



SMI S.p.A.

GLOBAL COMPACT

Communication On Progress

Year 2010



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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 first 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 S.p.A is the parent company of SMIGroup, which is today one of the world's largest manufacturers of high-tech packaging machines. SMIGroup consists of **SMI** with its internal divisions (Smiflexi, Smiform, Smiline, Smimec, Smipal, Smitec), of the subsidiary companies **SMIPACK**, **SMILAB** and **SMIENERGIA** and of a network of branches providing sales and after sales support to 30,000 clients. Moreover, all the group's companies employ a quality management system that is UNI EN ISO 9001:2000 certified.

Our Mission

We are a fully integrated organization engaged to grow all over the world by helping our customers achieve their goals. We propose an innovative business model that founds its success on technologically advanced products with an excellent quality/price ratio.

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.

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. Therefore, our company has developed a number of actions to implement these principles in our corporate policy, which involves our employees as well as our suppliers and customers.

There's no doubt that people's and companies' sensitivity over the environment and eco-friendly solutions is really growing fast. Solutions needing ongoing innovative technological development. That's why in 2009 and 2010, SMI concentrated all efforts on creating new products with two predominant features: energy saving and advanced technology. The entire group has been concentrating on creating machines and plants with reduced environmental impact, effectively responding to the new requests coming from a continually evolving market. In recent months, our Research and Innovation Center, SMILAB, has launched several development projects focussed on innovative technological solutions to reduce the energy consumption of machines and systems and increase production efficiency and flexible operations. An example of this innovative solutions is represented by the new methane gas-powered thermoretraction tunnel: an "eco-friendly" solution from all points of view as the economic and environmental advantages of methane over oil are innumerable and respond perfectly to those eco-compatible and energy saving principles, especially in countries where the price of methane gas is much advantageous than fossil fuels. 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

Year 2010

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.

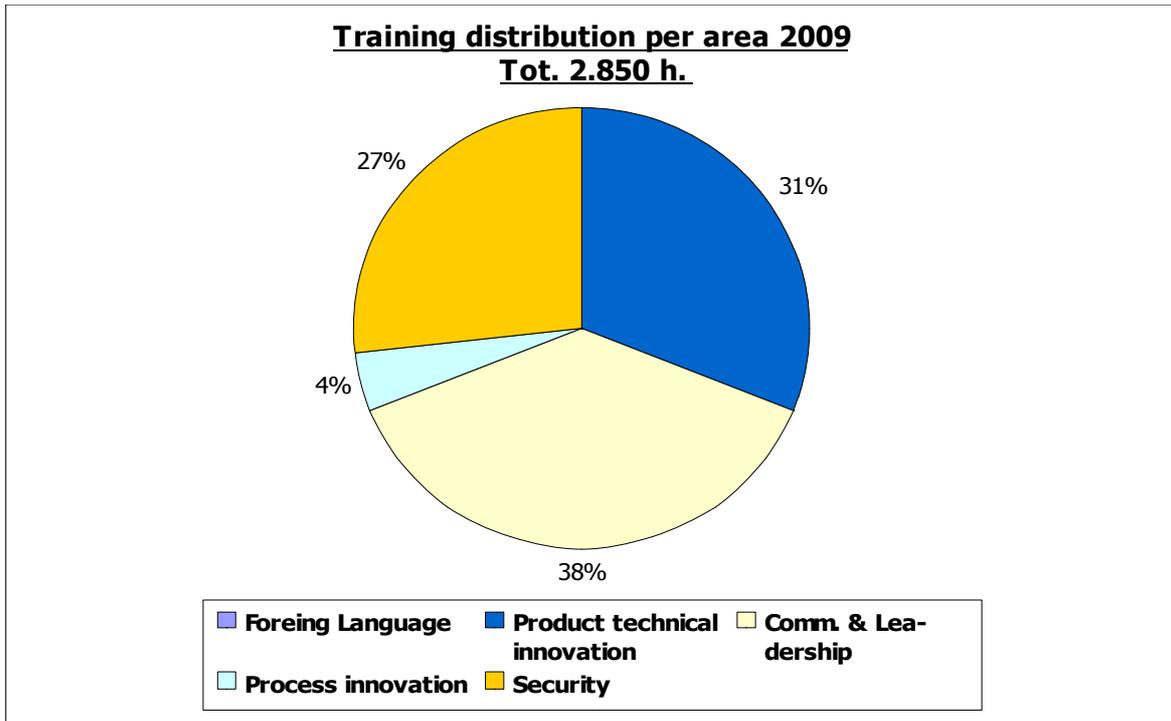
Our employees operate in a fair and healthy working environment in accordance with the Italian law provisions as per the D.L. 81/2008 and D.L. 106/09 bills governing the safety at work. Both bills, which combine, amend and enhance the previous regulations provided by decrees n. 626/94 and 388/03 for 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. Dedicated "coffee break" areas allow SMI employees to share their opinions and information during informal meetings.

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

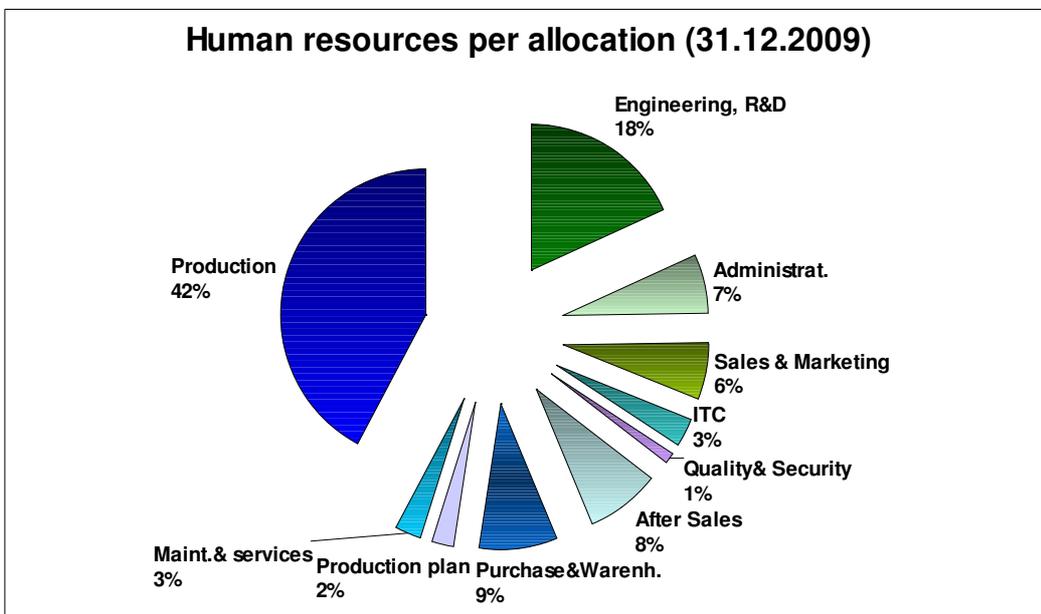
Principle 6: the elimination of discrimination in respect of employment and occupation.

Actions and results

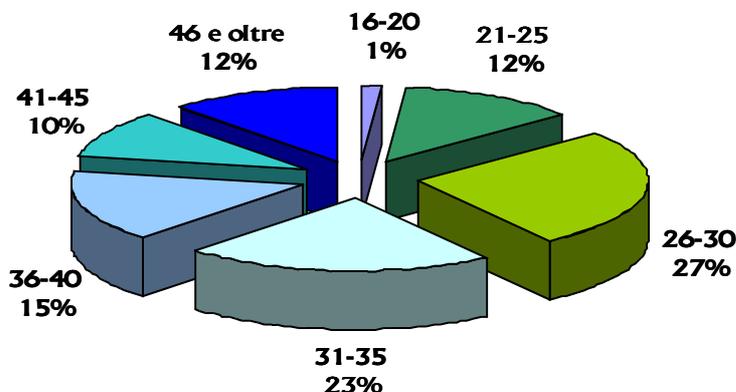
SMI fully respects current laws and regulations governing workers' employment and rights.

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 520 employees of SMI and its subsidiary companies are aged 18 or older, with an average age of 34. Women represent 17% of the total workforce and 42% of the office staff.



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. 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 a new subsidiary company called 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”.

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 moulding 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.

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 codes.