiums %                    | 99,23     | 100       | 572       | 363            | 19        | 190     |  |
| Salaries above minimum wage %          |           |           | 73,18%    | 60,23%         | 100,00%   | 100,00% |  |
| - Men                                  |           |           | 70,48%    | 57,76%         | 100,00%   | 100,00% |  |
| - Women                                |           |           | 82,31%    | 70,11%         | 100,00%   | 100,00% |  |
| Overtime % of hours worked             | 6,12      | 6,39      | 8,06%     | 9,20%          | 60,00%    | 0,00%   |  |
| Holiday hours % of hours worked        | 8,83      | 9,41      | 88,68%    | 83,45%         | 95,00%    | 100,00% |  |
| Disciplinary Measures % over employees | 0,83      | 4,71      | 5,30%     | 3,23%          | 5,06%     | 9,17%   |  |
| Worked hours                           | 854877    | 885207    | 9,55%     | 10,63%         | 9,47%     | 7,57%   |  |
| Holiday hours                          | 75493     | 83303     | 17        | 6              | 1         | 10      |  |
| Overtime                               | 52279     | 56595     | 2,64%     | 1,38%          | 5,00%     | 5,26%   |  |
| N. Ethical complaints                  |           |           | 949275    | 593437         | 35002     | 320836  |  |
| % Ethical complaints                   | 0,52      | 0,00      | 90640,58  | 63056          | 3313      | 24272   |  |
| Cover of the pension plan (Euro)       | 4.166.169 | 4.373.799 | 4.516.274 | 3.678.202      | 75.000,00 | 838.072 |  |
| % Senior manager hired in the local    |           |           |           |                |           |         |  |
| community                              | 100       | 100       | 100       | 100            | 100       | 100     |  |

| Employees detailed age Analysis |        | TOTAL  |              | BREAKDOWN 2018 |         |        |
|---------------------------------|--------|--------|--------------|----------------|---------|--------|
| Ref. 102-8, 401-2               | 2016   | 2017   | 2018         | ITALY          | IRELAND | SERBIA |
| Employees under 18              |        |        |              |                |         |        |
| Total Employees under 18        | 0      | 0      | 0            | 0              | 0       | 0      |
| Employees under 30              |        | ·      |              |                |         |        |
| Total Men                       | 63     | 81     | 90           | 57             | 2       | 31     |
| Total Women                     | 20     | 18     | 18           | 10             | 1       | 7      |
| White collar Men                | 3      | 2      | 6            | 2              | 0       | 4      |
| White collar Women              | 5      | 5      | 9            | 4              | 1       | 4      |
| Blue collar Men                 | 60     | 79     | 84           | 55             | 2       | 27     |
| Blue collar Women               | 15     | 13     | 9            | 6              | 0       | 3      |
| Manager Men                     | 0      | 0      | 0            | 0              | 0       | 0      |
| Manager Women                   | 0      | 0      | 0            | 0              | 0       | 0      |
| Total                           | 83     | 99     | 108          | 67             | 3       | 38     |
| Employees 30 – 50               |        |        |              |                |         |        |
| Total Men                       | 296    | 320    | 290          | 183            | 11      | 96     |
| Total Women                     | 95     | 106    | 104          | 54             | 2       | 48     |
| White collar Men                | 39     | 39     | 29           | 11             | 1       | 17     |
| White collar Women              | 30     | 31     | 36           | 15             | 2       | 19     |
| Blue collar Men                 | 258    | 276    | 253          | 165            | 9       | 79     |
| Blue collar Women               | 62     | 72     | 65           | 37             | 0       | 28     |
| Manager Men                     | 2      | 5      | 8            | 7              | 1       | 0      |
| Manager Women                   | -      | 3      | 3            | 2              | 0       | 1      |
| Total                           | 391    | 426    | 394          | 237            | 13      | 144    |
| Employees over 50               |        |        |              |                |         |        |
| Total Men                       | 90     | 90     | 118          | 108            | 4       | 6      |
| Total Women                     | 26     | 25     | 25           | 23             | 0       | 2      |
| White collar Men                | 19     | 20     | 27           | 26             | 1       | 0      |
| White collar Women              | 6      | 5      | 6            | 5              | 0       | 1      |
| Blue collar Men                 | 65     | 63     | 82           | 75             | 3       | 4      |
| Blue collar Women               | 20     | 20     | 19           | 18             | 0       | 1      |
| Manager Men                     | 6      | 6      | 8            | 7              | 0       | 1      |
| Manager Women                   |        | 1      | 1            | 0              | 0       | 1      |
| Total                           | 116    | 115    | 143          | 131            | 4       | 8      |
| Employees' age                  |        |        |              |                |         |        |
| Average age                     | 40,34  | 40,00  | 40,00        | 42,00          | 41,00   | 37,00  |
| Minimum Age                     | 18     | 18     | 18           | 18,00          | 20,00   | 20,00  |
| % over total Employees          |        |        |              |                |         |        |
| White collar Men                | 10,34% | 9,53%  | 9,61%        | 8,97%          | 10,00%  | 11,05% |
| White collar Women              | 6,95%  | 6,41%  | <b>7,91%</b> | 5,52%          | 15,00%  | 12,63% |
| Blue collar Men                 | 64,92% | 65,31% | 64,96%       | 67,82%         | 70,00%  | 57,89% |
| Blue collar Women               | 16,44% | 16,41% | 14,42%       | 14,02%         | 0,00%   | 16,84% |
| Manager Men                     | 1,19%  | 1,72%  | 2,48%        | 3,22%          | 5,00%   | 0,53%  |
| Manager Women                   | 0,17%  | 0,63%  | 0,62%        | 0,46%          | 0,00%   | 1,05%  |

| Hiring and Terminations |        | TOTAL  |        | BR    | EAKDOWN 20 | 18     |
|-------------------------|--------|--------|--------|-------|------------|--------|
| Ref. 401-1              | 2016   | 2017   | 2018   | ITALY | IRELAND    | SERBIA |
| New hires Men <30       | 15     | 11     | 19     | 12    | 3          | 4      |
| New hires Women <30     | 1      | 3      | 4      | 3     | 0          | 1      |
| New hires Men 30-50     | 25     | 17     | 17     | 11    | 3          | 11     |
| New hires Women 30-50   | 15     | 7      | 10     | 4     | 0          | 6      |
| New hires Men >50       | 0      | 3      | 3      | 3     | 0          | 0      |
| New hires Women >50     | 1      | 0      | 1      | 1     | 0          | 0      |
| Total new hires         | 57     | 41     | 62     | 34    | 6          | 22     |
| Total terminations      | 24     | 30     | 28     | 15    | 4          | 9      |
| Hiring rate Men <30     | 2,54%  | 1,72%  | 2,95%  | 2,76% | 15,00%     | 2,11%  |
| Hiring rate women <30   | 0,29%  | 0,82%  | 1,02%  | 0,69% | 0,00%      | 0,53%  |
| Hiring rate men 30-50   | 27,78% | 17,35% | 21,01% | 2,53% | 15,00%     | 5,79%  |
| Hiring rate women 30-50 | 28,85% | 15,56% | 24,39% | 0,92% | 0,00%      | 3,16%  |
| Hiring rate men >50     | 0,00%  | 15,79% | 20,00% | 0,69% | 0,00%      | 0,00%  |
| Hiring rate women >50   | 14,29% | 0,00%  | 25,00% | 0,23% | 0,00%      | 0,00%  |
| New hiring rate         | 9,66%  | 6,41%  | 9,61%  | 7,82% | 30,00%     | 11,58% |
| Terminations rate       | 4,07%  | 4,69%  | 4,34%  | 3,45% | 20,00%     | 4,74%  |
| Hiring rate men         | 6,78%  | 4,84%  | 7,29%  | 5,98% | 30,00%     | 7,89%  |
| Hiring rate women       | 2,88%  | 1,56%  | 2,33%  | 1,84% | 0,00%      | 3,68%  |

| Training    |                  |                 |              | TOTAL   |        | BR     | EAKDOWN 20 | 18     |
|-------------|------------------|-----------------|--------------|---------|--------|--------|------------|--------|
| Ref. 403-4, | 404-1/2/3, 412-2 |                 | 2016         | 2017    | 2018   | ITALY  | IRELAND    | SERBIA |
| Total tra   | ining hours      |                 | 10366        | 11178   | 17628  | 12974  | 911        | 3743   |
| Average     | e training per e | employee        | 17,57        | 17,47   | 27,33  | 29,83  | 45,55      | 19,70  |
| Number      | training hours   | divided by c    | ategory      | •       |        |        |            |        |
|             | ITA              | ίLΥ             | IREL         | AND     | SER    | BIA    | TOT        | AL     |
| year        | white            | blue            | white        | blue    | white  | blue   | white      | blue   |
|             | collar           | collar          | collar       | collar  | collar | collar | collar     | collar |
| 2016        | 1124             | 5886            | 20           | 762     | 564    | 2010   | 1708       | 8658   |
| 2017        | 1969             | 5255            | 147          | 525     | 760    | 2366   | 2876       | 8146   |
| 2018        | 3217             | 9009            | 72           | 839     | 372    | 3371   | 3661       | 13219  |
| Average     | e training hour  | rs divided by e | employees' c | ategory |        |        |            |        |
|             | ITA              | ίLΥ             | IREL         | AND     | SER    | BIA    | TOTAL      |        |
| year        | white            | blue            | white        | blue    | white  | blue   | white      | blue   |
|             | collar           | collar          | collar       | collar  | collar | collar | collar     | collar |
| 2016        | 18,43            | 17,06           | 10,00        | 50,80   | 14,46  | 16,75  | 16,75      | 18,04  |
| 2017        | 32,29            | 15,23           | 73,25        | 35,00   | 19,49  | 19,72  | 28,20      | 16,97  |
| 2018        | 50,27            | 27,55           | 12,00        | 59,93   | 7,75   | 23,74  | 23,53      | 25,82  |
| Number      | training hours   | s divided by g  | ender        |         |        |        |            |        |
| Vogr        | ITA              | LY              | IREL         | AND     | SER    | BIA    | TOT        | AL     |
| year        | men              | women           | men          | women   | men    | women  | men        | women  |
| 2016        | 6020             | 990             | 764          | 18      | 1854   | 720    | 8638       | 1728   |
| 2017        | 6111             | 1114            | 546          | 126     | 2353   | 773    | 9009       | 2013   |
| 2018        | 10306            | 2668            | 884          | 27      | 2949   | 794    | 14139      | 3489   |
| Average     | e training hour  | rs by gender    |              |         |        |        |            |        |
| Vogr        | ITA              | .LΥ             | IREL         | AND     | SER    | BIA    | TOT        | AL     |
| year        | men              | women           | men          | women   | men    | women  | men        | women  |
| 2016        | 18,43            | 17,06           | 10,00        | 50,80   | 14,46  | 16,75  | 16,75      | 18,04  |
| 2017        | 32,29            | 15,23           | 73,25        | 35,00   | 19,49  | 19,72  | 28,20      | 16,97  |
| 2018        | 29,61            | 30,67           | 52,00        | 9,00    | 22,17  | 13,93  | 28,39      | 23,73  |

#### DATA AND INDICATORS TABLES

| Ethics and anticorruption trainings       | 2013  | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|-------|------|------|------|------|------|
| Training hours                            | 426.5 | 15   | 406  | 165  | 230  | 61   |
| Trained employees                         | 488   | 15   | 379  | 165  | 640  | 61   |
| % Trained employees in the reporting year | 100   | 3    | 71   | 28   | 100  | 100  |
| % general Trained employees               | 100   | 100  | 100  | 100  | 100  | 100  |

|                                    | TOTAL | HOURS of TRA | AINING | BREAKDOWN 2018 |         |        |  |
|------------------------------------|-------|--------------|--------|----------------|---------|--------|--|
| Training Health and safety at work | 2016  | 2017         | 2018   | ITALY          | IRELAND | SERBIA |  |
|                                    | 4238  | 2858         | 6790   | 6600           | 86      | 104    |  |

| Anti-corruption  |      | TOTAL |      | BREAKDOWN 2018 |         |        |  |
|--|------|-------|------|----------------|---------|--------|--|
| Ref. 205-3   | 2016 | 2017  | 2018 | ITALY          | IRELAND | SERBIA |  |
| total number of episodes for which<br>employees have been dismissed or<br>subjected to disciplinary measures for<br>corruption           | 0    | 0     | 0    | 0              | 0       | 0      |  |
| total number of incidents for which<br>contracts with business partners have not<br>been renewed for violations related to<br>corruption | 0    | 0     | 0    | 0              | 0       | 0      |  |
| number of legal actions regarding<br>corruption practices against the<br>organization or its employees                                   | 0    | 0     | 0    | 0              | 0       | 0      |  |

| N 111 111   |              | TOTAL         |                        | BREAKDOWN 2018 |               |        |       |     |       |
|---|--------------|---------------|------------------------|----------------|---------------|--------|-------|-----|-------|
| Right to parental leave   | 2016         | 2017          | 2017 2018 ITALY IRELAN |                | AND.          | SERBIA |       |     |       |
| Kei. 401-5  | 2010         | 2017          | 2010                   | men            | women         | men    | women | men | women |
| Number of employees who<br>were entitled to parental<br>leave.  | 9            | 8             | 5                      | 1              | 4             | 1      | 0     | 0   | 5     |
| number of employees who<br>have taken parental leave  | 9            | 8             | 5                      | 1              | 4             | 0      | 0     | 0   | 5     |
| number of employees who<br>have returned to work at<br>the end of parental leave  | 4            | 4             | 4                      | 0              | 3             | 0      | 0     | 0   | 0     |
| number of employees who<br>are still availing of the<br>parental leave  | 5            | 4             | 1                      | 1              | 1             | 0      | 0     | 0   | 5     |
| number of employees who<br>have returned to work after<br>parental leave and who<br>were still employed twelve<br>months after they returned<br>to work | 4            | 4             | 4                      | 0              | 2             | 0      | 0     | 0   | 0     |
| % Rate of return of employees <sup>(1)</sup>  | 100          | 100           | 100%                   | 100%           | 75%           | 0%     | 0%    | 0%  | 100%  |
| % Retention rate of employees back to work <sup>(1)</sup>   | 100          | 100           | 100%                   | 0%             | 67%           | 0%     | 0%    | 0%  | 0%    |
| (1) percentage referred to t  | he end of th | e parental le | ave period re          | ferred to the  | reporting yea | ar     |       |     |       |

| Health and safety at  |         | TOTAL   |         |       |        | BREAKD   | OWN 2018 |       |           |  |
|---|---------|---------|---------|-------|--------|----------|----------|-------|-----------|--|
| work  | 2016    | 2017    | 2018    | IT    | ALY    | IREL     | AND.     | SEI   | RBIA      |  |
| Ref. 403-2  | 2010    | 2017    | 2010    | men   | women  | men      | women    | men   | women     |  |
| N° total work accidents   | 18      | 10      | 12      | 7     | 2      | 0        | 0        | 3     | 0         |  |
| N° total accidents in<br>transit                                    | 2       | 4       | 0       | 0     | 0      | 0        | 0        | 0     | 0         |  |
| N° total days of<br>absence due to<br>accidents (no in<br>transit)  | 497     | 162     | 374     | 289   |        | 289 0,00 |          | 85,00 |           |  |
| Hours worked by the<br>Employees (excluding<br>holidays, illnesses) | 912.347 | 936.256 | 1003165 |       | 593437 |          | 35200,00 |       | 374528,00 |  |
| N° total hours of<br>absence due to<br>accidents (no in<br>transit) | 3976    | 1296    | 2992    |       | 2312   | 0        |          |       | 680       |  |
| % hours of absence<br>due to accidents on<br>total hours worked     | 0,436   | 0,138   | 0,298   |       | 0,390  |          | 0,000    |       | 0,182     |  |
| Injury severity index   | 0,54    | 0,17    | 0,37    |       | 0,49   |          | 0,00     |       | 0,23      |  |
| Accident frequency index  | 21,92   | 14,95   | 11,96   |       | 15,17  |          | 0,00     |       | 8,01      |  |
| Absenteeism   | 3,32%   | 4,62%   | 3,78%   | 3,63% |        |          | 4,52%    |       | 3,94%     |  |
| Hours out for sick leave  | 30.327  | 43.234  | 37881   |       | 21545  |          | 1592,00  |       | 14744,00  |  |
| Total N. supplier's accidents                                       | 0       | 0       | 0       |       | 0      |          | 0        |       | 0         |  |

| Sustainable Procurement<br>Ref.102-9/10, 308-1, 414-1  | 2016 | 2017 | 2018 |
|--|------|------|------|
| Total Suppliers  | 114  | 140  | 178  |
| Total new suppliers selected and qualified on the ground of social,<br>environmental criteria and on their impact on the society   | 5    | 26   | 38   |
| Percentage new suppliers selected and qualified on the ground of social, environmental criteria and on their impact on the society | 100% | 100% | 100% |
| Total suppliers of raw materials of forest origin (paper and cardboard)  | 21   | 39   | 39   |
| Total Raw Materials Provider of forest origin in compliance with EUTR 995/2010 and/or DDS  | 21   | 39   | 39   |
| Total forestry raw material suppliers FSC® and/or PEFC™ certified  | 21   | 39   | 39   |
| Percentage of certified forestry products originating from controlled sources  | 100% | 100% | 100% |

| Used raw material<br>Ref. 301-1                 | U.M. | 2016       | 2017       | 2018       |
|---|------|------------|------------|------------|
| Board   | kg   | 19.577.489 | 19.466.402 | 20.881.928 |
| Paper   | kg   | 3.829.507  | 4.655.153  | 4.640.628  |
| Self-adhesive material                          | kg   | 61.300     | 62.791     | 143.679    |
| Aluminium for blister                           | kg   | 9.566      | 50.743     | 85.161     |
| Total Raw Materials from renewable resources    | kg   | 23.468.296 | 24.184.346 | 25.666.235 |
| Total Raw Materials from no-renewable resources | kg   | 9.566      | 50.743     | 85.161     |
| Total Raw material                              | kg   | 23.477.862 | 24.235.089 | 25.751.396 |
| Delivered product                               | kg   | 14.927.526 | 15.080.751 | 16.848.145 |

## DATA AND INDICATORS TABLES

| Percentage incoming Recycled raw materials used<br>Ref. 301-2 | M.U. | 2016       | 2017       | 2018       |
|---|------|------------|------------|------------|
| Total raw materials used                                      | kg   | 19.577.489 | 19.466.402 | 25.751.396 |
| Total recycled materials used                                 | kg   | 6.833.608  | 4.798.077  | 4.717.905  |
| Percentage of recycled materials used                         | %    | 34,91      | 24,65      | 22,59      |

| Products and related packaging materials recycled at<br>the end of their life cycle<br>Rif. 301-3 | M.U. | 2016       | 2017       | 2018       |
|---|------|------------|------------|------------|
| Sold product  | kg   | 14.927.526 | 15.080.751 | 16.848.145 |
| Total recovery products sent for recycling  | kg   | 9.675.861  | 10.087.311 | 8.818.090  |
| Percentage recovery products (recovery products /sold product)                                    | %    | 64,82      | 66,89      | 52,34      |

| Percentages supply acquired in the local markets of the country for each Division<br>Ref. 204-1 | M.U. | 2016  | 2017  | 2018  |
|---|------|-------|-------|-------|
| Italy   | %    | 51,0  | 47,66 | 55,31 |
| Serbia  | %    | 42,23 | 58,47 | 42,57 |
| Ireland   | %    | 91,21 | 94,43 | 94,32 |

| Energy consumption for production & air conditioning in<br>Summertime<br>Ref. 302-1                              | M.U. | 2016   | 2017   | 2018   |
|--|------|--------|--------|--------|
| Electric power   | GJ   | 34.813 | 37.877 | 40.665 |
| For the conversion from Kwahu to gigajoule it has been used the standard conve<br>Energy consumption for heating | M.U. | 2016   | 2017   | 2018   |
| Ref. 302-1<br>Natural Gas  | GJ   | 12.038 | 14.672 | 12.205 |
| Oil  | GJ   | 510    | 460    | 652    |
| For the conversion of volumes into gigajoule, the table in Annex 2 of this report has been used                  |      |        |        |        |

| energy consumption in comparison (intensity)<br>Ref. 302-3/4/5 | M.U.   | 2016      | 2017       | 2018       |
|--|--------|-----------|------------|------------|
| Natural Gas Consumption  | Sm3    | 363.061   | 436.670    | 352.418    |
| Gas used Sm3 / working hour                                    | Sm3/h  | 1,293     | 1,419      | 1,074      |
| Gas used Sm3 / kg delivered product                            | Sm3/kg | 0,024     | 0,029      | 0.021      |
| Electric power Consumption                                     | kwh    | 9.670.180 | 10.521.251 | 11.295.844 |
| Electric power used Kwh / working hour                         | kwh/h  | 34,441    | 34,198     | 34,440     |
| Electric power used Kwh/kg delivered product                   | kwh/kg | 0,6478    | 0,6986     | 0,670      |
| Oil Consumption  |        | 13.925    | 12.558     | 17.810     |
| Oil litres/ working hour                                       | l/h    | 1,400     | 1,095      | 1,696      |
| Oil litres/ kg product delivered                               | l/kg   | 0,045     | 0,034      | 0,053      |
| Water consumption<br>Ref. 303-1/2/3                            | M.U.   | 2016      | 2017       | 2018       |
| Water withdrawn from mains                                     | m3     | 6.042     | 8.218      | 7.624      |
| Water withdrawn from wells                                     | m3     | 648       | 218        | 191        |
| Water withdrawn from other sources                             | m3     | 0         | 0          | 0          |

m3

Total water withdrawal

8.436

6.690

7.815

| Waste   | M.U.   | 2016      | 2017      | 2018      |  |  |
|---|--------|-----------|-----------|-----------|--|--|
| Ref. 306-1/2/4  | 141.01 | 2010      | 2017      | 2010      |  |  |
| Total waste produced  | kg     | 1.391.255 | 1.245.993 | 4.923.828 |  |  |
| Total waste retrieved (R)   | kg     | 1.135.091 | 983.716   | 4.672.101 |  |  |
| hazardous waste   | kg     | 107.176   | 120.839   | 118.102   |  |  |
| % hazardous waste on total waste generated  | %      | 7,704     | 9,698     | 2,40      |  |  |
| %NOT hazardous waste on total waste generated   | %      | 81,588    | 78,950    | 94,89     |  |  |
| NOT hazardous waste   | kg     | 1.284.079 | 1.125.154 | 4.805.726 |  |  |
| Waste directly linked to production   | kg     | 223.258   | 235.682   | 224.818   |  |  |
| Total raw material waste (*)  | kg     | 8.540.770 | 9.103.595 | 8.818.090 |  |  |
| (*) Note: part of the raw material waste is sent, by the paper mills, for recycling or reuse. |        |           |           |           |  |  |

| Emissions<br>Ref. 305-1/2/3/4/5   | M.U.                          | 2016      | 2017      | 2018      |
|---|-------------------------------|-----------|-----------|-----------|
| Total CO2 Emissions (Market based)  | tonCO2                        | 21.011,59 | 18.620,82 | 15.537,36 |
| Total CO2 Emissions (Location based)  | tonCO2                        | 20.241,47 | 21.018,24 | 18.291,27 |
| Direct CO2 emissions from fossil fuels (natural gas+oil)                        | tonCO2                        | 710,53    | 854,70    | 731,08    |
| Market based Indirect emissions of CO2eq (i.e. generated by the E.P. provider)  | tonCO2                        | 5.105,50  | 2.336,28  | 2.295,23  |
| Location base Indirect emissions of CO2eq (i.e. generated by the E.P. provider) | tonCO2                        | 4.335,38  | 4.733,71  | 5.049,14  |
| indirect CO2 emissions from paper and board production (as<br>finished product) | tonCO2                        | 12.104,07 | 12.175,95 | 9.257,57  |
| indirect emissions of CO2 from incoming transportation                          | tonCO2                        | 1.396,00  | 1.407,61  | 1.528,58  |
| indirect emissions of CO2 from outgoing transportation                          | tonCO2                        | 1.695,49  | 1.846,28  | 1.724,90  |
| Indirect CO2 emissions from paper and cardboard waste                           | tonCO2                        | 6.606,46  | 7.130,64  | 5.021,45  |
| Indirect CO2 emissions from paper and cardboard purchases                       | tonCO2                        | 18.710,54 | 19.306,58 | 14.279,02 |
| Fuel carbon footprint   | tCO2/ton delivered<br>product | 0,0465    | 0,0559    | 0,0434    |
| Carbon footprint electricity Market based                                       | tCO2/ton<br>delivered product | 0,3342    | 0,1528    | 0,1362    |
| Carbon footprint electricity Location-based                                     | tCO2/ton delivered<br>product | 0,2838    | 0,3096    | 0,2997    |
| Carbon footprint production of paper and cardboard                              | tCO2/ton delivered product    | 0,7923    | 0,7964    | 0,5495    |
| Carbon footprint Transportation   | tCO2/ton delivered<br>product | 0,2024    | 0,2128    | 0,1931    |
| Carbon footprint (from all sources) Market based                                | tCO2/ton delivered product    | 1,3754    | 1,2179    | 0,9222    |
| Carbon footprint (from all sources) Location based                              | tCO2/ton delivered<br>product | 1,3250    | 1,3747    | 1,0857    |

| Carbon Price  | M.U.     | 2016         | 2017         | 2018         |
|---|----------|--------------|--------------|--------------|
| weighted average carbon price calculated                                | €/tonCO2 | 5,13         | 5,80         | 13,09        |
| gross carbon price  | €/tonCO2 | 107.843,49   | 108.057,56   | 203.362,28   |
| carbon price from fossil fuels (natural gas)                            | €/tonCO2 | 3.928,63     | 5.075,01     | 9.781,71     |
| carbon price (i.e. generated by the E.P. provider)                      | €/tonCO2 | 27.123,31    | 14.691,16    | 29.620,63    |
| carbon price from paper and paperboard production (as finished product) | €/tonCO2 | 22.658,65    | 27.856,22    | 66.174,62    |
| Indirect CO2 emissions from paper and cardboard purchases               | €/tonCO2 | 61.366,12    | 70.125,94    | 121.628,86   |
| Indirect CO2 emissions from paper and cardboard waste                   | €/tonCO2 | 95.823,17    | 111.652,85   | 187.929,13   |
| indirect emissions of CO2 from incoming transportation                  | €/tonCO2 | 34.457,06    | 41.526,91    | 66.300,27    |
| indirect emissions of CO2 from outgoing transportation                  | €/tonCO2 | 6.612,61     | 7.539,75     | 19.751,28    |
| Total turnover  | €        | 75.827.265   | 81.526.452   | 86.050.223   |
| Scope 1 Carbon price indicator  | €/€      | 0,0000518103 | 0,0000622499 | 0,0001136744 |
| Scope 2 Carbon price indicator  | €/€      | 0,0003576987 | 0,0001802011 | 0,0003442249 |
| Scope 3 Carbon price indicator  | €/€      | 0,0013509096 | 0,0014620114 | 0,0024134790 |
| Gross carbon price indicator  | €/€      | 0,0014222257 | 0,0013254295 | 0,0023632976 |

| Economic and financial results                         |            | TOTAL      |            |            | BREAKDOWN 2018 |            |  |
|--|------------|------------|------------|------------|----------------|------------|--|
| Ref. 201-1, 203-1                                      | 2016       | ITALY      | ITALY      | ITALY      | IRLANDA        | SERBIA     |  |
| Directly Economic Value<br>Generated                   | 75.827.265 | 81.526.452 | 86.050.223 | 68.266.426 | 2.588.239      | 15.195.558 |  |
| a) Revenues  | 75.827.265 | 81.526.452 | 86.050.223 | 68.266.426 | 2.588.239      | 15.195.558 |  |
| Economic Value Distributed                             | 69.580.540 | 74.219.642 | 79.163.848 | 62.844.724 | 2.173.834      | 14.145.290 |  |
| b) Operating Costs                                     | 48.437.33  | 53.258.875 | 57.773.313 | 44.777.221 | 1.404.485      | 11.591.607 |  |
| c) wages and benefits                                  | 17.520.385 | 18.393.637 | 18.993.323 | 15.958.282 | 712.531        | 2.322.510  |  |
| d) Payments to providers of capital                    | 953.330    | 305.864    | 322.676    | 231.594    | 0              | 91.082     |  |
| e) Payments to PA                                      | 2.641.567  | 2.205.665  | 2.008.985  | 1.818.782  | 56.818         | 133.385    |  |
| f) Community investments <sup>(1)</sup>                | 27.926,47  | 55.601     | 65.551     | 58.845     | 0              | 6.706      |  |
| Economic value retained                                | 6.246.725  | 7.306.810  | 6.471.970  | 5.421.702  | 414.405        | 1.050.268  |  |
| <sup>(1)</sup> - Donations and financial contributions |            |            |            |            |                |            |  |

# 18. Annexes

| Area        | Material Aspect                   | Indicators GRI   | Significance | Influence on<br>Stakeholder | Priority |
|-------------|-----------------------------------|--|--------------|-----------------------------|----------|
| ECONOMIC    | Sustainable development           | 201-2,<br>204-1,<br>301-1/2/3,<br>411-1                                      | -            | YES                         | -        |
| ů<br>S<br>S | Procurement                       | 412-3,<br>414-1/2,<br>414-1/2  |              | YES                         | -        |
|             | Emissions                         |  | -            | -                           | -        |
| MENT        | Energy                            | 302-1/3/4/5<br>303-1/2/3   | YES          | YES                         | YES      |
| ENVIRONMENT | Water                             | 304-1/2/3/4<br>305-1/2/3/4/5<br>306-3/4                                      |              | -                           | -        |
| <u>ش</u>    | Biodiversity                      | 500-5/4  |              | -                           | -        |
|             | Waste                             |  | YES          | YES                         | YES      |
|             | Health and safety at work         |  | YES          | YES                         | YES      |
|             | Training and education            | 102-43,<br>205-1/2/3<br>401-1/2/3,   | YES          | -                           | -        |
|             | Diversity and equal opportunities | 402-1,<br>403-1/2/3  | -            | YES                         | -        |
| SOCIETY     | Industrial Relationships          | 404-1/2/3,<br>405-1/2<br>408-1,  | -            | YES                         | -        |
| S           | Child and forced labour           | 409-1<br>412-2<br>413-1/2,   | -            | -                           | -        |
|             | Local Communities                 | 415-1<br>416-1,  | YES          | YES                         | YES      |
|             | Anti-corruption                   | 417-1,<br>418-1  | YES          | -                           | -        |
|             | Product Responsibility            |  | YES          | YES                         | YES      |
| COMPLIANCE  | Compliance                        | 206-1, 307-1,<br>308-2,<br>402-2, 414-2,<br>416-2, 417-2/3,<br>418-1, 419-1, | YES          | YES                         | YES      |

| Annay 1 Determination   | Table of the | manterial anne acta | and baundarias |
|-------------------------|--------------|---------------------|----------------|
| Annex 1 - Determination | TODE OF THE  | e motenoi ospects   | and boundaries |
|                         |              |                     |                |

|                   | CO   | NVERSION F            | ACTORS 2                    | 018                              |  |  |  |   |
|-------------------|--|-----------------------|-----------------------------|----------------------------------|--|--|--|---|
|                   | CRITERIA ADOPTED   | RIF.                  | M. U.                       | cor                              | VERSION FACTOR                           | SOURCES  |  |   |
|                   | The following description is applied to determine the<br>CO2 emissions deriving from the combustion of<br>diesel fuel during the reference period (calendar  | DENSITY               | t/l                         | 0,845                            |  |  |  |   |
|                   | year). The amount of fuel used is expressed in terms<br>of energy content (TJ) and therefore the basic   | PCI                   | MJ/t                        |                                  | 43,308                                   | Source:<br>https://www.seai.ie/resources/seai-<br>statistics/conversion-factors/   |  |   |
| OIL               | calculation formula is: Ton / CO2 = (t of diesel oil x<br>PCI x Emission factor x Oxidation factor) x 0.000001.<br>Where: the amount of diesel is given by the purchase  | EMISSION<br>FACTOR    | TCO₂/TJ                     |                                  | 73,300                                   |  |  |   |
|                   | invoices.<br>The other data are extracted from the table of national Irish parameters  | OXIDATION<br>FACTOR   |                             |                                  | 1,000                                    |  |  |   |
|                   |  | PCI                   | GJ/<br>1000Stm <sup>3</sup> |                                  | 35,253                                   | Publication by the Ministry of the Environment   |  |   |
|                   | What is described below is used to determine the<br>volume of CO2 in relation to the electricity purchased<br>regardless of how this is used. The amount of fuel   | EMISSION<br>FACTOR    | TCO <sub>2</sub> /TJ        | 55,934<br>1                      |  | and the Protection of the Territory and the Sea<br>http://www.minambiente.it/sites/default/files/arc<br>hivio/allegati/emission_trading/tabella_coefficie  |  |   |
| AS                | used is expressed in terms of energy content (TJ)<br>and therefore Ton/CO <sub>2</sub> = (Sm3 of gas x PCI x   | OXIDATION<br>FACTOR   | COEFF.                      |                                  |  | nti_standard_nazionali_11022019.pdf  |  |   |
| NATURAL GAS       | Emission factor x Oxidation factor) x 0,00001.<br>Where the amount of gas used is derived from the<br>invoice data<br>The other data are retrieved from the table of the   | PCI Serbia            | GJ/<br>1000Stm <sup>3</sup> | 33,33835                         |  | AERS Serbia<br><u>http://www.aers.rs/Index.asp?I=2&amp;a=662</u><br>in dedicated excel file:<br>Kalkulator-PrimerSvodjenja   |  |   |
| 2                 | For Italy, they are notified by the Ministry of Environment (Emission Trading Directive)   | Emiss. Inv.<br>Serbia | TCO₂/TJ                     | 56,100                           |  | IPCC (2006 IPCC Guidelines for National<br>Greenhouse Gas Inventory)<br>www.sinanet.isprambiente.it<br>Specifically Factors electricity emission<br>production and consumption _2018-1 file excel<br>sheet n.8 |  |   |
| 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 kW/h (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 0.00001.) | COEFF. OF CONV.       | всоу кин                    | RLANDA SERBIA ITALIA             | Market based<br>476,53                   | Average Value Natural Gas, IPCC'06<br>https://www.ecohz.com/wp-<br>content/uploads/2017/05/AIB_2016_Residual_<br>Mix_Results.pdf   |  |   |
|                   |  |                       |                             |                                  | Location based 334.9                     | http://www.sinanet.isprambiente.it/it/sia-<br>ispra/serie-storiche-emissioni/national-<br>inventory-report-2018/view   |  |   |
|                   |  |                       |                             |                                  | Market based<br>724<br>Location based    | http://www.iea.org (2010)  |  |   |
|                   |  |                       |                             |                                  | 724                                      | http://www.iea.org (2010)  |  |   |
| ш                 |  |                       |                             |                                  | Market based<br>640,57<br>Location based | Draft: https://www.aib-<br>net.org/facts/european_residual_mix<br>https://www.seai.ie/resources/publications/Ene   |  |   |
|                   |  |                       |                             | 437                              |  | rgy-in-Ireland-2018.pdf  |  |   |
| TRANSPORTS        | Transformation from km to $gCO_2$  | FROM KM TO<br>GCO2    | GCO2/<br>KM                 |                                  | 643,9                                    | http://www.sinanet.isprambiente.it/it/sia-<br>ispra/fetransp   |  |   |
| ADESIVE           | Transformation from mq to kg   | COEFF.                | KG/MQ                       |                                  | 0,107                                    | Specific weight  |  |   |
|                   | Stora Enso (ref. Tambrite) Board Producer  |                       |                             | 0,433<br>0,398<br>0,885<br>0,885 |  | Carbon Footprint Fact Sheet Tambrite 2017<br>05/18   |  |   |
|                   | RDM (ref Rochcoat) Board Producer  |                       |                             |                                  |  | Ref. e-mail 29/03/2019 da RDM  |  |   |
|                   | MM Karton (ref. Kromopak) Board Producers  |                       |                             |                                  |  | Ref. MM Karton - Annual_Report_2017  |  |   |
| RAW               | Various Board Producers  | COEFF. OF             | TCO <sub>2</sub> /          |                                  |  | Ref. Maximum value of ETS per board  |  |   |
| MATERIAL          | Bolloré (ref Primabrite) Paper   | CONV.                 | ton.                        |                                  | 0,212                                    | Ref. PDV 2018 Carbon Assessment del<br>03/04/19  |  |   |
|                   | Various Paper Producers Avery Dennison Self-adhesive paper producer  |                       |                             | 0,212<br>0,423                   |  | Ref. Maximum value of ETS per paper  |  |   |
|                   |  |                       |                             |                                  |  | Ref. Maximum value of ETS per paper  |  |   |
|                   | Various Self-adhesive paper producer   | oducer                |                             | 0423                             |  | Ref. Maximum value of ETS per paper  |  |   |
| CURRENCY EXCHANGE |  | COEFF.OF C            | HANGE \$/€                  |                                  | 1,2398                                   | Annex 1 - Table 2 / Currency conversion rates,<br>as of April 1, 2018 (Report of Word Bank Group<br>2018/)   |  |   |
| CARBON<br>PRICE   | EU ETS   | Italy                 | 16\$                        | 12,90€<br>20,16€<br>12,90€       |  | 12,90€   |  | Contrar mine union distant from the bar |
|                   | Ireland carbon tax   | Ireland               | 25\$                        |                                  |  | Carbon price value deduced from the last<br>edition of Report of Word Bank Group - State<br>and Trends of Carbon Pricing 2018  |  |   |
|                   | EU ETS   | Serbia                | 16\$                        |                                  |  |  |  |   |

Annex 3 - Correlation table of the Report with the 10 principles UN Global Compact

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| AREA           | PRINCIPLE GLOBAL COMPACT PRINCIPLE  | <b>GRI INDICATOR</b>                                     |  |
|----------------|---|--|--|
| HUMAN RIGHTS   | <b>Principle 1</b><br>Businesses should support and respect the protection of<br>internationally proclaimed human rights in their respective<br>spheres of influence. | 103-2,<br>412-2.   |  |
| HUMAN RIGHIS   | <b>Principle 2</b><br>Businesses should make sure that they are not complicit in human rights abuses, not even indirectly.  | 413-1<br>414-2   |  |
|                | <b>Principle 3</b><br>Businesses should uphold the freedom of association of<br>employees and the effective recognition of the right to<br>collective bargaining      |  |  |
| -              | <b>Principle 4</b><br>Businesses should uphold the elimination of all forms of forced<br>and compulsory labour  | 102-8,<br>102-41,<br>401-1,<br>401-3,                    |  |
| LABOUR         | <b>Principle 5</b><br>Businesses should uphold the effective abolition of child labour  | 404-3,<br>405-1,<br>405-2,<br>406-1                      |  |
| -              | <b>Principle 6</b><br>Businesses should uphold the elimination of discrimination in respect of employment and occupation.   |  |  |
|                | <b>Principle 7</b><br>Businesses should support a precautionary approach to environmental challenges  | 201-2,<br>301-1,<br>301-2,                               |  |
| ENVIRONMENT    | <b>Principio 8</b><br>Businesses should undertake initiatives to promote greater<br>environmental responsibility  | 302-1,<br>302-4,<br>303-1,<br>305-1,<br>305-2,           |  |
| -              | <b>Principle 9</b><br>Businesses should encourage the development and diffusion<br>of environmentally friendly technologies.  | 305-2,<br>305-3,<br>305-4,<br>305-5                      |  |
| ANTICORRUPTION | <b>Principle 10</b><br>Businesses should work against corruption in all its forms,<br>including extortion and bribery   | 102-16,<br>205-1,<br>205-2,<br>205-3,<br>413-2,<br>415-1 |  |

## 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 transport of raw materials and products sold (indirect emissions objective 3 );
- 2) Greenhouse gas emissions due to the processing of raw materials entering the production cycle (indirect emissions objective 3 );
- 3) Emissions of greenhouse gases due to the combustion of natural gas in the Italian and Serbian plants (direct emissions objective 1);
- 4) Greenhouse gas emissions due to the combustion of heating oil in the Irish plant (direct emissions objective 1);
- 5) Greenhouse gas emissions due to the production of electricity needed in the plants (indirect emissions objective 2);
- 6) Water consumption;
- 7) Production of waste and waste from raw material (paper, cardboard and derivatives). This aspect, although indirectly, influences the consumption of raw materials.
- 8) Production of wastewater

## 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:

- List of incoming trips (for the procurement of raw material: paper and cardboard) and outgoing trips from :
- Pontedera Plant
- Vicenza Plants (Dueville e Thiene);
- Vršac Plant;
- Tullamore Plant.

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 04 16: glue wash;
- CER 09 01 01: water-based developer and activator solutions;
- 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:

- <u>Extraction of abiotic resources:</u> these types 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.).
- <u>Extraction of biotic resources:</u> including biomass harvested in sustainable modes as well as in unsustainable ways (deforestation)
- <u>Global Warming: increase in temperature in the lower atmosphere as a result of the presence of greenhouse</u> gases that trap infrared radiation.
- <u>Depletion of ozone layer</u>: a consequent increase in the incidence of ultraviolet rays, which are harmful to humans and to all ecosystems in general.
- <u>Eco-toxicity:</u> impacts on species and ecosystems due to direct emissions or subsequent degradation of the products.
- <u>Human toxicity:</u> due to the presence of chemical or biological substances emitted into the environment
- <u>Photochemical pollution:</u> caused by the formation of tropospheric ozone following the reactions of volatile organic components in the presence of light and NOX.
- <u>Acidification:</u> 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.

## 19. Certifications

19.1 Certification of financial statements Palladio Group (pag.1/3)



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

Agli azionisti della Palladio Group S.p.A.

## Relazione sulla revisione contabile del bilancio d'esercizio

## Giudizio

Abbiamo svolto la revisione contabile del bilancio d'esercizio della Palladio Group S.p.A. (la Società), costituito dallo stato patrimoniale al 31 dicembre 2018, dal conto economico e dal rendiconto finanziario per l'esercizio chiuso a tale data e dalla nota integrativa.

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della Società al 31 dicembre 2018, 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.

## Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio* della presente relazione. Siamo indipendenti rispetto alla Società in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

## Responsabilità degli amministratori e del collegio sindacale 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 e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli amministratori sono responsabili per la valutazione della capacità della Società di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio d'esercizio, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio d'esercizio a meno che abbiano valutato che sussistono le condizioni per la liquidazione della Società o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il collegio sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria della Società. Certification of financial statements Palladio Group (pag.2/3)



# Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio d'esercizio nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che tuttavia non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche degli utilizzatori prese sulla base del bilancio d'esercizio.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio d'esercizio, dovuti a frodi
  o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in
  risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare
  il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato
  rispetto al rischio di non individuare un errore significativo derivante da comportamenti od
  eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni,
  omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze, e non per esprimere un giudizio sull'efficacia del controllo interno della Società;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli amministratori e della relativa informativa;
- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli amministratori del
  presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale
  esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere
  dubbi significativi sulla capacità della Società di continuare ad operare come un'entità in
  funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione
  nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa
  sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre
  conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione.
  Tuttavia, eventi o circostanze successivi possono comportare che la Società cessi di operare
  come un'entità in funzionamento;
- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio d'esercizio nel suo complesso, inclusa l'informativa, e se il bilancio d'esercizio rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione.

Abbiamo comunicato ai responsabili delle attività di governance, identificati ad un livello appropriato come richiesto dai principi di revisione internazionali (ISA Italia), tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Certification of financial statements Palladio Group (pag.3/3)



## Relazione su altre disposizioni di legge e regolamentari

Giudizio ai sensi dell'art. 14, comma 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39

Gli amministratori della Palladio Group S.p.A. sono responsabili per la predisposizione della relazione sulla gestione della Palladio Group S.p.A. al 31 dicembre 2018, inclusa la sua coerenza con il relativo bilancio d'esercizio e la sua conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione con il bilancio d'esercizio della Palladio Group S.p.A. al 31 dicembre 2018 e sulla conformità della stessa alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione è coerente con il bilancio d'esercizio della Palladio Group S.p.A. al 31 dicembre 2018 ed è redatta in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'art. 14, c.2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

Verona, 12 aprile 2019

S.p.A

## 19.2 Certification of financial statements Ireland (pag.1/2)

## INDEPENDENT AUDITOR'S REPORT to the Shareholders of Palladio Ireland Packaging Solutions Limited

#### Report on the audit of the financial statements

#### Opinion

I have audited the financial statements of Palladio Ireland Packaging Solutions Limited ('the company') for the year ended 31 December 2018 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Shareholders' Funds and the related notes to the financial statements, including a summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is Irish Law and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", applying Section 1A of that Standard.

In my opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2018
  and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", applying Section 1A of that Standard; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

#### Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the company in accordance with ethical requirements that are relevant to my audit of financial statements in Ireland, including the Ethical Standard for Auditors (Ireland) issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and the Provisions Available for Audits of Small Entities, in the circumstances set out in note 3 to the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require me to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and my Auditor's Report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

#### Opinions on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, I report that:

- in our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- in my opinion, the Directors' Report has been prepared in accordance with the Companies Act 2014.

I have obtained all the information and explanations which I consider necessary for the purposes of my audit. In my 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.

### Matters on which I am required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Directors' Report. The Companies Act 2014 requires me to report to you if, in my opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. I have nothing to report in this regard.

## Certification of financial statements Ireland (pag.2/2)

## INDEPENDENT AUDITOR'S REPORT to the Shareholders of Palladio Ireland Packaging Solutions Limited

#### **Respective responsibilities**

## Responsibilities of directors for the financial statements

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 for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operation, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of my responsibilities for the audit of the financial statements is located on the IAASA's website at: www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description of auditors responsibilities for audit.pdf. The description forms part of my Auditor's Report.

#### The purpose of my audit work and to whom I owe my responsibilities

My report is made solely to the company's shareholders, as a body, in accordance with section 391 of the Companies Act 2014. My audit work has been undertaken so that I might state to the company's shareholders those matters I am required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume any responsibility to anyone other than the company and the company's shareholders, for this report, or for the opinions I have formed.

Michael Casey for and on behalf of BCA Chartered Accountants and Statutory Auditors Clonminch Hi-Technology Park Clonminch Road Tullamore Co. Offaly R35A2Y4 Ireland

21 March 2019

19.3 Certification of financial statements Palladio East (pag.1/2)



Ernst & Young d.o.o. Beograd Antifašističke borbe 13A I 1070 Beograd, Srbija Tel: +381 11 2095 800 Fax: +381 11 2095 891 ey.com/rs

> 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 VRSAC

## **Report on the Financial Statements**

We have audited the accompanying financial statements of Palladio east doo Vrsac (hereinafter: the Company), which comprise the balance sheet as at 31 December 2018, 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.

## Certification of financial statements Palladio East (pag.1/2)



## Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, 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.

## Other matters

The accompanying financial statements represent the Company's stand-alone financial statements. Consolidated financial statements of the Group of which the Company is a parent and which reflect the Group's overall financial position as at 31 December 2018, will be issued at a later date.

ZECE 2 nst a 11 Danijela Mirković, Partner for Ernst & Young d.o.o. Beograd

Belgrade, 14 March 2019

## 19.4 Sustainability Report SGS certification (pag.1/2)

# SGS

## Assurance Statement

SGS Italia S.p.A. was commissioned by the Management of Palladio Group SpA to undertake an independent assurance of the Company's Annual Report 2018 (the 'Report') in accordance with the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by the GRI - Global Reporting Initiative (hereinafter the" GRI Standards").

Our responsibility in conducting the work commissioned from us, in accordance with the term of reference agreed on with the Organization, is solely towards the management of Palladio.

This Independent Assurance Statement is intended solely for the information and use of Palladio's stakeholders and is not intended to be and should not be used by anyone other than this specified parties.

#### **RESPONSIBILITY OF THE DIRECTORS FOR THE REPORT**

The Directors are responsible for preparing the Report in compliance with the "GRI Standards" guideline, and for that part of internal control that they consider necessary to prepare Sustainability Report that is free from material misstatement, whether due to fraud or unintentional behaviours or events. The Directors are also responsible for defining the sustainability performance targets of Palladio, for reporting the sustainability results, as well as for identifying the stakeholders and the significant aspects to be reported.

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.

#### INDEPENDENCE OF THE AUDITORS AND QUALITY CONTROL

SGS Italia S.p.A. SGS affirms its independence from Palladio, being free from bias and conflict of interests with the Organization, its subsidiaries and stakeholders.

SGS Italia S.p.A. maintains an overall quality control system that includes directives and procedures on the compliance with the ethical principles and with the professional principles.

#### AUDITOR'S RESPONSABILITY

The responsibility of SGS Italia S.p.A. is to express an opinion concerning the reliability and accuracy of the information, data and statements contained in the 2018 Sustainability Report and to assess the compliance of Report with the reference requirements, within the below mentioned assurance scope, with the purpose to inform all Interested Parties.

The scope of the work agreed on with Palladio included the following aspects:

- Analysis, according to Limited Assurance Engagement, of the business and data on sustainability, for the period January 2018 to December 2018, as contained in the Report
- Assessment of the reporting standards referred to in the GRI Standards guideline, in accordance with the "Core" option.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000), issued by the IAASB (International Auditing and Assurance Standards Board) for limited assurance engagements. The standard requires that we comply with applicable ethical requirements, including professional independence, and that we plan and perform our work to obtain limited assurance that the Report is free from material misstatement.

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

Via Caldera, 21, 20153 Milano (MI) – Italy - t +39 02 73931 f +39 02 70124630 e sgs.italy@sgs.com <u>www.sgs.com</u> Membri del Gruppo SGS (Société Générale de Surveillance) - Sede Legale Milano Via Caldera, 21 - Capitale sociale € 2,500.000 i.v. CF/N. Isoriz. Reg. Imprese di Milano 04112680378 - P. IVAn. 11370520154 - Cod. Mecc. n. MI223913 - Società unipersonale soggetta a direzione e coordinamento di SGS European Subholding BV

## Sustainability Report SGS certification (pag.2/2)



# 20. Explanatory table of the contents of Report

The 2018 Sustainability Report of the Palladio Group was drawn up in accordance with the GRI Standard, "**Core**" option.

The table below shows the Group's information based on the GRI standards with reference to the materiality analysis of Palladio Group.

For each indicator, the relevant page number of this Sustainability Reports indicated.

| GRI STD | INDICATOR'S TITLE   | PAGE            | NOTES |
|---------|---|-----------------|-------|
| 102-1   | Name of the organization.   |                 |       |
| 102-2   | Primary brands, products, and/or services.  |                 |       |
| 102-3   | Location of organization's headquarters.  |                 |       |
| 102-4   | Number of countries where the organization operates,  | 11-20           |       |
| 102-5   | Nature of ownership and legal form.   |                 |       |
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|----------------|---|---------------|--------------|
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|                | number of work-related fatalities   | 83-84,105,    |              |
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|                | compulsory labour   | 91            |              |
| 10-1           | Safety personnel who have received training on human rights   |               | <b>NUL 1</b> |
|                | procedures and policies   |               | Not reported |
| 11-1           | Number of violations involving rights of indigenous people and actions  | (2            |              |
|                | taken   | 49            |              |
| 12-1           | Number and percentage of operational areas subjected to screening   | <u></u>       |              |
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|                | rights clauses or that are subject to evaluation  | 0-0-          |              |
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# 21. Assessment Questionnaire

To allow all interested readers to express their opinion about the compliance of the Sustainability Report with the principles of guarantee and quality of the information provided in this edition, we have inserted the following questionnaire in order to receive any useful suggestions to clarify and improve the contents of these financial statements.

The questionnaire can be completed and sent by e-mail to the following address: <u>sustainability@palladiogroup.com</u>.

Thank you for your attention and time.

| 1)                          | ) Indicate the belonging category of Stakeholders  |      |                           |  |   |  |  |  |  |
|-----------------------------|--|------|---------------------------|--|---|--|--|--|--|
|                             | Shareholders   |      | Suppliers                 |  |   |  |  |  |  |
|                             | Customer   |      | Employees (specify plant) |  |   |  |  |  |  |
|                             | Community  |      | Institutions              |  |   |  |  |  |  |
|                             | Business Partner   |      | Other                     |  |   |  |  |  |  |
| 2)                          | Assessment of the current sustainabilit  | oort |                           |  | : |  |  |  |  |
| Со                          | mpleteness of information  |      |                           |  |   |  |  |  |  |
| Clarity of information      |  |      |                           |  |   |  |  |  |  |
| Transparency of information |  |      |                           |  |   |  |  |  |  |
| - Economical                |  |      |                           |  |   |  |  |  |  |
| - En                        | vironmental  |      |                           |  |   |  |  |  |  |
| - So                        | cial   |      |                           |  |   |  |  |  |  |
| 21                          | 2) la vula est esta esta de la Cuadada esta litta. De se esta la se se et una su informe esta esta esta esta e |      |                           |  |   |  |  |  |  |

- 4) Which information would you like to be deepening to improve next year's Sustainability Report??
- 5) Do you believe that this Sustainability Report is a useful tool to gain a better knowledge of the Palladio Group business reality?
- 6) Any other comment and/or suggestion?

## Notes

