



SMI S.p.A.

GLOBAL COMPACT

Communication On Progress

Year 2013



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The United Nations Global Compact's 10 Principles

The United Nations Global Compact, also known as Global Compact or UNGC, is a strategic policy initiative but also the world's largest voluntary corporate citizenship. Announced in 1999 by Kofi Annan and officially launched by the United Nations in 2000, it aims at encouraging businesses to commit themselves in adopting responsible and sustainable policies, in line with ten core principles in the areas of human rights, labor, environment and anti-corruption.

Since 2003, one of the Global Compact commitments establishes that, every year, all participating companies have to publish a Communication On Progress (COP). This disclosure expects businesses to share their efforts in implementing the United Nations Global Compact and its principles.

SMI S.p.A., who joined the Global Compact in 2008, is now fulfilling its duty, and communicating on its own efforts and accomplishments through its COP.

Global Compact 10 Principles:

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;

Principle 2: make sure that they are not complicit in human rights abuses.

Labor Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor;

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

Environment

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

Principle 8: undertake initiatives to promote greater environmental responsibility;

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

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

About SMI S.p.A.

SMI is the leading manufacturer of automatic packers for secondary shrink film and corrugated cardboard packaging, and one of the leading manufacturers of rotary stretch blow-moulders for the production of PET bottles. 97% of SMI's systems, which are entirely produced in Italy, are exported to **130 foreign countries** where the company is present with its own direct subsidiaries and also through a network of agents and dealers who provide commercial and technical support to more than **5,000 customers**. In over 25 years of business, SMI has always distinguished itself on the market for its high level of technological innovation and operative flexibility in its range of machines and systems, which is constantly upgraded and expanded through intensive Research & Development in which the company invests about 4% of its turnover every year. **SMIGROUP** is the parent company of the Group, which includes subsidiaries **SMI, SMIPACK, SMIMEC, SMITEC, SMILAB, SMIENERGIA** and **SARCO RE**, as well as the foreign branch network.

Our Mission

We are a customer-oriented organization, committed to the design and construction of high-tech bottling & packaging systems for up to 50,000 bottles per hour, characterized by the best quality/price ratio on the market. We want to provide our customers worldwide with innovative solutions capable of fully meeting their demands in terms of efficiency, reliability, flexibility and energy saving.

Our customers' satisfaction

We provide our customers with quality products and services they can always rely on.

We undertake to maintain and enhance our customers' satisfaction.

We are constantly in search for the best solution to meet our customers' demands when we develop a new product or we improve the existing ones.

Our staff's undertaking

The success of our business is based on the enthusiasm, the engagement, the ability, the skillfulness, the creativity and the spirit of initiative of each individual working for us. The sharing of the same goals is a key factor for our organization's advance. The merger of the skills of all members of our staff is a vital resource of our company in order to achieve the best results.

The challenge of changes

We exploit all opportunities generated by changes.

We change pro-actively the way we carry on our activity, so as to be successful forerunners in an ever-evolving world. We consider innovation as a key factor for the continuous enhancement of our wide spectrum of solutions.

Our History

SMIGroup's origins date back to the mid-'70s, when Luigi Nava sets up a machine shop in San Pellegrino Terme (Bergamo). In the beginning the craftsman's small enterprise activity is represented by machine finishings for third parties. Some years later such activity is enlarged to the maintenance and repair of machinery and equipment employed in the bottling and packaging lines of the beverage industry.

1987: the first packer (called "shrinkwrapper") comes to light: APET series is born and immediately catches the market's attention. In the same year, in addition to the "F.lli Nava" machine shop, the limited liability company SMI (Sistemi Macchine Impianti) Srl is established.

1989: SMI officially presents its shrinkwrappers in the occasion of "SIMEI" international exhibition in Milan. In the same year SMI also manufactures the first overlapping cardboard sleeve multipacker of the MTB series (then MP), achieving the speed of 100 packs/minute.

The '90s mark the phase of impetuous growth in the manufacturing and sales activities. SMI rapidly climbs the ranking of the largest producers of packaging machines, thanks to a revolutionary mechanical and electronic technology which allows reaching higher and higher output speeds.

1994: the year of the big change: SMI Srl moves its headquarters to San Giovanni Bianco (Bergamo) in a modern industrial complex of 7,600 sqm (in the following years they will become 65,000 sqm), which allows a remarkable increase in the manufacturing capacity. In year 1994 the machine production bounces to over 100 units and the workforce goes up to 90 people.

1997: SMIPACK Srl is established as a SMI's subsidiary company for the manufacture of L-seal hood machines and sealing bar shrinkwrappers.

1998: SMI starts Smiline project, a company division created for the production of conveyors and line logistics systems.

1999: SMI sets up Smiform, a unit specialized in the production of rotary stretch-blow moulders to produce PET containers.

2000-2010: The years of the internationalization and advanced research with the establishment of a widespread network of offices abroad (to provide technical and commercial assistance).

2006: a year of extreme importance to SMI: the 3,000th shrinkwrapper is delivered and meanwhile the first 20 mould stretch-blow moulders comes into service.

2007-2008: SMIGroup undergoes a deep internal reorganization, which casts solid foundations to efficiently face the market's newer challenges: production cost optimization, revised internal management procedures and advanced innovation programs are the key points.

2008: SMI launches SMILAB project, the technological center, whose activities are "Research & Innovation", "Training" and "Services to Enterprises". All SMILAB activities aim at innovative and sustainable solutions in the industry, energy, social and cultural domains.

2009: SMI sets up the new Smipal division and at Drinktec 2009 presents the APS 3000, an innovative automatic palletising system for end-of-line operations up to 300 layers per hour.

2010: Smiform expands its product range with ECOBLOC® integrated systems, combining in one machine stretch-blowing, filling and capping technologies and ECOBLOC® PLUS integrating the labelling machine as well.

2011: SMI installs a complete water bottling line at "Fonte Stella Alpina" production plant, called SACS (Stella Alpina Cost-Saving), capable of outputting up to 14,400 bottles/hour. It features state-of-the-art technology, compact size, low energy consumption and high operating efficiency.

2012: SMI celebrates its 25th anniversary with the slogan "constantly innovating the packaging industry since 1987". Furthermore, Smipal brand expands its product range of automatic palletising systems with the APS 1035 series, equipped with a row pre-formation conveyour and a picking gripper and with the APS 3100 L series, equipped with a continuous in-line layer pre-formation system.

2013: at the Drinktec fair in Munich, SMI presented the fastest stretch-blow moulder in the world, capable of producing up to 2,500 bottles per hour per mould.

SMI CEO's statement

Since 2008 SMI S.p.A. has adhered to the United Nations Global Compact and is committed to respect its 10 Universal Principles on Human Rights, Labor, Environment Standards and Fight Against Corruption. During last years, our company is developing an huge number of actions to implement these principles in our corporate policy, which involves our employees, suppliers and customers. The projects we develop at SMI are aimed at achieving technically advanced results which also comply, in all aspects, with the most stringent parameters of economic and environmental compatibility of the production processes they undergo.

The food and beverage industry has now reached such dimensions worldwide that it imposes, on anyone operating in this sector, increasing sensitivity towards the issue of sustainable development and impact that production processes can have on environmental balance. Programs started on a global scale to tackle the complex problems relating to global warming, climate change and saving of energy resources aim at defining development strategies based on the construction of production facilities featuring high efficiency, low power consumption and reduced running and maintenance costs.

Protecting the ecosystem in which we live has now become imperative for all human activities; only by restructuring their work so as to satisfy this new and pressing requirement can companies continue to grow and progress.

Within this document are our task to define our global objectives, responsibilities and achievements in the implementation of some of the 10 Principles.

Paolo Nava,
President & CEO
SMI S.p.A.



Communication On Progress

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www.smigroup.it

HUMAN RIGHTS

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Actions and results

The Universal Declaration of Human Rights is the basis on which we create our daily work.

Our company fully recognizes the right of all human being to express her/his own opinion, culture, religious and sexual preferences, political orientation and any other aspect of private life.

Our employees operate in a fair and healthy working environment in accordance with the Italian law provisions as per the D.L. 81/2008 and D.L. 106/09 bills governing the safety at work. Both bills, which combine, amend and enhance the previous regulations provided by decrees n. 626/94 and 388/03 for safety and health at work, have been immediately acknowledged and implemented by our company. As far as our foreign branches personnel is concerned, we fully comply with labor rules and regulations in force in the country where the branch is located.

Our company promotes the individual and professional growth of each worker by creating a socially stimulating environment, where anybody can benefit from a continuous exchange of ideas, knowledge, experiences.

Constantly, our employees take part in training courses focusing on a wide spectrum of matters in order to be informed and updated about new rules, enhancements, progresses and opportunities.

In the training activity, SMI avails itself of the contribution and partnerships with companies, communities, private and public institutions, universities, research centers and other organizations operating locally, nationally and internationally.

Our mission is based on the full satisfaction of the needs of customers and employees; therefore, our actions and strategies are developed in accordance with these principles. The constant goal of our organization is to maintain and improve the results achieved in this field.

Principle 2: Businesses should ensure that they are not complicit in human rights abuses.

Actions and results

SMI fully respects current laws and regulations governing workers' employment and rights. Our organization refuses to keep business relationships with third parties (customers, suppliers, etc.) which do not fully comply with the same rules. We periodically ask our business partners to fill in detailed forms where they have to state their policy in terms of recruitment and employment.

LABOR STANDARDS

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Actions and results

Our company fully respects and promotes the freedom of association and trade unions activity in the company sites. SMI employees can freely join the trade union association they prefer and are entitled to elect the RSU members (united trade union delegates), who are entrusted to deal with all matters related with the collective bargaining between the employees and the employer. Through workers' meetings and committees, we create an ideal dialogue between the company executive management and the company workforce, both at the headquarters and at our subsidiaries all over the world.

Principle 4: The elimination of all forms of forced and compulsory labor;

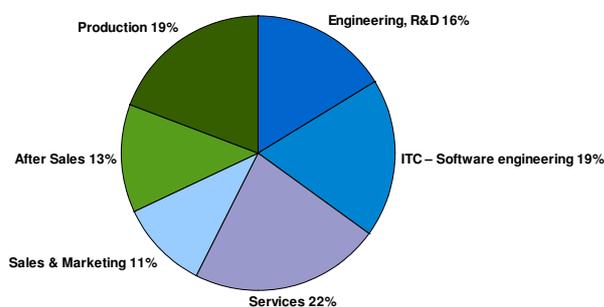
Principle 5: the effective abolition of child labor; and

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

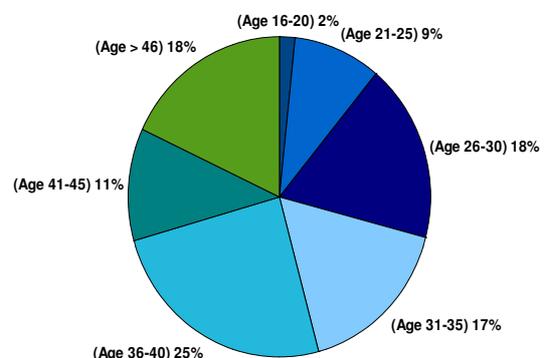
Actions and results

SMI fully respects current laws and regulations governing workers' employment and rights. Our company fully recognizes each individual's right to express his / her own opinion, culture, religious and sexual preferences, political orientation and any other aspect of private life. All of 662 employees of SMI and its subsidiary companies are aged 18 or older, with an average age of 36.

Human resources per allocation (31.12.2013)



Age brackets > Smigroup



ENVIRONMENT CARE

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

Actions and results

Our company pays great attention to environment-related issues and is always looking for eco-friendly solutions in the daily management of its activity.

SMI S.p.A. and the other companies belonging to SMIGroup (SMIPACK – SMILAB – SMIENERGIA – SARCO RE) have always been considering sustainable growth as one of the essential values of their mission, in order to achieve a close harmony between industrial activity, product quality, environment protection and safety at work.

The companies of SMI Group have adopted a Quality and Environment integrated management system, in compliance with UNI EN ISO 9001:2008 (Quality Management System) and UNI EN ISO 14001:2004 (Environment Management System).

SMI S.p.A. has also adopted a Safety Management System, in compliance with the international standard BS OHSAS 18001:2007.

The OHSAS 18001 is a British Standard (BS) for occupational health and safety management systems. It exists to help all kinds of organizations put in place demonstrably sound occupational health and safety performance. It is widely seen as the world's most recognized occupational health and safety management systems standard.



The OHSAS Project Group published the OHSAS 18000 Series in 1999. The Series consisted of two specifications: 18001 provided requirements for an OHS management system and 18002 gave

implementation guidelines.

The OHSAS 18001 specification was updated in July 2007. Among other changes, the new specification was more closely aligned with the structures of ISO 9000 and ISO 14000 so that organizations could more easily adopt OHSAS 18001 alongside existing management systems. Additionally, the 'health' component of 'health and safety' was given greater emphasis.

Quality, Environment and Safety are three essential values to be taken into consideration during the production process, in order to create a harmonious co-existence between individuals, technology and nature and for offering a valid contribution to customers and to social development. One of SMIGroup's priorities is getting the company's workers, suppliers, customers and the public involved with the principles and values of its corporate mission in terms of environmental respect and safety at work.

In order to pursue its policy, the company has adopted a series of strategies, better described in the **Quality – Environment – Safety Policy**.



Among the many innovations introduced in our organization, it is worth mentioning the following initiatives:

- the company cars fleet has been recently upgraded with new vehicles featuring more efficient engines and low emission of CO₂;
- SMI has set up the subsidiary company SMIENERGIA, which is engaged in the renewable energies sector. It currently runs a 1 MW hydroelectric power plant fed by the Brembro river's waters providing green energy to SMIGroup's office buildings and manufacturing workshops;
- our office buildings and manufacturing shops are heated/cooled by a fully automated self-adjusting air conditioning system, equipped with special sensors detecting the ambient temperature and humidity, which keeps work environment at constant conditions in all seasons;
- SMI has implemented a differentiated waste disposal program allowing to minimize the environmental impact of production process wastes and to improve the waste material collection and recycling.

Principle 8: Business should undertake initiatives to promote greater environmental responsibility.

Actions and results

In order to reduce the impact on the environment, SMI encourages a wise use of resources and energy through the organization of events and conferences, called “Smilab Days”, during which high profile speakers – researchers, academics, scholars and businessmen – discuss key technical and scientific issues, such as nanotechnologies, electronic paper and renewable energies. The “E-Paper Day” took place by virtue of the collaboration between SMILAB and CREDEMTEL, a company belonging to CREDEM (Credito Emiliano) Banking Group, a provider of on-line crediting and payment management services to banks and businesses via its CBI remote banking service since 1989. The main topic of discussion was “document digitalisation”, that is to say the importance and state of critical urgency of keeping an “electronic replacement copy” of corporate documents. The paper-based model of modern society has become unsustainable from an environmental point of view, since the huge quantity of paper required is among the main causes of the Earth's deforestation.

The “Energy Day” conference is the result of SMILAB growing commitment towards the development of innovative technologies to produce energy from renewable sources. Renewable energies (solar, wind, water, geothermal) represent the main path towards global economic growth in the future, as, as well as being renewable, they also have a zero environmental impact given that they do not produce greenhouse gases or polluting waste. Among the most notable projects developed by SMILAB in the renewable energy sector are the “Solar Park Control System Project” and the “Public LED Lighting Project”.

The “Mobility Forum” took place with the collaboration between SMILAB and Fraunhofer Gesellschaft, the Europe’s largest application-oriented research organization. The main topic of discussion were technical, economical, environmental and legislative aspects related to the mobility in Europe. Railway, road and air transport are in fact highly important for the international economic development and can contribute to the strengthening of each company.

Principle 9: Business should encourage the development and diffusion of environmentally friendly technologies.

Actions & results

SMI “R&D” Center is constantly committed in searching new solutions and in developing new technologies which assure machine enhanced performances, high environmental compatibility, low energy consumption and low total costs of operations (TCO). Among the many innovations recently introduced in our product range, it is worth mentioning:

- ◆ in 2007 SMI introduced on its SR series of stretch-blow moulding machines the innovative ARS (Air Recovery System) device, now assembled on all SR models as a standard

equipment. The ARS device allows to recover up to 40% of the high-pressure compressed air used during the PET plastic bottle manufacturing and to save up to 20% of the electrical power absorbed by the machine in the stretch-blow moulding process.

- ◆ In 2009 SMI displayed at Drinktec exhibition in Munich a newly designed SR 8 stretch-blow molding machine, capable of producing up to 14,400 bottles/hour. This equipment was designed especially for the production of lightweight 0.5 L PET plastic bottles for water and soft drinks and it allows to manufacture robust and versatile containers weighing only 9.94 gr, in comparison with the widely used 15-16 gr. bottles. From the environment point of view, the huge reduction in the bottle weight (-30/40%) turns into a much lower quantity of plastics input in the ecosystem (PET comes from petroleum), a lower consumption of the electrical power required in the bottle-manufacturing process and in a more environment-friendly waste disposal and recycling of empty bottles.
- ◆ In 2010, SMI introduced a new methane-heated shrinking tunnel to be joined with its shrink-wrapping packaging machines; in order to “shrink” the plastic film wrapped around a cluster of beverage or food containers, this tunnel employs the heat generated by the combustion of natural gas in place of commonly used electric resistances. Since electricity is largely produced by burning traditional combustibles, SMI new tunnel allows to reduce air pollution as natural gas is smog-less and pollution-free.
- ◆ In 2011 SMI displayed at Interpack exhibition in Dusseldorf (Germany), the new ECOBLOC® PLUS system: a compact, cost-saving and eco-friendly integrated solution. SMI laboratories' relentless engagement in Research and Innovation projects has led to of launch of this machine, featuring integrated systems of stretch-blowing, filling/capping and labelling of PET containers with capacity from 0.2 to 3 L, running up to 36,000 bottles/hour. ECOBLOC® serie stand out for compact and modular frame; state-of-the-art technologies; cost-effectiveness; eco-friendly solutions; high level of hygiene and cleanliness and considerably lower energy consumption.

In 2011 SMI also installs a complete water bottling line at "Fonte Stella Alpina" production plant, called SACS (Stella Alpina Cost Saving), capable of outputting up to 14,400 bottles/hour. It features state-of-the-art technology, compact dimensions, low energy consumption and high operating efficiency.

More in details:

- up to a 20% reduction in the purchase, running and maintenance costs of the machines;
- lighter packaging material; SACS project stands out for the considerable reduction of primary and secondary packaging material;
 - » up to a 30% reduction in the plastic (PET) used to produce bottles, thanks to the design of new "ultra-light" containers, one for 0.5L and the other for 1.5L, obtained by stretch-blow moulding preforms of 11g and 23g respectively;
 - » up to a 50% reduction in thermo-shrinkable film, achieved by equipping the

shrinkwrapping machine with a new knife with a motorised blade controlled by digital servo-drivers, which allows for the use of shrink film with a thickness less than 30 micron (as against the 50- 60 micron previously used by Stella Alpina) for the 3x2 format of 0.5L bottles;

- low water and energy consumption: the consumption of water used for cleaning the plant has been reduced by up to the 90%, thanks to the "baseless" technology applied to the filler, which allows for the base of the machines to be "freed" from moving components and mechanical parts, where dirt and waste from the production process usually accumulates; Also the energy consumption of the whole production line has been lowered by up to the 15%, thanks to the application of state-of-the-art technology solutions;

- thanks to the use of integrated machines, of high energy-efficient motors, of air and heat recovery systems, as well as to the lightening of primary and secondary packaging material, a reduction in CO2 emissions of up to the 50% has been accomplished.

- ◆ In 2012, SMI introduced a new system for recovering the heat produced by the shrinking tunnels of Smiflexi-branded shrinkwrappers. The installation of this new system, both on new or existing machines, makes it possible to reduce the consumption of electrical power during the packaging process.
- ◆ In 2013 SMI's response to the pressing demands of the beverage industry for faster, more efficient and energy-saving bottle-manufacturing systems now has a new name: the HSR (High-Speed Rotary) series by Smiform. It is a new range of truly innovative rotary stretch-blow moulders that is going to change the world of PET containers; the HSR series is the outcome of years of intensive research by SMI labs and boasts absolutely revolutionary technical solutions compared to other systems available on the marketplace. Smiform's new stretch-blow moulders are capable of producing up to 2,500 bottles per hour per cavity (0.5-litre bottles), with an average **reduction of up to 40% of the installed power and of up to 30% of the absorbed power if compared to traditional solutions.**

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

Actions and results

SMI undertakes different initiatives to ensure that the Procurement Department complies with ethical values.