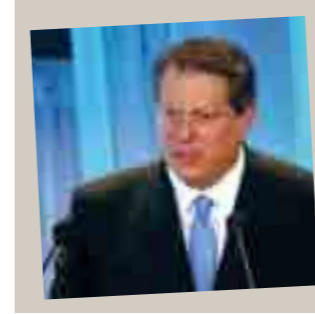




RenoDeMedici

**SOCIAL AND
ENVIRONMENTAL
REPORT 2013**

Redesigning for recycling



“Every week a ton of solid industrial waste is created for every man, woman and child. This is incredible, and yet, if we take into account all three categories, which are defined rather carefully, each day every person in the United States produces more than twice his/her own weight in waste.” [...]

“I have reached the conclusion that it is

necessary to take courageous, uncompromising action: we must make environmental protection the main organizing principle of civilization. Whether we realize it or not, we are currently engaged in an epic battle to re-establish balance on Earth, and the fate of this battle will be reversed only when most people in the world feel shaken by a common feeling of impending danger and join in a supreme effort. It is time to determine exactly how this can be done.” [...]

“Entire product lines should be redesigned to facilitate their recycling. For example, plastic containers for certain beverages contain miniscule amounts of metal that make it impossible to recycle them.

Certain newspaper supplements contain a clay-based coating making it impossible for recyclers to put the entire newspaper in their equipment. The fact that we have to pay people to rummage through hundreds of thousands of newspapers to remove these supplements by hand can make the entire process anything but cost-effective. There are many design flaws of this type in products that could be easily recycled if certain minor changes were made to the entire process used to manufacture and distribute the products.” [...]

“We should get to the point of reusing everything that becomes a part of a new product and all its by-products.”

Al Gore, La Terra in Bilico [Earth in Balance: Ecology and the Human Spirit]
© 2008/2013 RCS Libri S.p.A. / Bompiani

Note on Methodology

This document is the third edition of the Social and Environmental Report for 2013. But what do we mean in the RDM Group when we talk about the “*Social and Environmental Report*”? Using the definition coined in 1997 and shared by most scholars, Social and Environmental Report means “the tool used to verify the assumptions of corporate social responsibility and the social environment in which the corporation exists as a result of the broad or narrow acceptance of this role. In this context, companies, in a certain way, are signing a new social contract in which they agree to include among their objectives (and at their cost) certain socially desirable functions, and thereby derive certain benefits from doing so.”

(R. Marziantonio, Comunicazione & Processi di Miglioramento).

We aim to provide an easily readable tool to all associates in our group who are interested in our social performance as well as our operating performance, and also to allow them to monitor the impact of our presence at the local level and on the social environment in which we live (and not just work).

The data and information refer to the financial year ending on December 31, 2013.

The scope of consolidation of the data includes the RDM Group, with reference only to operating companies, unless otherwise specified.

Structure and contents

The document is broken down into the following sections:

THE RDM GROUP

This section explains the Group’s characteristics, with special attention to lines for development of the corporate and organizational structure. The Group’s value structure is shown as formalized in the Code of Ethics and, in the part regarding corporate governance, the guidelines for governance and the internal audit system are described.

ENVIRONMENTAL REPORT

This section describes our products’ unique features and their “green” focus, which combined with our own focus, constitute our distinctive feature.

SOCIAL REPORT

This section concentrates on reporting on the strategies, objectives and the result of the activities carried out by the Group in relation to its stakeholders and the contribution and impact on the local area and the community.

This year, guided by our green focus, we have decided to show that recycling is not only useful, but beautiful: in fact, it’s a work of art! In the pamphlet attached to this document, you will find an actual catalog of works of art created using recycled materials.

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Let us work together on the packaging of the future





Introduction
Global awareness



Introduction

Global awareness

In 2013, the Earth Overshoot Day, the date on which humanity exhausts its environmental budget for a year, took place on August 20. This was two days earlier than the year before. This means that from that point forward, the world began living beyond its means by drawing on stocks of resources and amassing carbon dioxide in the atmosphere. Just as banks track cash outflows and inflows, the Global Footprint Network, a non-profit research company in the sustainable field, measures the demand and supply of natural resources and environmental services. Its last estimate says that in about 8 months more renewable resources and CO₂ capture capacity are consumed than the planet is able to make available for an entire year. The Earth Overshoot Day is a sort of measure of the gap between the demand for environmental resources and services compared to what the planet

is actually able to make available to us. In recent decades, the gap has grown even larger. In 1993 the Earth Overshoot Day occurred on October 21; in 2013 on September 22, and now on August 20. What can we do to reverse this trend? People's awareness of environmental issues is growing constantly. Global warming, higher consumption of resources and urbanization and industrialization have a major environmental impact on the planet, and the idea that the creation of wealth should be connected with due regard for social and environmental protection is becoming more widespread. Obviously, the fight against global warming is not a "mission" reserved solely for governments, associations and "virtuous" individuals. All companies large and small are now being called to commit themselves to safeguarding the environment; otherwise, there will be no future. Through its de-

isions, its production and selling methods and its ability to save and preserve natural resources, every company is able to contribute significantly to the turning point that must be activated, before it is too late, to ensure that the annual anniversary estimated by the Global Footprint Network will move at the same pace as nature.

Global awareness of these issues is already driving many companies worldwide to embrace sustainability. As key players of the economic and social life in Italy and Europe, in the RDM Group we feel responsible for everything around us – economic, environmental, social and cultural wealth – and we strongly believe it is our duty to protect all this over time. Our recycling-related activities are, by their nature, sustainable and reflect the essence of the direction that the world is called to take in recent years: finding a way to protect nature. For us this strategy means not only saving and regenerating existing materials, but also reusing them creatively to create new objects, works of art, that are a blend of the past and innovation.

New explorations

The concept of recycling is the origin, the starting point for the process that is giving rise to the need for all to participate in this new form of the aesthetics of nature: the safeguarding of nature itself. And this 'breath of fresh air' is felt not only at companies, such as ours, which are 'sustainable' by nature, but also at those dedicated to the most diverse disciplines (from the aesthetics of art to the different sectors of the most traditional of industries).

However, what defines the characteristics of this trend is in-depth thinking on processes that are becoming new areas for exploration, not only to

regenerate existing materials, but also to create truly new and surprising objects, close to a quasi-religious concept of the 'reincarnation' of nature. Thus, the issue of sustainability becomes an absolute paradigm in defining the priorities of consumption and of industrial planning and production. In this creative phase, the game of limitless experimentation is played out, to generate languages and icons that go beyond the aesthetics of essentiality, which for a long time was practically the only code on sustainability-related issues. The creative impetus that defines total recycling becomes an exploration of excesses, which, without overlooking the more value-related and industrial aspects, is enriched in the search for new and more artistic forms of creativity.

The paradigm of sustainability and comprehensive recycling manifests itself through:

- the will and the need for a new ethics of sustainability, full of incentives and not geared toward depleting sources;
- the ability to give the right weight back to the aesthetics of recycling, blending the past with innovation;
- the need to nourish behaviors and styles of thought interweaving high-end aesthetics with underground stimuli;
- the sensitivity to change associated with collective awareness (and no longer just among elite niches) in relation to the environment and its priorities, which become democratic and popular.

It is this context of sustainability and total, creative, inspiring recycling – which leads to an exploration of excesses without forgetting the more value-based and industrial aspects – that we in the RDM Group wish to contribute to experimenting with new forms of recycling.



Reno De Medici
Group Identity



Reno De Medici

Group Identity

The RDM Group today is the result of the merger with the Cascades Group begun in 2007 for purposes of creating the second-largest European unit for the production of cardboard for packaging. Present throughout Europe with its plants located in Italy, Spain, France and Germany, it has also propelled its sales activities to countries outside the 'Old Continent,' thanks to an extensive sales network.

RDM is also actively committed to the environment through careful management of the energy and natural resources necessary for the production process. The closed-loop value chain of a recycling-based product is one of the Group's strong points for the sustainability of its business. RDM pursues its mission by rigorously observing the goal of creating value for its shareholders.

The Code of Ethics

The Code of Ethics is our "Constitution," and the moral compass for our actions. It is aimed at clearly defining our values, principles and rules of conduct, to which we attach a positive ethical value, and compliance with which is essential for the proper performance of our operations in order to protect our reliability, reputation and image.

The main purpose of the Code of Ethics is to disseminate the values which the RDM Group believes in, and which form its identity, so that anyone within our organization has a moral compass that can be used when making a decision, or more simply, in day-to-day life in our group.

It should be stressed that our Group's Code of Ethics is not meant to increase the degree of legal compliance or enhance our reputation because legal responsibility, compliance with laws and fai-

ness, as well as product quality, are an unavoidable condition for the very existence of our Group, and thus, cannot be considered as the objectives of our Code of Ethics.

Thus, the main goal of the Code of Ethics is to disseminate the values with which the company identifies at all levels, and to ensure that whenever anyone is asked to make a decision, that person will clearly recall that not only his or her interests, rights and duties are important, but also those of others.

In other words, everyone must be aware that the wellbeing and respect of everyone must always

be specifically taken into account in all phases of day-to-day activities.

The Code of Ethics, which was revised significantly in 2013, applies to all employees of the RDM Group and third parties that maintain relationships with our Group.

Overseeing the implementation of the Code of Ethics and its application is the duty of the directors and employees of RDM, who, upon detecting any violations, must report them to the Supervisory Board. The Code of Ethics is posted on the website: www.renodemedici.it

Production sites



PRODUCTION SITES IN EUROPE

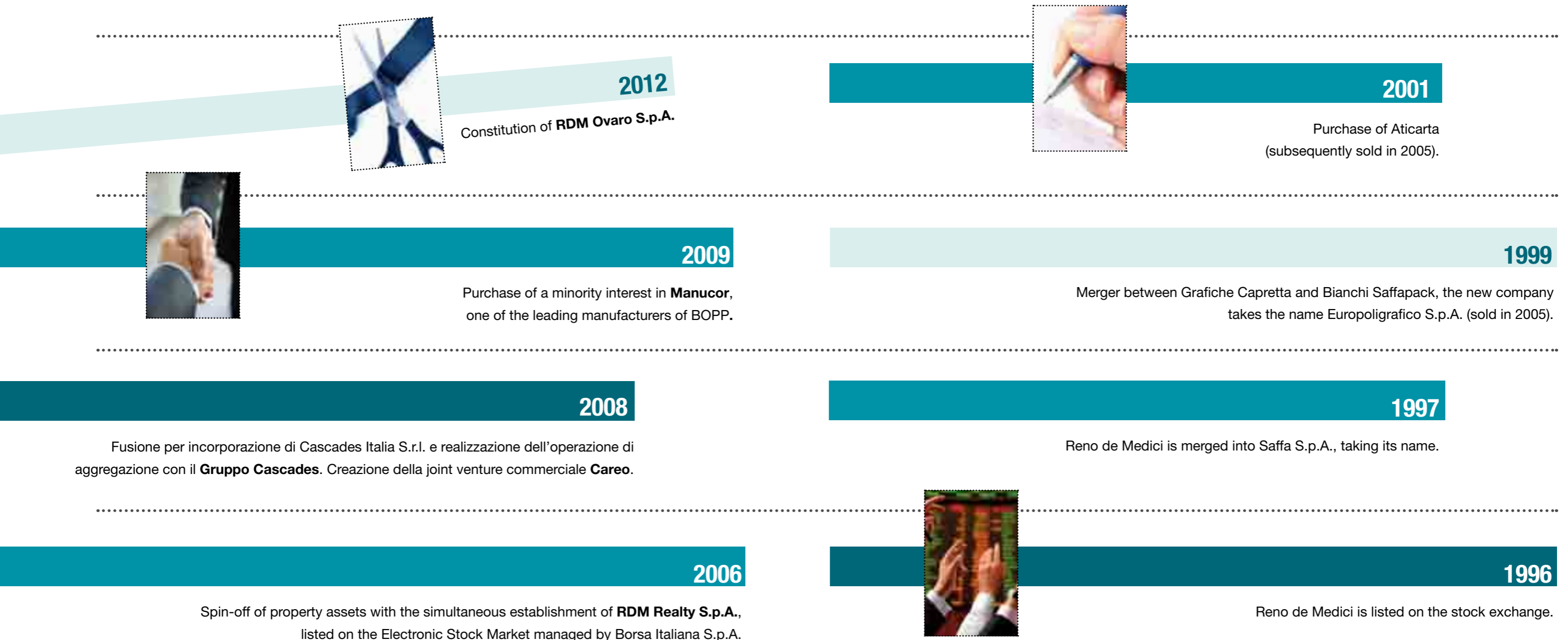
- | | |
|-------------------------------------|------------------------|
| A) Santa Giustina, Belluno, Italy | D) Almazan, Spain |
| B) Ovaro, Udine, Italy | E) Blendecques, France |
| C) Villa S. Lucia, Frosinone, Italy | F) Arnsberg, Germany |

Profile of the Group



RDM history

As far as its structure is concerned Reno De Medici is the result of various operations which are summarised in the following. The chronology has been limited to the events of the past 15 years given that the Group was originally established in 1926.

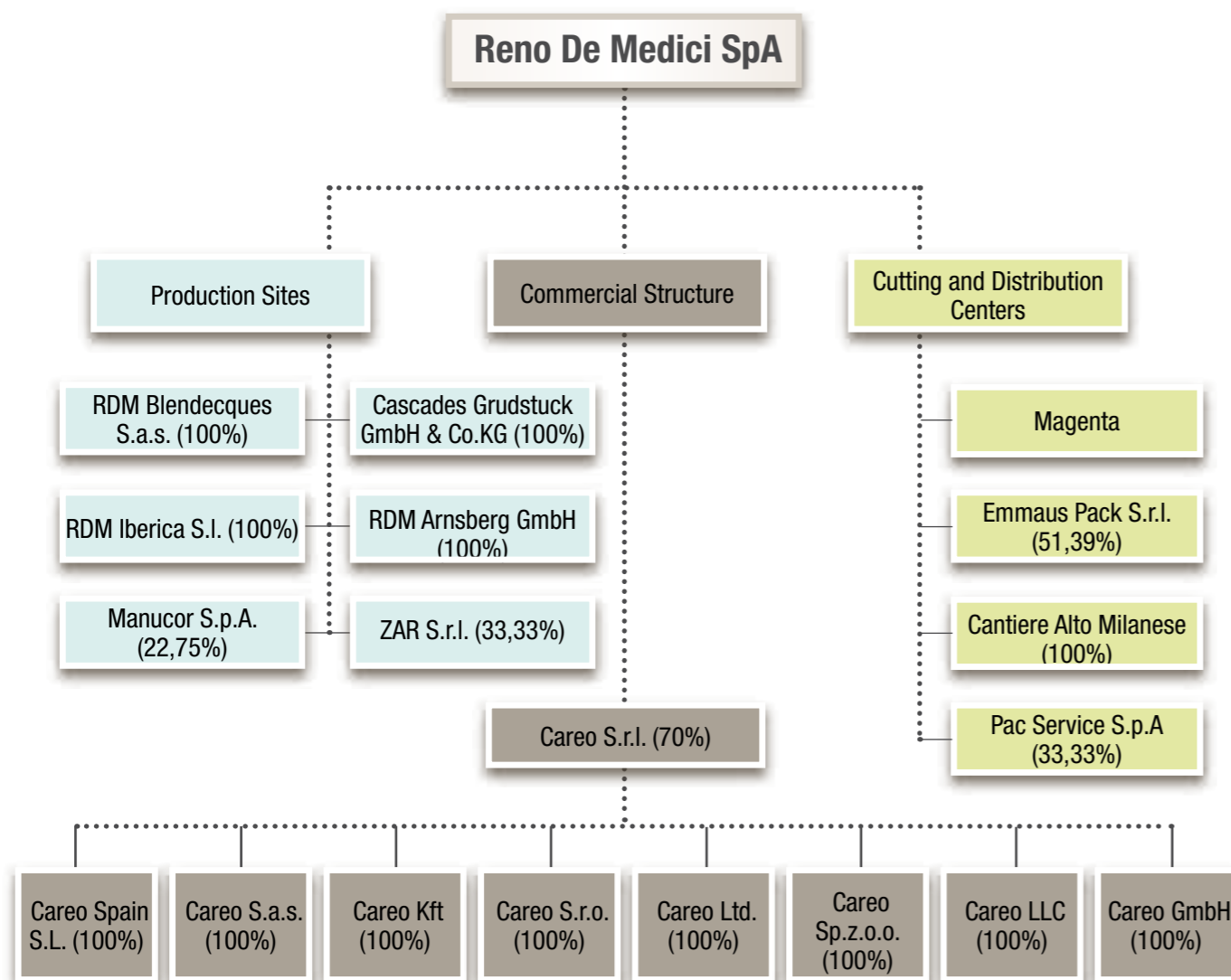


The Group's values

Since their formation, RDM, first, and the Group in its current composition, have been committed to the application and observance of strict ethical principles in carrying out activities. The observance of rules of ethics in managing the business, qualifying the company's reputation and the reputation of those who work for it, is considered an indispen-

sable condition by the RDM Group for the success of its mission and for achieving the goals set. The commitment in this direction has ensured that the RDM Group has stood out for the seriousness, reliability and professionalism that have always enabled it to be highly regarded both domestically and at the international level.

The Group



Value Added

DIRECT ECONOMIC VALUE GENERATED (data in euro thousands)

REVENUES

Revenues comprise:

- net sales
- revenues from financial investments
- revenues from the sale of tangible and intangible assets

euro 483.740 €

ECONOMIC VALUE DISTRIBUTED

OPERATING COSTS

Operating costs comprise all payments made to third parties for the purchase of materials, product components, systems and services.

euro 363.239 €

SALARIES AND BENEFITS

Total payroll includes employee salaries, including payments to the public administration made on behalf of employees (employee taxes, contributions and unemployment funds). Total benefits include regular contributions and employee support instruments, such as accommodation, interest-free loans, public travel subsidies, study grants and layoff funds.

euro 73.286

PAYMENTS OF CAPITAL TO SUPPLIERS

The payments comprise the following:

- dividends to all shareholders;
- the payment of interest to lenders, including all forms of debt and loans.

euro 6.448 €

PAYMENTS TO THE PUBLIC ADMINISTRATION

This item includes all taxes and duties (on income, revenues, property, etc.) and the relevant penalties paid by the organization at international, national and local level.

Tot: 11.111

broken down as:
 Italy: 8.748 euro €
 France: 902 euro €
 Germany: 933 euro €
 Spain: 209 euro €
 UK: 283 euro €

ECONOMIC VALUE RETAINED

(calculated as the difference between the economic value generated and the economic value distributed)

29.656

RDM's organization

The RDM organization is based on a traditional model and is in keeping with the provisions of the regulations for listed issuers. RDM has accepted the Corporate Governance Code adopted by Borsa Italiana in March 2006. This code is available on the website of Borsa Italiana (www.borsaitaliana.it).

The corporate governance system adopted by the company sets the creation of value for shareholders as the primary objective, since the Group is aware of the relevance of transparency in choices and in corporate decision-making, as well as the need to provide for an effective internal audit system. The company is constantly working to identify and pursue initiatives and actions aimed at improving the governance system. As part of its ongoing improvement action, the company pays heed to domestic and international best practices.

In compliance with applicable regulations, the report describes RDM's Corporate Governance system and indicates the specific methods whereby the company implements the provisions of the Code. Shown below are the main governance tools with which the company has equipped itself in observance of the more recent legal and regulatory provisions, the provisions of the Code and domestic and international best practices:

- articles of Association;
- code of Ethics;
- organization, management and control model pursuant to Legislative Decree no. 231/01 and related protocols and procedures;
- internal audit committee regulations;

- procedure for Related-Party Transactions. Procedure adopted pursuant to Art. 4 of Consob Regulation 17221 of March 12, 2010, as amended and supplemented;
- regulation for the management of confidential information and instituting a register of persons who have access to said information;
- Internal Dealing Code.

Corporate Bodies

Organization of the company:

SHAREHOLDERS' GENERAL MEETING

It has the authority to adopt resolutions in ordinary and extraordinary sessions on the matters reserved to it by law and/or by the Articles of Association.

BOARD OF DIRECTORS

This body is vested with the broadest powers of ordinary and extraordinary administration of the Company with the authority to take all such actions as may be appropriate in order to achieve the company's purpose, with the exception of acts reserved by law and/or the Articles of Association, for the Shareholders' General Meeting. It may therefore carry out any act, including disposition, which it deems advisable for the attainment of the company's purpose.

The current Board of Directors is made up of Robert Hall, Chairman; Giuseppe Garofano, Deputy Chairman; Ignazio Capuano, CEO; Giulio Antonello, Sergio Garribba, Laurant Lemaire, Vincenzo Nicastro and Carlo Peretti.

BOARD COMMITTEES

In order to augment the effectiveness and efficiency of the Board of Directors' proceedings, an Internal Audit Committee, a Related Party Transactions Committee, and an Appointments and Compensation Committee have been created within it.

BOARD OF STATUTORY AUDITORS

Its duty is to oversee:

- observance of the law and of the Articles of Association, as well as compliance with the principles of proper administration;
- the adequacy of the Company's organizational structure, the internal audit system and the administrative and accounting system; this includes ensuring that the latter system is reliable for representing operations correctly;
- the methods of specific implementation of the rules of corporate governance provided for in the code of conduct prepared by regulated

market management companies or by trade associations, which the company declares itself to belong to by public disclosure;

- the adequacy of the instructions given to subsidiaries in relation to the information to be provided to comply with reporting obligations.

AUDITING COMPANY

Auditing is carried out by a specialized company registered in the Consob roll, suitably appointed by the Shareholders' Meeting subject to the opinion by the Board of Statutory Auditors. The company in charge of auditing for RDM is Deloitte & Touche S.p.A., which holds the same assignment at almost all the constituents of the RDM Group. The assignment was conferred upon Deloitte & Touche S.p.A. by resolution of the Shareholders' Meeting of April 27, 2012.



Environmental report
**RDM's respect
for the planet**



Environmental Report

RDM's respect for the planet

Increasing numbers of studies and scientific research on the possible causes of global warming on Earth point out that human activity is the main source of the problem. A review of these results seems to always produce the same answer: 97% of the scientific community claims that global warming is caused by human activity and the constant increase in greenhouse gas.

A change in the conduct of companies is undoubtedly essential for combating this phenomenon: energy efficiency; recycling and recovering raw materials; the use of “clean” energies derived from the sun, wind and water but not fossil sources; and the conservation of natural

resources are now inevitable strategies for all companies wishing to take an active role in the well-being of the planet.

In the context of the recycled paper and cardboard industry, Reno De Medici products have undoubted environmental qualities. We will tell you about these in the following pages.

It's good to recycle!

To protect the environment, limit waste, reduce the consumption of natural resources and create new jobs it is essential to recycle sorted raw materials. The 18th Comieco Annual Report on the collection of paper and cardboard indicates that in 2012 Italy achieved excellent performance in Eu-

rope by recovering over 9/10 of all packaging material; the overall recovery rate reached a level of 91.9%. As a result of sorted collection from 1999 to 2012, it was possible to avoid construction of some 270 landfills. This record is especially important considering the fact that the materials collected can be repurposed. Thanks to companies such as the RDM Group, an industrial entity that believes in the value of waste and the actual ability to regenerate it to obtain new raw materials, paper has been given many lives. Most importantly, its regeneration is dependent upon each citizen practicing sorted recycling. Without this laudable activity, the recycling process cannot get a start. Thus, it is just outside the walls of households that packaging materials, boxes, paper bags and newspapers begin their regeneration by re-entering the production and consumption system in new forms, sometimes similar to previous forms, and at times taking unexpected forms, such as a Christmas tree or a game for children.

With RDM cardboard, packaging is given a new lease of life

By its nature, the business of the RDM Group is connected with protecting the environment: creating packaging by producing cardboard from secondary raw materials means actively contributing to the safeguard of the planet's resources. There is no doubt that the main function of packaging is to protect the merchandise inside during the various phases of its life, from production to shipping to marketing. But packaging is not merely a protective covering. It is also the product's “business

card”, its first impression and “clothing” that communicates information about it. A quick look at a product can make it interesting (or anonymous), reflect its production chain and its components or ingredients, provide instructions for use, information on nutritional components or materials used, and useful advice for disposal. Thus, packaging is an important element of the product that also has an environmental component. Based on these thoughts, it seems clear that packaging must be the result of an analysis and design that focuses on the ethical and “savings-oriented” use of natural resources, and the need to be able to re-use or recycle it once it has been used.

Cardboard packaging lends itself well to saving resources and re-utilization. It is used by millions of people worldwide, and it owes its widespread use to its practicality and the ease with which it can be sorted for recycling. For this reason, and due to the fact that collection and recycling systems are increasingly more efficient, an increasing percentage of cellulose-based packaging is derived from secondary raw materials instead of virgin raw materials. In fact, according to industry estimates, paper can be recycled on average 4-6 times.

According to the BIR (Bureau of International Recycling), each year over 400 million tons of paper and cardboard are produced worldwide, of which over half is from recovered sources. About 50% of recycled paper comes from the industrial and commercial sector: paper cuttings, cuttings and shavings from manufacturers and transformers and goods discarded before reaching consumers, such as unsold newspapers and magazines. Over

one third of recycled paper comes from domestic consumption. The recycling of used paper and cardboard has significant advantages over other disposal options because it does not contribute to filling landfills and incinerators.

“Light” purchases

Consumers are increasingly more concerned about what they buy, especially with regard to packaging. They read labels and are interested in packaging, its ease of disposal and what it tells about the product, and they assess “at first sight” whether it delivers the values of product sustainability. Packaging made from recycled material or from paper certified to be from sustainably managed forests and designed to save space and raw materials provides high visibility for the product’s full sustainability: its outer skin, or packaging, reflects that it was made with care and in an environmentally friendly way.

In recent years, the role of packaging has changed dramatically. It has changed from a simple container and distribution element to an actual strategic tool for marketing and creating a “dialogue” with consumers. A company wishing to effectively promote itself in such a complex and constantly evolving market must take into consideration key elements such as innovation and new product development.

In this context, the RDM Group has set itself the goal of promoting itself as a center of expertise and excellence in the development of packaging solutions. To this end, the development of new products within the RDM Group is based on principles that focus on reducing the use of non-renewable resources and water consumption, increasing the

use of secondary raw materials (for example, waste paper) in the production chain, as well as in guaranteeing food safety for the end consumer.

From the environmental point of view, the main strong points of cardboard packaging can be summarized as follows.

SUSTAINABLE MANAGEMENT OF RAW MATERIALS

Biomass is a resource that is growing continually, which can be defined as renewable, from which paper and cardboard are obtained. It is fundamental for man not to take more biomass than what nature can create. Fortunately, based on the latest Italian National Inventory of Forests and Carbon Reserves (*Inventario nazionale delle foreste e dei serbatoi di carbonio* – INFC) by the State Forestry Corps, in the last 20 years Italy’s forestry assets increased by approximately 1.7 million hectares, reaching a surface area of over 10.4 million hectares, with 12 billion trees covering one third of the nation’s entire territory. European forests are doing well too. This is substantiated by the latest report by Forest Europe. European forests have exceeded one billion hectares, one fourth of the world’s entire wooded surface area, growing by 800,000 hectares yearly. The sustainable forestry management ensured by brands such as FSC (Forest Stewardship Council) and PEFC (Program for Endorsement of Forest Certification Scheme) is fundamental to the well-being of this precious resource. Reno De Medici is the proud holder of multi-site FSC certification guaranteeing that the share of virgin raw materials used for the production of chipboard comes from forests managed responsibly according to environmental standards.

STORAGE OF CO₂

European forests absorb 10% of Europe’s greenhouse gas emissions. According to research conducted by the National Center for Atmospheric Research (NCAR) in Boulder, Colorado, trees absorb up to 30% of the CO₂ emissions produced every year in the world. For this reason, it is very important to ensure that the least number of trees is cut down. In fact, a recent study published in the scientific journal *Nature* showed that large trees grow faster and for a longer period than small ones, and thus they can absorb more CO₂. The study, entitled “Rate of Tree Carbon Accumulation Increases Continuously with Tree Size” shows that the larger the tree, the higher its growth rate. This conclusion was made after analyzing 650,000 trees belonging to 403 plant species that grow in temperate and tropical areas.

This discovery in no way changes the role and importance of young forests in absorbing CO₂ from the atmosphere, partly because they are more numerous and easier to manage in areas where space is limited.

Paper and cardboard recycling is fundamental from this point of view, for the very reason that it prolongs the time in which carbon remains trapped within a product. Estimates are that one ton of cardboard packaging is tantamount to the storage of 1,474 kg of CO₂!

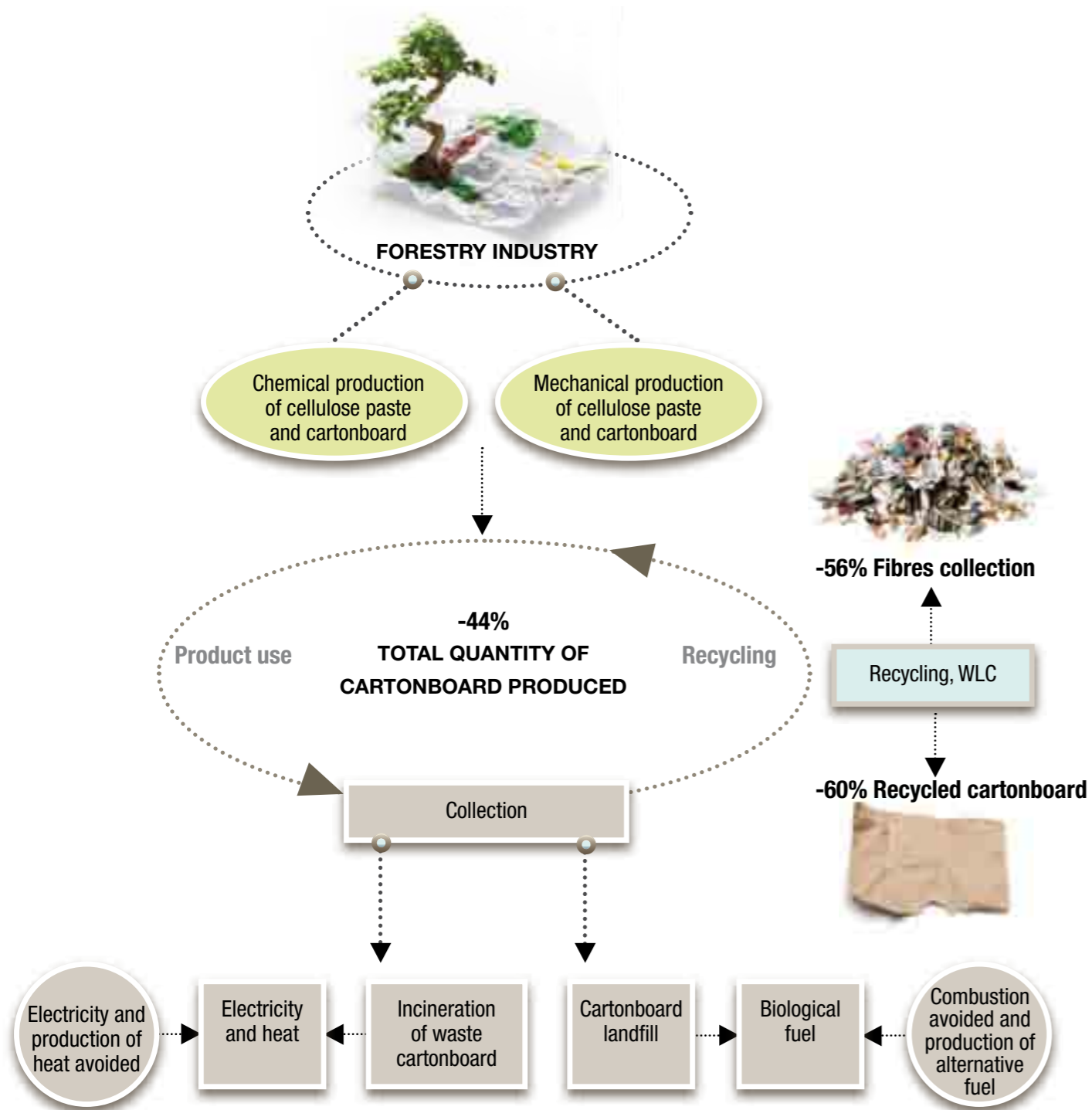
PAPER AND CARDBOARD ARE REUSABLE AND RECYCLABLE

Last year, Italians did not change their good habits, and they continued to sort paper and cardboard with cellulose-based waste collection of about 1.6 million tons of paper and cardboard, a little more than 300,000 tons less (-16%) than in 2011, presumably due to the decline in consumption as a result of the economic crisis.

Paper-based packaging accounts for approximately 50% of all packaging recycled in Italy; in 2012, Italians’ per capita paper and cardboard sorted recycling was 48.9 kg on average. It is to be noted that the use of scrap allows for reducing the amount of materials intended for landfills, thus saving a precious resource that would otherwise be destroyed. As a result of sorted collection, from 1999 to 2012 it was possible to avoid construction of some 270 landfills, 22 in 2012 alone.

For a better understanding of the life cycle of a cardboard product, a brief summary is included.

Life Cycle of Cardboard



USE OF RENEWABLE RESOURCES

In the latest Environmental Report on the Italian Paper Industry, Assocarta measured the environmental performance of the sector showing a positive trend that in recent years has led to the reduction of energy requirements. In the last 16 years, energy efficiency has improved by 20%. Due to the combined use of electricity and thermal energy in its process, the paper industry achieves the highest levels of energy efficiency, and makes a significant contribution to cutting gas emissions responsible for the greenhouse effect. The paper manufacturing process requires huge amounts of energy in the form of both heat and electricity. Furthermore, in Italy the cost of energy sources is particularly high, and as a result, the

sector has always worked to maintain a high level of energy efficiency. The ability to use both steam and electricity in its process has facilitated, where allowed by size, the introduction of modern cogeneration systems with a positive impact on the consumption of primary sources. Thanks to the cogeneration used in the paper sector, 1.5 million tons of CO₂ emissions into the atmosphere are avoided.

According to the report, the recovery of paper sludge, a solution already practiced in other European countries, would lead to a notable decrease in the use of fossil fuels, responsible for carbon dioxide emissions, thus helping to make the sector's production cycle even more sustainable.

RDM's focus on the environment

The chipboard production process is divided into three fundamental phases: pulp preparation, sheet formation and finishing. The preparation phase involves a significant consumption of raw materials and water; the sheet formation and finishing phases instead involve a high consumption of energy (especially to allow the evaporation of water contained in sheets). It is for these reasons that the RDM Group is eager to cut down to a minimum the use of raw materials, water and energy. How can this goal be achieved? First, by recovering secondary raw materials. In fact, our main raw material is waste paper selected to ensure a reliable product in terms of quality and respect for the environment. In practice, by recycling secondary raw materials, the RDM Group optimizes resources. On the one hand, this puts less pressure on forests and, on the other, it promotes a decrease in waste thanks to the placement of sorted waste paper collected.

In addition, RDM is focused on the issue of water, a resource that is increasingly at risk of being scarce, by implementing actions that minimize consumption regardless of the ease of accessing water resources. In fact, in the last decade, it launched improvement programs that made it possible to reduce consumption by up to a third as compared to the starting level. In addition to this, purification systems are present at all the plants, which allow for treating the water used and returning it to the environment.

From the standpoint of energy, RDM has also initiated several improvement programs that made it

possible to reduce consumption. All the Group's plants are equipped with cogeneration systems which allow for the combined production of thermal energy and electricity, both of which are heavily used in paper mill processes. The fact that the cogeneration system is one of the most efficient for the production of energy was also recognized by the EU in the 2005 Green Book (Directive 2004/8/EC), which describes cogeneration as a valid solution for the reduction of primary energy consumption and CO₂ emissions, and as a valid resource capable of satisfying growing demand for energy worldwide. In fact, the good news is that a cogeneration plant can reach conversion efficiencies greater than 50%, while conventional thermoelectric plants stand at around 35%.

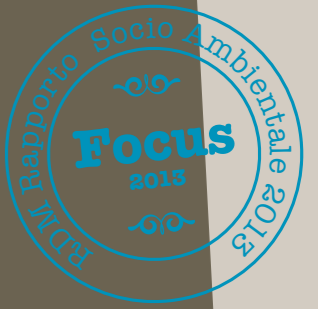
Another environmental area that RDM has not neglected is logistics: the Group's procurement is in the area closest to the plant (100-200 Km) and its deliveries are made to its customers' closest transformation sites. With its main customers, RDM has implemented procedures geared toward minimizing the impact of shipping and the production chain.

Recycling quantity and procedures in Italy and Europe

The constant increase in the world's population and consumption leads to growth in waste production. This is an environmental, social and economic problem that can also be transformed into a resource for reviving the economy since recycling can be a rich source of raw materials. In certain areas Italy is far from meeting standards set in the EU, while in others it excels.

Four billion tons of garbage are generated each year worldwide according to the report of the International Solid Waste Association. Managing garbage in the best way possible could avoid costly clean-up operations, pollution and damage to public health. Increased use of recycling at all levels would help considerably. In general, materials cost less than virgin raw materials, and extractions of raw materials and CO₂ emissions would be reduced. The European Commission set a goal in the 2008 waste directive to be able to recover 50% of all domestic waste by 2020. Looking at the ranking of the most virtuous countries in Europe, Italy is far from a high ranking in this regard. According to the most recent ISPRA data, 46% of our urban waste still ends up in landfills, and at the national level, the average percentage of sorted collection is 35.3%. Austria is one of the countries with the best record with the highest recycling percentage (63%), just ahead of its German cousins with a percentage of 62%, while Belgium is at a lower level of 58%. Italy could potentially be at the same level, but there are major differences in the percentage of sorted collection from region to region. Only Lombardy, Veneto, Friuli Venezia Giulia, Trentino Alto Adige, Emilia Romagna, Valle d'Aosta, Piedmont and Sardinia have reached the goals set, while many other regions are still far from the targets set by the EU. Sicily, Molise and Basilicata are at the bottom of the ranking. The recycling rate runs from 9% in Sicily to 59% in Veneto.

However, there is a special ranking in which Italy is at the forefront: the sorted collection of paper and cardboard. Our country has demonstrated excellence in Europe for the recovery and recycling of cellulose-based materials. In 2012, the last year for which data are available, over 9/10 of packaging was recovered and recycled, and nearly 3 million tons of paper was recycled. After the iron and steel industry, the paper industry uses the most secondary, i.e., recycled, raw materials. This sector already largely depends on waste paper to satisfy its needs. The environmental benefits of recycling processes have effects that go well beyond the reduction of the amount of waste disposal. In fact, it is possible to save depletable raw materials and reduce emissions connected with the extraction and processing phases of the materials, and although these vary according to the material and processing involved, they are frequently lower than similar products from raw materials.



Certifications of RDM plants

Based on the assumption that in order to improve, the “first thing to do is to measure,” the RDM Group has chosen to operate by adopting certified systems for managing environmental aspects (ISO 14001). These systems include regulations setting requirements for a quality management system (ISO 9001), systems for the management of worker health and safety (OHSAS), regulations that guarantee the safety and hygiene of food packaging (EN 15593) and prevent the risk of food contamination (HACCP), tools to assess and improve the group’s environmental performance (EMAS), life cycle analyses through the use of Life Cycle Assessment (EPD), and lastly, certifications that guarantee that the raw material used comes from forests managed in a sustainable manner (FSC).

RDM AND FSC ENVIRONMENTAL CERTIFICATION

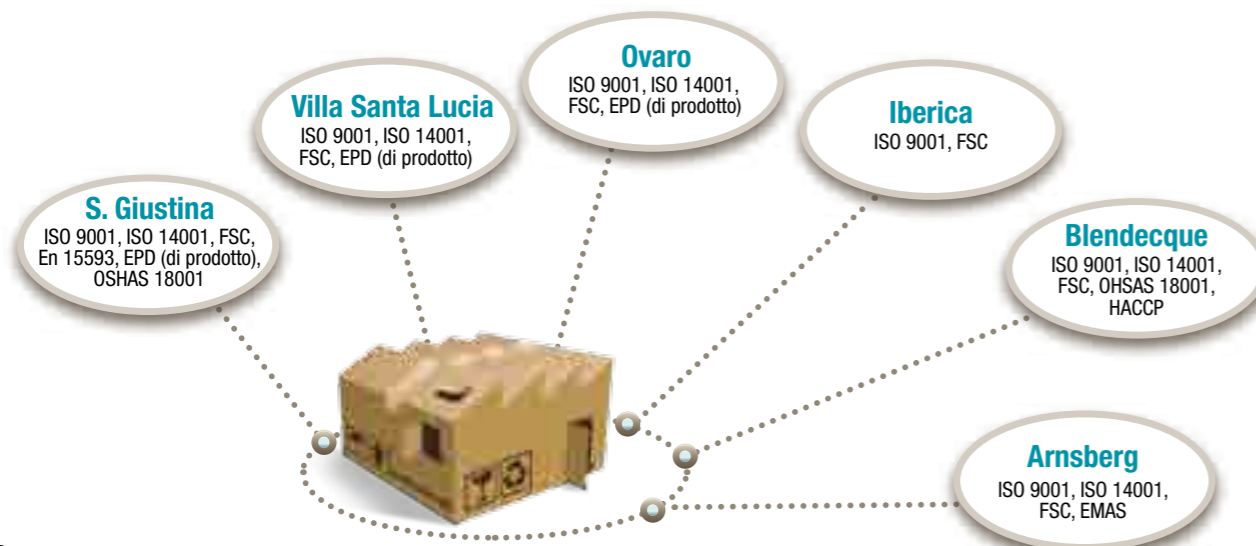
Whenever paper is recycled, its fibers become shorter and weaker, and thus, to maintain high

quality and strength, it is necessary to introduce new virgin fiber into the production process. To make this requirement sustainable, the new cellulose must come from forests with sustainable management. RDM has selected this type of supply arrangement to provide its customers a high-quality product capable of protecting the environment. FSC has an international reputation as the most rigorous and prestigious brand, and the only one recognized by global environmental organizations.

This brand identifies wood-based products coming from forests managed in a correct and responsible manner according to rigorous environmental, social and economic standards.

It operates worldwide and guarantees the environmental quality of forest products regardless of their origin, and does so through field testing, monitoring areas in which operations are performed and consulting with community partners and local populations. Its structures are managed on the basis of transparency principles.

Gli stabilimenti



Certifications

RDM is moving toward the goal of obtaining certifications for the Group companies' operating sites according to local regulations, and arranging EMAS registration for those it owns. The Reno De Medici Group has decided to comply with international schemes in order to report certain values related to its products. Below is a list of existing certifications.

ISO 14001

This is one of the international standards in the ISO 14000 series regarding the environmental management of organizations. The standard sets the requirements for an "environmental management system" for any organization; compliance with these requirements is certified by an accredited certification body. This certification is voluntary. The company decides whether to establish, implement, keep active or improve an in-house environmental management system.

FSC

FSC is an international, independent, non-profit NGO whose members include environmental and community groups, the indigenous community, forest owners, industries that process and market wood, and scientists and technicians that work together to improve forest management worldwide. This FSC® brand identifies wood-containing products coming from forests managed in a correct and responsible manner according to rigorous environmental, social and economic standards. The Group has been awarded a multi-site FSC certification.

ISO 9001

This standard represents the recognized global benchmark for certification of the quality system for the quality of organizations in all production sectors and of all sizes. ISO 9000 standards are universal, and they apply regardless of the size or sector of the company. ISO 9001 sets the requirements for creating a quality management system, and compliance with these requirements is certified by an accredited third-party organization. This certification is voluntary.

OHSAS

The Occupational Health and Safety Assessment Series is an international standard that sets the requirements that a management system must have in order to protect the safety and health of workers. This regulation provides a standard whereby a compliance certification can be issued. OHSAS certification verifies the voluntary application, within an organization, of a system that makes it possible to ensure adequate oversight over the safety and health of workers, and compliance with mandatory regulations.

EN 15593

This standard defines requirements for managing hygiene in the production of packaging for food products. It is a system- and process-related regulation: it describes the management system and the hygiene practices for food packaging manufacturers and suppliers. EN 15593 is a certifiable regulation that aims to provide an operating tool to the production chain to implement a voluntary management system to ensure safety and hygiene in keeping with the requirements of European regulations.

EPD

The Environmental Product Declaration is a voluntary certification scheme conceived in Sweden but applicable internationally, that is one of the EU's environmental policies. In the context of voluntary environmental policy tools aimed at product labeling, the EPD is classified by the ISO international regulatory entity as a type 3 label. The environmental performance of the products/services indicated in the EPD must be based on the life cycle analysis through the use of the Life Cycle Assessment (LCA), and in accordance with the regulations of the ISO 14040 series, which is the methodological basis used to ensure the objectivity of information provided.

HACCP

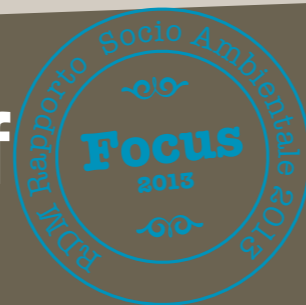
This is a system that prevents the hazards of food contamination. It is based on monitoring food processing areas where biological, chemical or physical contamination is possible. It is aimed at identifying and analyzing hazards and developing systems to monitor them. Thus, the HACCP system promotes the concept of prevention. The system places an important emphasis on food quality, and especially the health and safety of food. This concept goes beyond mere customer satisfaction and instead aims to protect public health.

EMAS

The Eco-Management and Audit Scheme is a voluntary tool created by the European Community that companies may join voluntarily to assess and improve their environmental performance by providing information to the public on their environmental management. The priority goal of EMAS is to contribute to the creation of sustainable economic development by highlighting the role and responsibilities of companies.



The importance of preserving forests in Italy and worldwide

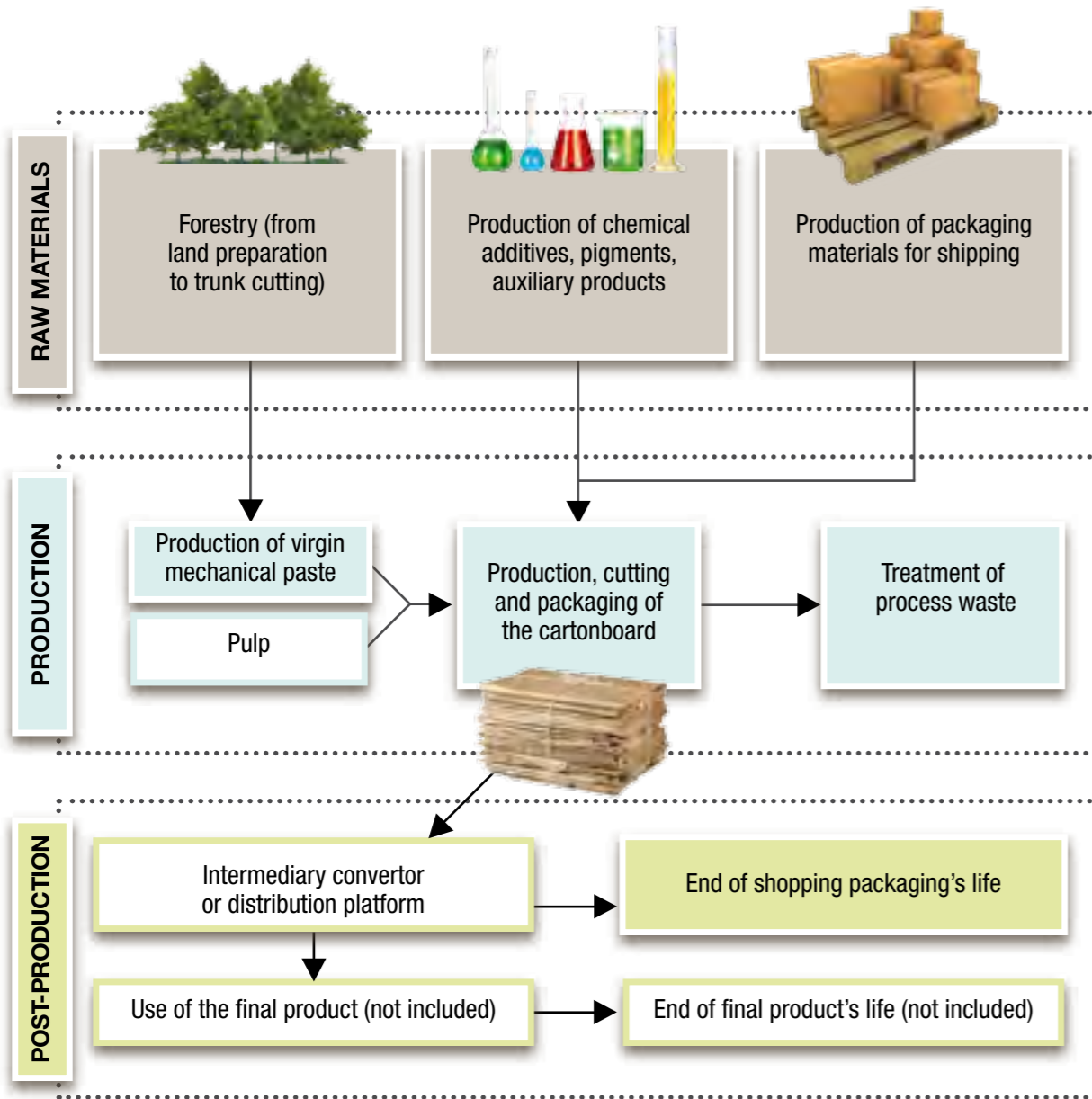


On Earth there are about 4 billion hectares of forests that cover over 30% of the planet's surface. Forests are a priceless resource. They are home to two thirds of land-based species on the planet, they are able to convert carbon dioxide in the atmosphere to oxygen, and the business tied to selling products derived from them is an enormous economic resource. Forests are our birthplace where we took our first steps as a species; without them, we would not be able to exist. They now play a role in the biological and economic containment of CO₂ in the atmosphere. They are home to complex ecosystems, they preserve water, prevent landslides and erosion and provide food, medicines and wood to millions of people. In the decade from 1990-2000, about 8.3 million hectares of forest were lost each year worldwide, and between 2000 and 2010 there was a loss of 5.2 million hectares. At present, green areas are disappearing at a rate of about 13 million hectares a year, an unsustainable rate for maintaining a natural balance in large areas of the planet. Each year a woodland area equal to that of Valle d'Aosta, Piedmont and Lombardy is lost. According to a new study on deforestation published

in Science, the world is losing the equivalent of 50 soccer fields of forest every minute. On the other hand, over the last fifty years in Italy the woodland area has grown by over 60%, and according to an FAO study, for twenty years we have been among the top ten countries in the world in terms of the increase in forest area. The results of the National Inventory of Forests and Carbon Reserves of the State Forestry Corps show that woodland areas have increased by about 1.7 million hectares over the last 20 years reaching an area of over 10.4 million hectares. The biological value of forests is enormous. In fact, woodland areas are the chest holding the treasure of biodiversity. It is estimated that 50% of the world's flora and fauna live in tropical forests, which cover about 6% of the planet's surface and are the areas most threatened by deforestation. Italy is home to 5,600 plant species and 57,000 animal species, i.e., more than one third of all European fauna.

According to the International Union for Conservation of Nature (IUCN), the economic value of the planet's green areas is estimated at USD 130 billion a year, equal to the combined value of gold reserves of France and Switzerland. Forests cover over 40% of Europe and should be treated, and protected, as a primary resource. Targeted, sustainable management of this resource can lead to the production of goods, services and employment. Carbon sink is the term used to indicate the forests' ability to "capture" carbon dioxide in plants and soil. Their destruction is one of the main causes of the release of CO₂ in the atmosphere. There are many reasons for saving forests, but perhaps assigning a value to a tree debases it, like putting a price tag on it. Trees are the oldest living organisms on the planet. At the dawn of civilization they provided us with refuge from predators among their foliage, and now they provide us with oxygen, food and resources. We must protect them.

Environmental analysis of the production process



Production chain monitoring



A monitored production chain ensures safety and quality, supports certifications and efforts to achieve efficiency, and strengthens social responsibility. And this makes it possible to better satisfy customer and market requirements. Goals associated with controls over the production chain are extensive and modern and go well beyond traditional frontiers by involving not only flows of products and information, but overall company strategies from the design of new products to the management of quality and environmental sustainability. The identification of all operators involved makes it possible to ascertain their role in obtaining the end product. By delineating the origin of raw materials, production methods, processing procedures and means of transportation used, the relationship between the technologies used, the nature of the end product and structure of target markets are highlighted. This technical and economic description involves the establishment of a tracking system capable of reporting the steps that materials and products take, who processed them and in what way the various phases were carried out. The advantages extend to many aspects of company life:

- Ensuring safety and quality: this meaning also includes the mapping of the production chain, which also includes the set of controls over the origin and subsequent transformation of the product that ensure its soundness by protecting its interim and final safety.
- Strengthening social responsibility: suppliers' actions have a direct impact on the company's image and reputation. A comprehensive strategy should also involve the company's suppliers who must be made aware of principles followed at the company as an invitation for them to adhere to and adopt these principles.
- Increasing productivity: implementing processes to plan and analyze operations along the product transformation chain makes it possible to highlight the gradual building of value at each step. The prompt identification of individual phases makes it possible for management to move quickly, which has a positive impact on products to be sold in the market: this provides a real opportunity to optimize timing and costs.
- Satisfying customer expectations: the continued pressure to maintain levels of technological excellence and efficiency makes it possible to meet all requirements with greater ease.
- Defining a new position: making the market aware of the company's emphasis on monitoring is a form of added value for current and future customers.
- Effectively supporting the achievement of the continual improvements dictated by certifications held by companies, including environmental, product and process certifications.
- Facilitating the calculation of environmental impact and its reduction: international policies are increasingly encouraging companies worldwide to establish realistic assessments of environmental impact and ways to reduce it. The production chain analysis facilitates and expedites calculations and the achievement of continually improving environmental performance.

Life cycle analysis and EPD Certification

Analyzing the life cycle (LCA – Life Cycle Assessment) of a product or process in its phases means assessing its history by describing its energy and environmental performance through special operating models. In order to quantify the environmental impact of each phase of its production chain, RDM has adopted this analysis methodology, and makes its results public through the EDP (Environmental Product Declaration).

The EPD is a voluntary environmental label describing a product's environmental performance, i.e. a sort of environmental identity card, constructed on the basis of three main guidelines: the ISO 14025 standard, the rules of the International EPD System and the Product Category Rules (PCR).

The EPD is based on three fundamental principles:

- Objectivity, insofar as the environmental performance declared is assessed using the life cycle analysis method;
- comparability, insofar as comparison is possible with other products of the same category for which environmental impacts have been calculated following the same specific rules;
- credibility, insofar as both the LCA and the EPD are verified by an independent third party.

For the time being, the Group has published two EPDs related to Vincicoat 112-350 g/m² chipboard and Vinciliner 115-210 g/m² chipboard respectively, which can be downloaded at the link www.environdec.com.

Climate change

Climate change is the term used to indicate all the repercussions caused by global warming. The unlimited burning of fossil fuels (oil and coal) to produce energy causes enormous quantities of greenhouse gas emissions such as CO₂, thereby increasing their concentration in the atmosphere.

WHAT IS GLOBAL WARMING?

The presence of greenhouse gases in the atmosphere is essential for life on Earth because it creates the greenhouse effect, without which the average global temperature would be similar to that in the Arctic Circle: -18 degrees C instead of 14 degrees.

Problems start when CO₂ emissions caused by human activity result in an excessive increase in its concentration in the atmosphere that is greater than the natural ability of the Earth's ecosystem to absorb. In 2013 the concentration hit a record of 400 parts per million (ppm). Before the industrial revolution, the average was 280 ppm. Producing so much CO₂ means augmenting the greenhouse effect, and thus, the average temperature. And then the phenomenon of global warming occurs.

THE REPERCUSSIONS OF TOO MUCH CO₂

According to data from the latest report of the Intergovernmental Panel on Climate Change (IPCC), the intergovernmental group of experts on climate change created in 1988 in the UN, several problems will occur unless man-made emissions are cut immediately. Everything else is dependent upon an increase in temperature. Between 1880 and 2012 the increase was 0.85 degrees. The hottest year ever was 2010, while 2013 placed fourth. At this pace, it is likely that the temperature will rise a further 2 degrees by the end of the century, and beyond this threshold, scientists at the IPCC claim that climate change will be irreversible. The temperature increase causes glaciers to melt, especially in Greenland and Antarctica, thereby raising the level of rivers and lakes. More generally, it causes a rise in the level of seas. Between 1901 and 2010, seas rose by 19 centimeters. According to IPCC data, this level will continue to rise from 26 to 82 additional centimeters by the end of the century.

Until now, a portion of excess CO₂ (30 percent) was absorbed by oceans. A direct consequence of this is their gradual acidification which puts marine biodiversity at risk. An example of this is the survival of coral, one of the most delicate species in the world.

WEAPONS AVAILABLE TO FIGHT CLIMATE CHANGE

Countries, organizations and companies are asked to do their part to reduce CO₂ emissions worldwide. Examples of this are reducing the consumption of energy and increasing energy produced from renewable sources, improving energy efficiency and increasing natural absorption capacity by protecting forests and planting new trees. Forests stockpile CO₂ and release oxygen due to the process of photosynthesis. This is why they are called the lungs of the planet.

The safety of our products

Food packaging and its safety are a key focus of the RDM Group's production. All Group products comply with current domestic and European regulations (EC 1935/2004, DM 03/21/1973, BfR Recommendation XXXVI, etc.), and thus are safe and suitable for the food market. The RDM Group has built a control system for the raw materials used and for possible points of concern in its processes to provide customers with the greatest degree of safety and efficiency. The manufacturing methods adopted are compliant with the requirements of the UNI EN 15593:2008 standard in relation to the acceptance of rolls, bobbins, cutting, packaging and shipping of cardboard that is to be in contact with dry solid foods (certificate issued by Bureau Veritas dated 01/11/2012 and valid until 01/10/2015).

The Group's corporate philosophy is to produce reliable, high-quality, safe packaging materials including through its constant commitment to research and development. To this end, the RDM Group is moving forward with research aimed at producing chipboard from recycled fiber with a low content of mineral oils, and at developing a barrier that will prevent its migration. These two

strategies are aimed at providing customers with safer products that are more suitable for their functional use. To implement these strategies, the RDM Group has collaborated with two of the most important and prestigious universities in Italy. RDM asked the Department of Food Sciences at the University of Udine to assess the presence of mineral oil saturated hydrocarbons and mineral oil aromatic hydrocarbons in cellulose matrices, and their ability to migrate to foods and to simulated foods. On the other hand, the Management and Technology Department at La Sapienza University in Rome is creating a system for qualifying and certifying the production cycle and the end product based on direct analysis thereof and on a specific quality management system applicable to paper and cardboard from recycled material intended for the production of food packaging. In addition to this, a project was conducted by a top operator in the health management sector to bring the Reno De Medici infrastructure and Quality Management System (QMS) to a production in line with the most stringent voluntary quality standards. Since the completion of the Quality Management System in 2012, the RDM Group has produced the safest paper and chipboard of recycled origin for use with foodstuffs in the market.

Environmental impact indicators

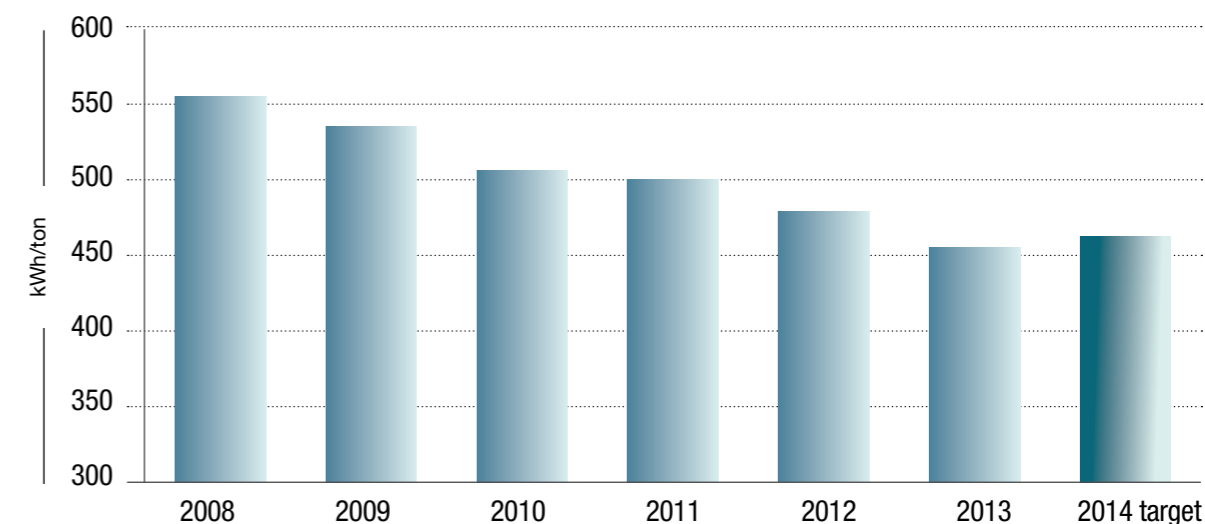
The main parameters for monitoring the environmental characteristics of RDM's processes concern energy consumption, carbon dioxide emissions and water use. The values are monitored systematically and in this section the trends are analyzed starting in 2008.

Indicators	2008	2009	2010	2011	2012	2013	2014
Electricity consumption (kWh/t)	552	534	510	501	478	459	462
CO₂ emissions (kg/t)	514	469	445	491	487	454	442
Water consumption (m³/t)	25,6	22	21,4	18,6	16,7	15	13

ELECTRICITY CONSUMPTION

The indicator is calculated taking into consideration only total electricity consumption per ton of product coming out of processes. The electricity that the Group uses comes from two main sources: self-produced energy by way of co-generation and energy purchased from the grid.

The tons of product on the basis of which the indicators have been calculated refer to gross production, i.e. including production rejects. From analyzing the data, a 16.8% decrease in consumption can be observed in the 6 years monitored.



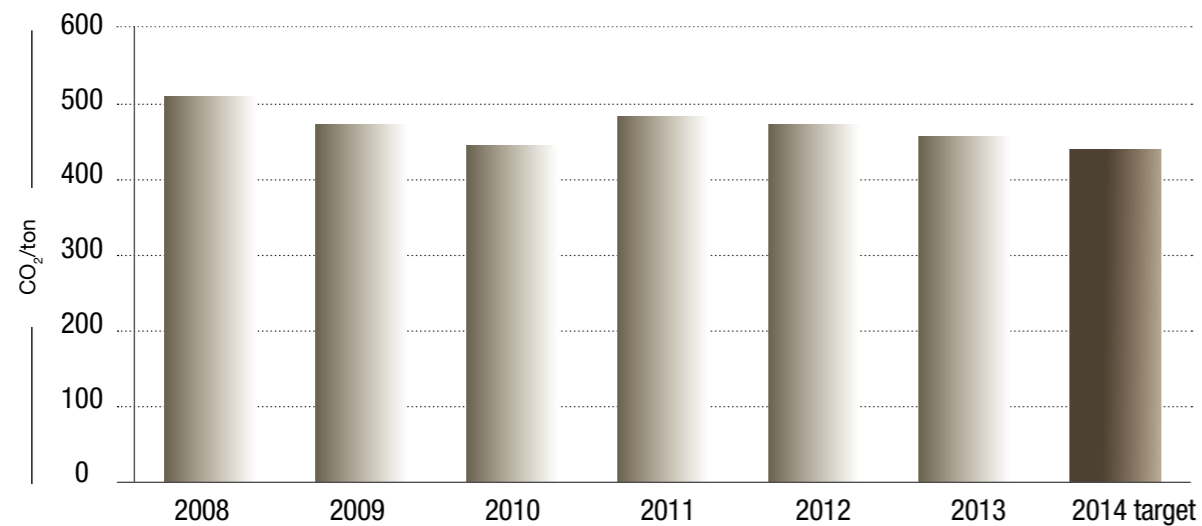
CARBON DIOXIDE EMISSIONS

The carbon dioxide emissions monitored were calculated according to EU guidelines for greenhouse gas monitoring based on the amount of fuel used since the Group follows the ETS directive. The fuel used by RDM is primarily methane; the carbon dioxide emissions were calculated according to the following formula:

$$\text{CO}_2 \text{ emissions} = \text{fuel consumption [TJ]} * \text{emission factor [tCO}_2\text{/TJ]} * \text{oxidation factor}$$

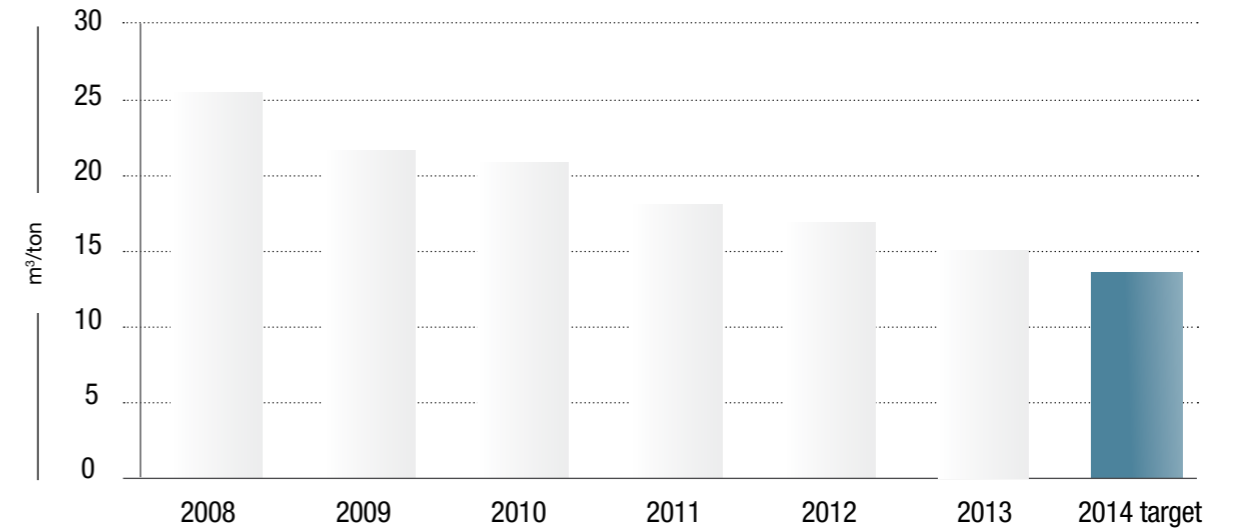
In order to calculate fuel consumption, methane’s low calorific power of 34.47 MJ/Nm³ is used with 54.9 tCO₂/TJ as the emission factor. The oxidation factor takes into account the unoxidized carbon and is expressed as a fraction. The emissions thus calculated for all the plants were divided by the gross annual production to obtain the indicators monitored.

From 2008 to 2010, a gradual decrease in the indicator can be seen, while during 2011 we see an increase due primarily to a drop in production of approximately 9% compared to 2010. Since 2011 there has, once again, been a decrease in emissions which dropped by 11.7% overall compared to 2008.



WATER USE

The main water supply sources are underground water drawn from wells (for the majority of sites), surface waters (rivers) and the water main. The values monitored showed a downward trend of 43% starting in 2008. In this case as well, the index was assessed on gross production.



GREENHOUSE GAS EMISSIONS

Greenhouse gas emissions were assessed for the years from 2010 to 2013 and calculated considering energy consumption for the whole group (fossil fuels and electricity). The conversion and emission coefficients used for the calculation derive from the Ecoinvent database (version 2.2) and are shown in the table below. Ecoinvent is one of the main databases used internationally to conduct life cycle assessment studies (www.ecoinvent.ch).

CONVERSION FACTORS

Energy vector	Unit of measure	Factor
methane	MJ/N	38,8
coal	MJ/kg	28,01

EMISSION FACTORS

Energy vector	Unit of measure	Factor
methane	kgCO ₂ /MJ	0,0677
coal	kgCO ₂ /MJ	0,13
cogenerator electricity	kgCO ₂ /kWh	0,584
electricity (Spain)	kgCO ₂ /kWh	0,508
electricity (Germany)	kgCO ₂ /kWh	0,65
electricity (France)	kgCO ₂ /kWh	0,0898
electricity (Italy)	kgCO ₂ /kWh	0,572

Energy efficiency

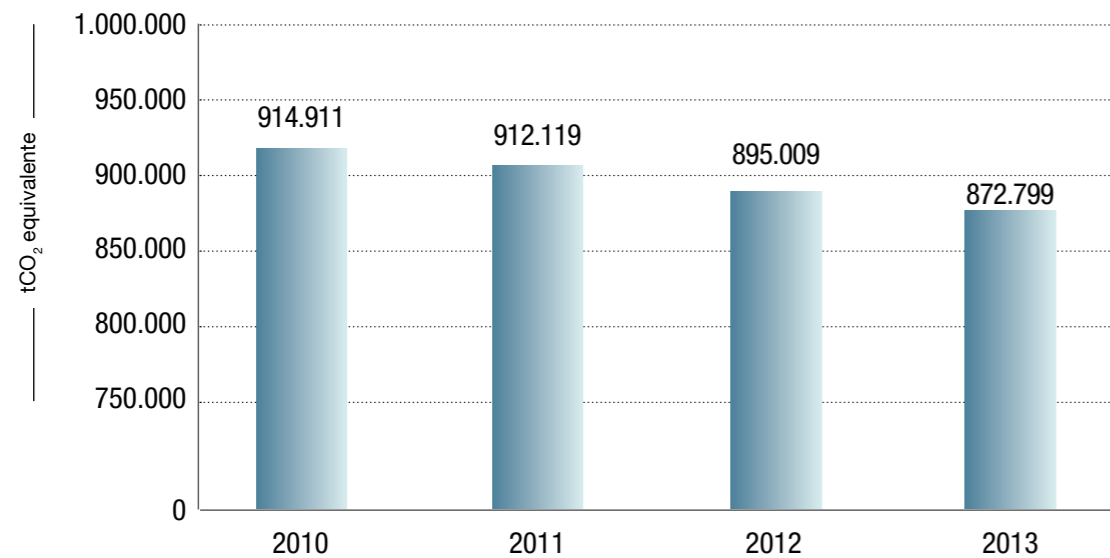
There is a type of energy that never runs out and is always renewed. It is clean and intelligent and requires new technologies and new approaches. It is called efficiency. This is the ability to perform the same jobs with fewer resources. In corporate terms, this means savings of energy, time and money.

The new, most intelligent source of energy is savings. This may seem obvious, but this is the objective truth. Energy efficiency is a field that includes countless systems and applications, from best company practices to architecture and town planning, from LED light bulbs to the recovery of electricity wasted to ground during the nighttime, from the adoption of maximum efficiency electric engines to the promotion of car-sharing, and the broader use of cogeneration and trigeneration systems, including those coupled with district warming systems. The European Commission has calculated that potential energy savings and recovery in Europe could amount to 40 percent.

The issue of energy efficiency is being discussed by European politicians and high-tech multinationals, but also in all our homes. Research performed by Allianz-RAS-WWF-Makno & Consulting on the domestic consumption of Italians called it “a reserve of ‘hidden energy’ in our homes.” The use of appliances with the best energy rating and the adoption of several small good habits could reduce pollution and CO₂ emissions thereby significantly lowering utility bills by up to about €80 per household per year. The home of Amory Lovins (a leading international expert on efficiency and founder of the Rocky Mountain Institute), who follows certain large US companies such as Wal Mart, Dupont and General Motors and the Pentagon, sits at an altitude of 2,200 meters in Colorado where snow falls 300 days a year. It has no heating or air conditioning, but due to a number of technical features, he is even able to grow his own personal banana plantation. Using only solutions of a design or management nature, Lovins estimates that companies worldwide could save up to \$1,000 billion a year and at the same time provide incentives for product and process innovation.

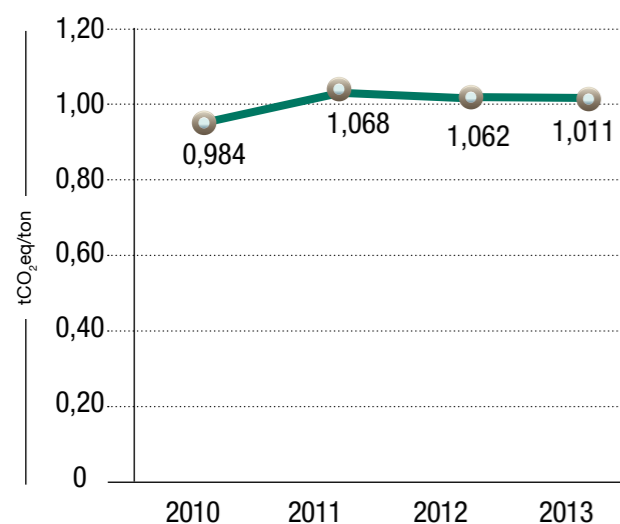
“The only thing we need to give up is the squandering of oil, methane and coal, but certainly not a pleasant temperature in the winter and summer in inhabited environments or adequate interior illumination,” explained Karl-Ludwig Schibel and Silvia Zamboni in the essay *Cities against the Greenhouse Effect*, “because every kWh not produced, i.e., every ‘negaWatt,’ costs less than the production of a kWh. Any kWh not produced is good for the environment and climate but is also good for the local community’s budget and the regional economy.” Reducing energy requirements through savings measures, careful decisions, new technologies, advertising campaigns and new behavior also represents an attractive opportunity at the commercial and production levels. Energy reduction provides a stimulus for distributing new products and activities capable of creating jobs at all levels. And in a word, these are the best energies spent.

As shown in the graph, total greenhouse gas emissions decreased during the four-year period from 2010-2013 by 3%, going from 914,911 tons of CO₂ equivalent to 872,799 tons.

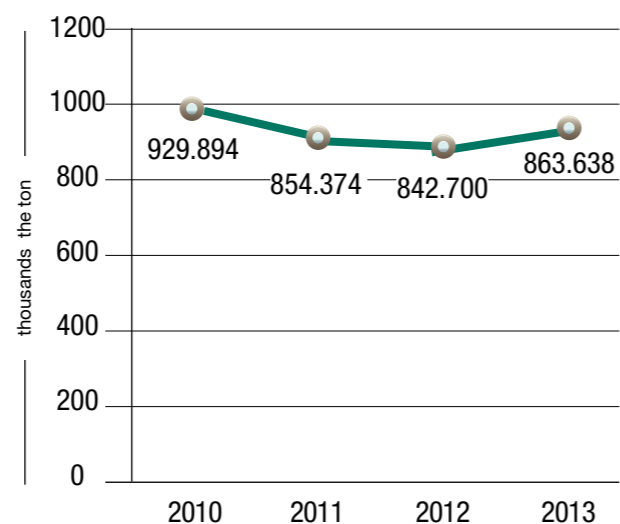


If relative greenhouse gas emissions are analyzed (i.e., in proportion to total annual production), an increase of approximately 3% can be noted during the four-year period. This increase can be attributed to a decrease in net production in 2011 and 2012. On the other hand, the increase in production in 2013 generated a decrease in emissions, as shown in the graphs below.

CO₂ EMISSIONS PER TONNE



NET PRODUCTION





Social report
RDM's role



Social report

RDM's role

The RDM Group acknowledges and is aware of the 'social' role that a company with close to 1,600 employees and with more than 700 people in so-called satellite activities plays.

In this chapter, we will attempt to illustrate, from our point of view, the contribution that the RDM Group has made to society. As is known, the countries where our Group is present, listed in order of importance by number of people employed, are Italy, Germany, France and Spain.

The phenomenon of industrial offshoring

Offshoring: between utopia and myth making. Over ten years, 27,000 companies and 1,577,000 jobs were lost in Italy. "Indesit, report of the end

announced: dismissals and offshoring. Indesit gives the go-ahead for 1,425 dismissals, and lays the foundation for offshoring production in Turkey and Poland" (a news item on November 20, 2013 (source: *press story*).

The term offshoring is used to mean the decision made by large and small industrial groups to transfer their production from Italy to other countries, where the cost of labor is up to 75% lower than an Italian worker's pay. However, economic savings is not the only true cause and drive for offshoring. "If that were the case, one could not explain why some 2,562 companies moved to France alone, a country with stringent labor laws and salaries much higher than those in Italy. It should also be taken into account that just as many companies moved to Switzerland and Austria, which are also countries with very strict labor laws and salaries

much higher than ours" (See *CGIA [General Italian Association of Artisans] of Mestre. 3/30/2013, The Crisis Has Stopped the Flight of Our Companies*). This statistic is followed by the US (2,408 companies), Germany (2,099 companies), Romania (1,992 production units) and Spain (1,925 companies); 10,986 companies moved to the western sphere, but just 1,103 Italian companies decided to continue their production activities in the Far East.

The truth is that "doing business in Italy is much more difficult than other places. The taxes, bureaucracy, labor costs, logistical and infrastructure deficiencies, inefficiency of local governments, lack of credit and energy costs are the often insurmountable obstacles that have caused many business people to move to countries where the business environment is more favorable." (See *CGIA of Mestre*). Thus, the reasons for offshoring are taxes, bureaucracy, labor costs imposed by contracts and oppressive regulations, the inefficiency of local governments and energy costs. And just one particular aspect for everyone.

"One area that is often referenced is the certainty of law. In France, for example, payment due dates are more precise and sooner than ours. The French justice system works, and those who do not pay are prosecuted and penalized. In addition, the response times of local authorities are very short, which is quite the opposite of what occurs in Italy where the only certainty is the delays that accompany nearly every government-related case" (see *CGIA of Mestre. 3/30/2013. The Crisis Has Stopped the Flight of Our Companies*).

THE NUMBERS

The regions most affected by the "flight" of their companies abroad are those in the North. In Lombardy there are 9,647 of them, 3,679 in Veneto, 3,554 in Emilia Romagna and 2,806 in Piedmont. Taken as a whole, these represent over 72% of all companies that have left our country.

Nearly one company out of two (48.3% of the total) operates in the wholesale trade (a total of 13,124 companies in absolute terms). For example, these include operations related to intermediaries in commerce, wholesale food products and beverages, high-tech equipment and other machinery and equipment. These businesses mainly consist of the sales branches of manufacturing companies. These are followed by the manufacturing (28.6% of the total) and logistics (6.2% of the total) industries.

Offshoring has a twofold impact: on the one hand, an economic impact, and social and political effects on the other. If on the one hand offshoring tends to increase the competitiveness of a production activity, on the other hand, it runs the risk of increasing unemployment in its place of origin. There is a risk of this happening if the workers leaving production activities are not employed in other local businesses. Since offshoring has affected mainly those Italian regions where the unemployment rate is still, all things considered, rather low, we can say that to date this phenomenon has not caused major employment problems (data taken from the study conducted by the CGIA of Mestre).

FINANCIAL OFFSHORING

The Tobin Tax may cause a crowding-out effect in markets that may also be irreversible, despite adjustments made in an attempt to neutralize the impact on the smallest businesses. This was the opinion of Giuseppe Vegas, Chairman of Consob, during the presentation of the annual report in Milan, when he explained that the tax could cause the offshoring of significant segments of the domestic financial industry and have a negative impact on derivative operations. In recent years, in addition to industrial offshoring, the concept of financial offshoring has developed, meaning the transfer of capital abroad to exempt it from taxes such as the Tobin Tax (named after its creator, James Tobin, who won the Nobel Prize in economics in 1972) and/or forced taxation. The phenomenon is so significant that it also involved our Parliament, following the European Commission's review of a specific directive on the Tobin Tax. In fact, the document introducing the 2013 stability law states that the introduction of a financial transaction tax applicable to the transfer of share ownership was also extended to securities representing these instruments, regardless of the residence of the issuing party (with the aim of minimizing incentives for the offshoring of the financial industry).

To avoid the risk of financial offshoring, the financial market must be seen as an international market. Thus, in order to be effective, taxes such as the Tobin Tax must have an international application. The risk of a limited application of the tax only in certain countries is that this will affect only the transactions of medium or small to medium-sized investors, and not the transactions carried

out by large institutional investors who choose to carry them out elsewhere, thereby facilitating the flight of capital from the Euro zone.

THE CONTRIBUTION OF THE RDM GROUP TO THE EUROPE SYSTEM

The tax burden in Italy is one of the highest in the world: corporate tax is undoubtedly the highest in Europe with a tax burden of 65.8% compared to an average of 41.1%.

Out of 189 economies analyzed worldwide, Italy dropped by seven positions compared to 2012 and is now ranked 138th in the international classification of tax burden with the average taxation of an Italian company some 20 percentage points higher than the rest of Europe and the world. Things do not get better when analyzing payments due (15 in Italy compared to 13.1 on average in Europe) and the hours spent to carry out obligations (269 a year compared to 179).

Weighing heavily on the Italian tax burden are labor taxes of 43.4%, surpassed only by Belgium and France, which, however, compensate with lower income taxes (20.3% in Italy). Other taxes, which in Italy total 2.1%, are closer to those of other European countries.

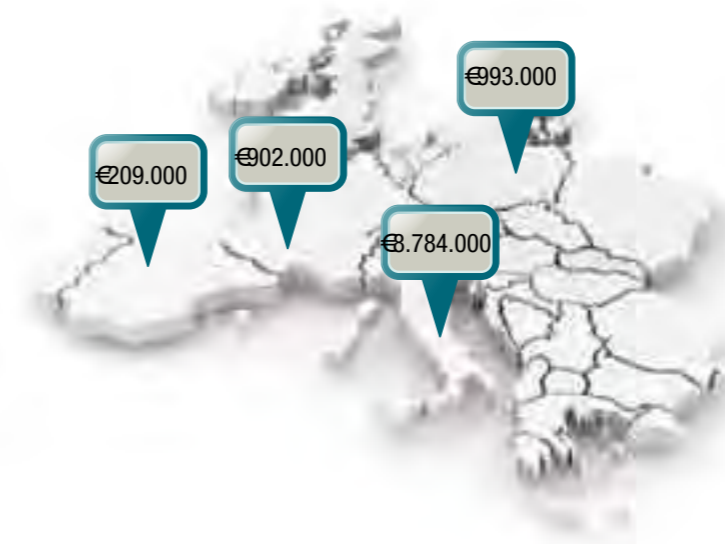
Looking now at the tax burden on individual taxpayers, we can see that at a level of 54% of the actual tax burden in relation to reported GDP, in 2013 our country scored a record level of taxes among developed economies. And the fact that this figure was 55% in 2012 is of little consolation. The Ufficio Studi Confcommercio has awarded Italians this record among taxpayers. It estimates that the apparent tax pressure this year is 44.6% of GDP (44.3% in 2012). This estimate includes IMU [com-

bined municipal property tax] and TARES [municipal tax on waste and services], but not the increase in the VAT rate, which was postponed to October 1, and any increases in IRPEF [personal income tax] add-ons. Thus, we are in the winners' circle, and we intend to stay there. Although the trend to reduce tax pressure seems to prevail in the rest of the world, our country has been bucking the trend by increasing the apparent tax pressure by 2.7 points of GDP from 2000 to 2013. During the same period, this measure dropped by 7.6 points in Sweden and by 2 points in Germany. But beyond words, the relevant figure is in the table below showing the average cost of RDM personnel broken down by country.

Staff cost (euro)	Italy	Germany	France	Spain	UK
Costo staff*	38.530	19.147	9.798	4.681	1.129
Social security contributions and taxes	13.661	5.016	4.599	1.187	105
Taxes	5.974	2.299	806	729	0
Net salary (in tasca al dipendente)	49,0%	61,8%	49,0%	58,7%	90,7%

Those costs directly weighing on business activities must be added to these costs, which, at least in Italy, must be added to the higher cost of raw materials due to the constant hikes in fuel costs, and fixed costs such as gas and energy.

In conclusion, thanks to its local presence, RDM has contributed to the budget of each country in which it operates in the following amounts.



RDM contribution to State Budget (euro) 2012		RDM contribution to State Budget (euro) 2013	
Italy	7,5 million	Italy	8,784 milioni
Germany	2,5 million	Germany	993 thousand
France	730 thousand	France	902 thousand
UK	433 thousand	Spain	209 thousand
Spain	182 thousand		

All this must be taken into account. If we then add, at least as far as Italy is concerned, the bureaucratic hurdles faced by RDM to carry out its business, the efforts to protect competitiveness as much as possible are all the more appreciated!



Development of China and emerging markets

There are many countries that are hungry for raw materials. Of these, China is the one that purchases the most worldwide, including in Europe. Although Brussels has launched initiatives to promote waste as a precious resource, waste is frequently shipped to Asia and rapidly expanding economies. From 1995 to 2005 exports of waste paper went from 1.2 million to 7.8 million tons, and in China alone they went from 0 tons to 4.5 million tons. In Italy this led to an increase in the price of waste paper. By selling its waste, Europe is losing precious raw materials, and thus, those that remain are more costly. Therefore, compa-

nies engaged in paper regeneration are faced with higher production costs, while, even from an environmental standpoint, the phenomenon of exporting waste paper is not very sustainable. Why does Europe refuse to keep its waste for itself? Despite the fact that European environmental policy seeks to gradually dispose of landfills and provide incentives for sorted collection, recycling is a costly practice. This is not so in those countries where environmental and health regulations related to the sector are more flexible and labor costs are lower. Aware of the fact that it is no longer acceptable to squander raw materials, for 2013-2014 Europe has announced a number of incentives to support recycling. We remain hopeful.

Taxes and social contributions	Italy	Germany	France	Spain	UK
TOT taxes and contributions (thousands of euro)	28.419	8.308	6.307	2.125	387
Taxes and contributions incidence on income	10,4%	6,8%	10,5%	6,2%	5,6%

The importance of not offshoring



The causes of the trend to move production activities abroad, and increasingly outside Europe, are not easy to identify, but the impact of doing so is: social, economic and environmental problems.

Offshoring consists of moving the production process to a geographic area other than the one where the company has always operated. This phenomenon is affecting many sectors including textiles, clothing and shoes, engineering and industrial equipment and the automobile industry.

The first signs were seen in the 1990s, but it was in 2006 that Istat realized that in the previous five years, nearly 3,000 companies, equal to 13.4 percent of large and medium-sized industrial companies and services, had moved production abroad. The percentage of industrial companies (17.9%) was greater than service companies (6.8%).

Then, in the first two years of the crisis (2009-2010), according to data of the European Restructuring Monitor, 6.4 percent of jobs lost in Italy following company restructuring was “due to offshoring initiatives,” and the percentage of Asian countries used as a production center rose by 25%.

According to more recent data, if only those companies with over ten employees and revenues of at least €2.5 million are taken into account, over the last 10 years Italy has lost some 27,000 companies that have partially or totally moved abroad resulting in 1.6 million Italian jobs lost.

The negative effects of offshoring include:

- the depletion of local know-how because not only economic wealth but also the well established network of expertise is lost;
- the risk of dumping, i.e., the possibility that the company that relocated to a country with a less costly labor force due to inadequate salaries or a lower quality of life, might re-introduce, in the same market, products with a lower price than those companies that respect their workers;
- the risk of ecodumping, because using the same principle, it is possible to run across backward jurisdictions that have no environmental restrictions, with results such as the “air-pocalypse” hitting Chinese and Indian megalopolises.

Italy is looking for countermeasures and is taking away incentives from those companies that cut staff to move outside the EU, and is making them return the incentives received according to the new provisions of the Stability Law (paragraph 60 of the consolidated article of Law 147/2013).

But even consumers can guide the trend with forward-looking, well reasoned decisions. They can favor made in Italy goods, Italian style, technology and quality, and products designed, made and conceived here. It is true that they may sometimes cost a little more, but they will almost always be of a better quality. And they will definitely not deplete the local entrepreneurial structure, they will keep our wealth here, encourage companies to stay and award decisions made with pride, determination, an ethical conscience and a love for the environment and foresight.

RDM and its employees

Human resources are the key component of any business: companies are made of men and women. The belief that it is possible to disregard human capital is a big mistake that inevitably will doom any industrial, private, public or family-run organization to failure.

The RDM Group strongly believes that people at all levels are the essence of the organization, and their full involvement makes it possible to make their talents available to the organization for productive development that favors everyone.

The determining factor for the success of both the RDM Group and the people who live there (and don't just work there!) is motivation. We believe it is essential to stimulate in everyone the desire to pursue personal success along with corporate success, with the full awareness of their means and a strong desire to achieve their objectives.

Providing motivation is definitely one of the most demanding and delicate tasks that our Group is required to perform. But we are not afraid of demanding challenges!

The RDM Group has chosen to motivate its employees by creating a cooperative culture of collaboration: we are all in this together and moving in the same direction!

In fact, we believe that a culture of this type, which is based on human relations and related values, will produce beneficial results:

- within the structure, for the benefit of work and production, with the resulting increase in opportunities to promote the personal growth of individuals;
- externally, since a motivated and satisfied

employee is the best company “testimonial,” and contributes to influencing the company's image in the market.

If it is true that the decision to “involve” and “motivate” employees also depends on the environment that they must deal with on a daily basis, we must not forget, however, that the environment is always influenced by all those individuals who experience it, and in fact, create it in the first place!

To conclude, here are the four key areas of the RDM Group's actions in relation to its employees:

- raising staff awareness so that the concept of ‘organization’ and related objectives are properly understood and shared;
- developing a team spirit in which each member is actively involved, and as a result, provides a personal contribution to the achievement of set goals;
- formalizing organizational charts and determining each person's roles, duties, relationships and responsibilities; ensuring that all employees are assigned specific duties, and in particular, unambiguously identifying responsibilities, limits of authority and relationships for interacting with various positions;
- promoting the personal development and professionalism of everyone through ongoing training and updating.

In 2012, throughout the Group 18,327 hours were dedicated to employee training at a total cost directly incurred by the company of €60,989.00. Our Group knows that training is no longer a choice, but an obligation if we wish to face new market challenges with a winning approach. And although the average training per worker stood

at around 20 hours, our commitment is to always increase and place greater emphasis on training. An old Chinese proverb says, “When you make plans for a year, wheat is grown. If you make plans for a decade, you plant trees. If you make plans for life, you train and educate people.”

The importance of safety in the work environment

Work environments in the EU are healthier and safer than ever. However, each year there are still 6.9 million accidents in the workplace and millions of occupational illnesses. The human suffering caused by low levels of safety and health is incalculable, but the economic cost is estimated at €90 billion per year, which is equivalent to more than half the current costs of the rescue fund for the European financial crisis.

On the other hand, national economies and companies that have introduced high health and safety standards at work tend to have fewer problems. Thus, a safe and healthy work environment is a good thing. The creation of safe work conditions and their ongoing improvement is an issue that should be essential for all employers. This concern is dictated by economic and humanitarian considerations.

Protection in the workplace is not just a set of laws to be followed, but is based on the desire to protect individuals by creating healthy and safe work environments. In a safe and comfortable environment, employees are actually able to be more productive. This inevitably translates into an advantage for the company. Thus, in addition to being a worker’s right, health in the workplace is

in the interest of the business, which in this way is able to provide a more comfortable, and thus, more productive environment, and in the interest of the company as a whole, which therefore incurs lower social security costs for accidents and occupational illnesses.

In fact, social security costs are the sum of costs for lost work days, medical treatments, insurance premiums and reimbursements, of which an individual accident or occupational illness are just the tip of the iceberg. Ultimately, the right to a healthy workplace and the prevention of accidents and illnesses is in the interest of society as a whole: companies, unions, workers and state and suburban institutions. Using appropriate information, the important thing is that safety in the workplace is assimilated as conduct that is not only appropriate, but entirely just and proper to be implemented.

WORK SAFETY AT THE INTERNATIONAL LEVEL

From June 29 to July 2, 2008, the XVIII International Conference on Safety and Health in the Workplace was held in Seoul. About four thousand people attended the meeting organized by the International Labor Organization (HYPERLINK “<http://www.ilo.org/>”/ILO) and by the International Social Security Association (HYPERLINK “<http://www.issa.int/>”/Issa) including politicians and experts in the sector from over 100 countries worldwide. The goal of the conference was to promote safety and health at the international level to contribute to the prevention of accidents at work and occupational illnesses. Thus, participants from all parts of the world met in Seoul to

exchange information and experiences on many aspects related to health and safety at work. At the conclusion of the conference, participants signed the “Declaration on Safety and Health at Work” which establishes a benchmark model for employers, workers and governments aimed at strengthening cooperation in order to reduce accidents at work and occupational illnesses. The “Declaration on Safety and Health at Work” acknowledged the importance of:

- education, training, the exchange of information and good prevention practices and the promotion of preventive measures;
- the role of governments and community partners, professional safety and health organizations and social security institutions in the promotion and provision of support and rehabilitation services;
- cooperation between international organizations and institutions.

The declaration emphasizes that the improvement in safety and health at work has a positive impact on working conditions, productivity and economic and social development.

The declaration states that:

- the right to a safe and healthy workplace must be recognized as a fundamental human right, and globalization must be accompanied by preventive measures to ensure health and safety at work;
- the promotion of safety at work and the prevention of accidents and occupational illnesses is the key issue of the mission of the ILO and Decent Work Agenda;

• the prevention of risks at work and the promotion of workers’ health are an essential part of the mandate of the Issa.

Signatories of the document also stated that:

- promoting high levels of safety and health at work is the company’s responsibility; all community partners must contribute to the achievement of this goal by ensuring that priority is given to this issue on the agendas of nations by building and maintaining a national culture of accident prevention, health and safety at work;
- a national preventive culture must be observed at all levels: governments, employers and workers are asked to actively participate by establishing parameters for a safe work environment through a system of well defined rights, responsibilities and functions in which the principle of prevention has the greatest priority;
- the ongoing improvement in safety and health at work must be promoted using a systematic approach for managing the issue, including the development of a national policy that takes into consideration the ILO’s Convention for Safety and Health at Work of 1981 (Part II);
- governments must:
 - give priority to the ratification of the ILO’s Promotional Framework for Occupational Safety and Health Convention of 2006 and ensure the implementation of its provisions as a means of improving performance in the area of safety and health at work in a systematic manner;
 - ensure that ongoing actions are carried out to create and augment the culture of acci-

- dent prevention, health and safety;
- ensure that the health and safety of workers are protected by an adequate system of safety applications and health standards including a strong and effective inspection system;
- employers must ensure that:
 - accident prevention is an integral part of their operations, and high levels of safety and health at work must keep pace with the company's operating objectives;
 - safety and health management systems in the workplace are adopted in order to improve these aspects in the workplace;
 - workers and their representatives are consulted, trained, informed and involved in all measures related to safety and health at work;
- in order to better assert their right to a safe workplace, workers must be consulted and must:
 - follow safety and health instructions and procedures including the use of protective devices;
 - participate in training activities aimed at improving awareness;
 - collaborate with employers in improving safety measures;
- the World Conference on Health and Safety at Work is an ideal forum for sharing information and experiences aimed at achieving safer workplaces.

RDM AND WORK SAFETY

“There is no true profit without respecting those who create it: this is our commitment.” Since 2011 RDM has been dedicated to obtaining OHSAS 18001 certification. To date, this certification has been obtained by the Santa Giustina plant and the registered office, while preparations are under way to obtain it in the remaining Italian plants. For several years the RDM Group has been committed to implementing a more structured approach to issues regarding the environment, health and safety that the Group considers essential distinctive elements of competitiveness and sustainability. Italian plants started out with safety-related results that were not in line with the Group's European levels, but in recent years, significant steps have been taken.

As a result of intensive training and accident prevention programs implemented in close cooperation with workers' unions, and the gradual implementation of best practices, highly encou-

raging results have been recorded. Numerous investments were made in recent years to improve safety in workplaces, and, as noted earlier, the Group's plants are now certified: all plants have ISO 14001:2004 environmental certification, and in addition, the Santa Giustina plant has OHSAS 18001 certification for the health and safety management system in workplaces.

As noted, for the RDM Group, excellence must be measured, and in fact, must start with safety. This is the Group's commitment and philosophy. In fact, statistics in recent years have shown that investing in safety is profitable: improvements in health and safety results are tied to improved operating income. The RDM Group believes that the dissemination of programs on the culture of safety that are aimed at increasing individual awareness and stressing the importance of individual responsibility is essential for achieving further improvements in order to attain excellent results in this area.



Work safety

Accidents at work are in decline in Italy, but much more can be done to further reduce the number of accidents and promote a new safety culture.

For years, accidents at work in Italy have been on a downward trend. In 2012, the last year for which INAIL data are available, 745,000 accidents were reported. This was a decrease of about 9 percent from 2011, and 23 percent from 2008. There were about 500,000 accidents recognized at work (more than 18 percent "while commuting"). Of the 1,296 reports of fatal accidents, 790 accidents were confirmed at work (more than 50 percent of which were outside the company). Reports of illnesses totaled about 47,500 (1,000 less than in 2011), which was up nearly 51 percent from 2008. Occupational causes were cited for about 37 percent.

According to the Three-Year Report on On-the-Job Fatalities of Vega Engineering, which collected all data for fatal accidents occurring in Italy from January 2011 to December 2013, in most cases victims were 45-54 years old (354 victims over the three-year period). And it was frequently found that they had not put on adequate personal protection devices.

Health and safety in the workplace also involve workers who must be aware of the conditions of their environment, and must become active participants in training, the use of safety devices, the assessment of risks and accident prevention.

Starting with the economic boom in Italy, there have been more discussions on the issue of accidents and on-the-job fatalities, and protests as a part of the factory worker movement on direct responsibilities for production systems related to poor safety conditions led to the first regulatory steps being taken in 1955 and 1956.

The full recognition of the importance of strict regulations in workplaces occurred with Legislative Decree 626/1994, which evolved into the current provisions of Legislative Decree 81/2008 (as amended by Legislative Decree 106/2009 known as the Consolidated Act on Work Safety). The fundamental principle is planning and the participation of all individuals involved in the workplace. There are general protection measures in the company's safety system that are supplemented with safety measures required for specific risks or areas of operations. There are requirements for training, study and instruction programs for workers and various positions.

In Europe the approach to work safety is evolving toward a scale that goes beyond accident prevention engineering and embraces intangible values such as serenity in performing one's work, relationships with colleagues and comfort in using work-related tools and spaces. The goal of the European agency for work safety and health (EU-OSHA) is to make Europe a safer, healthier and more productive place to work in by promoting a culture of risk prevention aimed at improving work conditions.

Social impact indicators

ACCIDENT RATE

The accident rate represents the frequency of accidents relative to the total time worked by the entire work force during the reporting period (GRI Guidelines, Indicator LA7).

In 2013 the total number of accidents reported was 57, and has been decreasing constantly since 2010 when the number was 92. The figure shows changes that reflect a 21% reduction from 2010 to 2013.



SEVERITY INDEX

The severity index represents the impact of workplace accidents and occupational diseases, which translates into the absence of the worker in question. This value is calculated by comparing total lost working days with the total number of work hours for the work force during the reporting period (GRI Guidelines, Indicator LA7).

The days of absenteeism due to accidents are slightly higher than in 2012, but the severity index was still 24% lower than the 2010 figure.



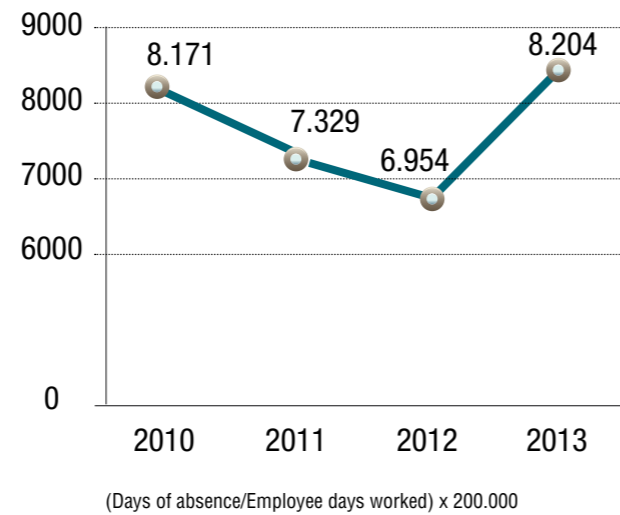
OCCUPATIONAL DISEASE RATE

The rate represents the frequency of occupational diseases relative to the total time worked by the entire work force during the reporting period (GRI Guidelines, Indicator LA7).

Over the last three years (2011-2013) there was not a single case of occupational diseases; the only case goes back to 2010.

ABSENTEEISM RATE

The absenteeism rate refers to the measurement of days of actual absence, expressed as a percentage of the total working days for the work force during the same period (GRI Guidelines, Indicator LA7). In 2013, absenteeism hours rose compared to the three-year period 2010-2012. The absenteeism rate rose by 0.4% over 2010.



Suppliers

Supplier and contractor honesty is a basic condition for undertaking and maintaining dealings with the RDM Group. The selection of supply sources and assessment of suppliers are key issues in the supplier-customer relationship. The assessment of external resources is an essential consideration for maintaining the high quality standards of our products and the maximum efficiency of our plants. For us, our suppliers are a company resource comparable to customers, and thus, strengthening collaboration will ensure a productive, high quality ongoing relationship.

However, as we stressed in the previous section, our focus on compliance with rules and the transparency principle is essential. Thus, the determination of criteria for the selection, assessment and re-assessment of suppliers is an essential practice. Supplier rankings and assessments, performed by the Group under the aegis of the procurement department, begin with the development of a database of respected suppliers

historically associated with RDM. The Group's effort is continued by verifying that the requirement of fair dealings is met, identifying and applying the minimum requirements, based on respect for human rights, employment, health and safety practices, and workplace and business ethics. In addition, the Group has updated and supplemented the checklists for supplier qualification and field audits.

To date, the Group has qualified 100% of its suppliers based on a supplier management process, in line with the Group's priorities. Annually, the procurement department audits suppliers and updates the respective list. Data-gathering for supplier pre-qualification and the respective updates will allow for instituting an open dialogue between the Group and its supplier community. All the data are recorded in the suppliers file, showing possible updates, which can then be subject to control. The Group will extend the qualification process to subsidiaries by disseminating the guidelines, information, and methodologies for data gathering, updates and filing systems.



Lotta alla corruzione

In terms of corruption, Italy is getting better: it is ranked 69th in the world classification.

"Italy is still perceived as a corrupt country, even though this year it improved slightly moving from 72nd place to 69th place in the ranking of 177 countries reviewed, at the same level as Romania and Kuwait. This information was taken from the CPI 2013 report, the index of Transparency International, which measures the perception of corruption in the public sector. The country ranked last is Somalia preceded by North Korea and Afghanistan. Denmark, New Zealand, Finland and Sweden are ranked at the top (see *Corriere della Sera*, December 3, 2013).

Corruption is not something inherent and necessary! The RDM Group has always believed in that

statement, which is not a declaration of principles, but an iron-clad rule in its operations. RDM has for a long time adopted a "zero tolerance" policy in terms of corruption: employees, suppliers, officers and executives must perform their work in line with the Group's binding values and principles, strengthening the culture of compliance and integrity, making themselves active ambassadors of such principles through their conduct and "educating" any employees and third parties they liaise with by example.

But what is corruption and how can it be fought and defeated? Corruption is a phenomenon that has always been present in all current and ancient civilizations. From Mesopotamian civilizations, in which reciprocity between the self-interested gift and favor requested was a well-established cu-

stom, to the Athens of Pericles or Rome of Cicero, where bribes were a custom that was formally denounced, but widely used, and from the Europe of the Lutheran reform, which was crucial in the establishment of anti-corruption ethics, to the unsolved moral issue in our times: “favours, gifts and kickbacks are the norm. At one time, illegality was concentrated in the building sector among licenses, zoning plans and changes in intended use. Then it started to spread in the form of bribes for living arrangements (to obtain residence certificates and residence permits), bribes involving citizenship (to avoid military service and facilitate favours in return for votes), bribes for housing (for the assignment of government housing or avoidance of imminent eviction), bribes for credentials (from secondary school exams to those at the university level), bribes for employment (competitive hiring, authorizations to perform commercial activities and licenses for independent contractors), bribes for surviving (pensions and life-saving medicines) and lastly, bribes to rest in peace (finding a graveyard plot is getting more difficult).” [Cazzola (1992), *L'Italia del Pizzo: Fenomenologia della Tangente Quotidiana [Bribing in Italy: The Phenomena of Daily Bribes]. Einaudi, Turin*].

Thirty years ago, Italo Calvino, who was not a lawyer, political scientist or economist, wrote an acrimonious story entitled *A Fable on Honesty in the Land of Corruption*. Here is an excerpt: “There was once a country based on illegal activity. It wasn't that there weren't any laws or that the political system was not based on principles that everyone said they shared, more or less. But this system, which was spread over a large number of power centers, required unlimited financial

resources...and these resources could only be obtained illegally, i.e., by asking for them from those who had them in exchange for illegal favours. In other words, those who could give money in exchange for favours, usually earned this money for favours previously performed; the resulting system was therefore somewhat circular and not without its own harmony. When raising funds illegally, each power center was not affected by any sense of guilt, because according to its internal morals, anything done in the group's interest was legal, and even praiseworthy since each group identified its power with the common good... Thus, the inhabitants of that country could have unanimously declared themselves happy were it not for a growing number of citizens whose role was not clear: the honest people.” Reading these words written in 1980, it is indeed difficult not to think about our current situation. And yet the history of man shows us that even long before Calvino, Greek and Roman societies discussed corruption.

Corruption could be defined as a mere bad habit if it did not have serious repercussions from both an economic and social standpoint. One can certainly distinguish between major corruption (when political decisions and their planning and implementation are seriously compromised by corrupt practices) and minor corruption (consisting of minor cases of dishonesty such as the use of a public office for personal benefit in providing a public service or fulfilling a duty), and between political and economic corruption. We can also make a distinction between corruption and extortion. But the truth is that corruption is a pathologi-

cal phenomenon that hinders a country's economic and social development. It is a malfunction of the organizational system that inflicts serious and widespread damage.

The RDM Group believes that corruption can be fought with transparent relationships, legality (meaning compliance with rules), morality, efficiency, refusing attractive offers and reporting or whistleblowing.

These are the principles that inspire the RDM Group. However, since actions speak louder than words, the RDM Group continues to implement checks at a higher level during the selection of its partners, and at a lower level, it carries out internal investigations on the proper application of corporate procedures.

RDM'S APPROACH TO CORRUPTION

Integrity has always been in the RDM Group's DNA. It has become an iron-clad rule of its actions. Each day the company asks employees, suppliers, executives and managers to act in

compliance with the Group's principles, and to become active emissaries of these values including with the people they work with. We believe that corruption generates extremely serious repercussions from both an economic and social standpoint and hinders the country's development. We also believe that corruption can be effectively fought with transparent relationships, legality (meaning compliance with rules), morality, efficiency, refusing attractive offers and reporting. In its specific fight against corruption, the RDM Group has implemented checks of the integrity of its partners, and conducts internal investigations on the proper application of corporate procedures. RDM requires all associated companies and its so-called stakeholders to bring their own activities in line with the principles that guide the Group; in addition, the Group requires all directors, employees and contractors to observe the rules of their own Code of Ethics, but also to require observance thereof by consultants, agents, suppliers, distributors, and contractors.

Corruption and damage to the country's structure



New scientific studies and recent investigations on the perception of political life show the impact of poor transparency in public life, from the loss of competitiveness to brain drain and damage to the environment. Corruption in the public sector is at “serious” levels in 70 percent of the countries of the world. According to the latest report of the organization Transparency International, which was distributed in December 2013, the problem is widespread throughout the world. Denmark, the Scandinavian countries and New Zealand do a bit better. On the other hand, Italy has an appalling ranking as it lies in 69th place, which has remained nearly unchanged since 2012. Some of the countries ranked higher than us are Jordan, Lesotho, Namibia, Ghana, Rwanda and Botswana, to name but a few. In January 2014 the European Union again sounded the corruption alarm, which costs Europe €20 billion a year, “nearly an entire budget,” of which half is in Italy alone. Although none of the 28 European countries is exempt, the Commission stresses that Italian laws are “inadequate,” and that politicians are submissive. The impact on the domestic economic system goes well beyond moral repercussions, undermined confidence, our reputation abroad or competitiveness. In a country with poor transparency, contracts tend to cost more. Public works are situated in places that do not need them. The environment and landscape are scarred more easily. The community environment has been contaminated and no one trusts a public bidding procedure or tender any more. Meritocracy is rejected causing a freeze in enterprise and the labor market. What is more, a lot of money is squandered on education since investments in education end up benefiting other countries because competent people prefer to emigrate. The relationship between corruption and the brain drain was covered in the study “The Balance of Brains - Corruption and Migration” conducted by the Catholic University in Leuven, Belgium, and published in May 2013 in “Embo Reports.” From an analysis of 123 countries from 1990 to 2000 it was shown that countries characterized by high levels of corruption suffer from a greater emigration of the most brilliant minds and most qualified professionals who move to take suitable, well-paying jobs where meritocracy wins out over payoffs and recommendations. Another little known effect of corruption in Italy was also the slowdown in the development of clean energies according to the investigation entitled “Corruption and Fraud in the Green Economy,” which is part of the Green Clean Market project promoted in 2013 by Transparency International Italy. The various manifestations of corruption and criminal infiltration might have removed “2.5 million MW produced from renewable sources thereby blocking 30 million square meters of photovoltaic power, equal to the annual requirements of 800,000 households.” Building a country free from corruption is not only a moral issue, but also an economic and environmental matter since it affects the labor market, the best professionals and sustainable development.

Stakeholder engagement

The RDM Group believes that stakeholder engagement is fundamental today for the success of almost any type of company. We also believe that the creation of value for all parties involved with a company is essential for building a common goal and for approaching the challenges our planet must face.

Given the RDM Group’s domestic and international leadership, the issues of environmental and social responsibility that we are faced with are of many types and, often, of a certain complexity. To better understand these issues, we encourage open dialogue with our stakeholders in order to understand their point of view and share ours with them. Understanding the priorities of stakeholders helps us identify the problems relevant to them and to plan our responses.

Relations between RDM and stakeholders are consistent with the principles that guide our Code of Ethics, which are reflected in compliance with the laws and regulations, and in our fairness, moral uprightness, trust and collaboration. RDM requires all associated companies to bring their own activities in line with the principles that guide the Group; in addition, the Group requires all directors, employees and contractors to observe the rules of their own Code of Ethics, but also to require observance thereof by third parties (such as consultants, agents, suppliers, distributors, and contractors in general) who operate in any capacity in the interest and/or on behalf of RDM and/or any company in the Group.



Conclusions

**Let us work together
on the packaging
of the future**



Conclusions

Let us work together on the packaging of the future

The challenge today is the survival of companies over time: this objective cannot be reached by working only on the search for profits but by virtuously combining cost cutting with the development of sustainable technologies. To avoid compromising the possibility of generating profit tomorrow, manufacturing, sales and financial decisions must have a long-term, far-reaching vision.

Our path toward sustainability, like that of many other companies, takes time, energy and dedica-

tion; abandoning a “business as usual” model, albeit progressively, in order to embrace a “people planet profit” model is a choice that is not entirely expected and one that is not problem-free.

Once again this year we wanted to give you a report on our results, obligations and our areas of improvement with regard to the social and environmental aspects of our operations.

The continual increase in the cost of oil and the need to contain its environmental impact have contributed to making the “focus on the environment” one of our strategic business values and

the search for sustainability in different manufacturing sectors and processes. The subject of the environmental impact of packaging is slowly making its way into the conscience of Italian companies, and becoming an important aspect. On the one hand, regulations impose limits on the use of materials that can cause disposal problems and, on the other hand, consumers are becoming increasingly aware of the ecology issue.

Method

According to the definition by the Sustainable Packaging Coalition (2005), sustainable packaging is advantageous throughout the life cycle, meets market criteria, optimizes materials and energy, and fosters the use of renewable materials. Eco-design meets this definition with a design approach that takes into consideration the environmental aspects of the entire life cycle of a product/service from an integrated point of view with respect to other project variables, from the extraction of raw materials to the end of the useful life. To reinforce this principle, eco-design is often interpreted as “Life Cycle Design”. Life Cycle

Design is referred to as the process involved in assessing and defining all phases of a product’s life cycle through a circular “cradle to grave” path, focusing mostly on the possibility of *bringing the product “back to life” and managing to modify it “from cradle to cradle”* (McDonough & Braungart, 2002).

Strategy

To pursue our objective of a more ecologically sustainable product, we are focusing our actions on reducing the environmental impact of packaging. The strategies, stated by way of example in order to be able to apply them in different contexts, apply to the different phases of the life cycle of packaging, from the choice of materials to their sizing and logistics.

- reduce the amount of materials at the source
- reduce the types of materials

We are aware that the path to be followed is still long and that the aspects to work on are still many, but the RDM Group has taken this road because it strongly believes that it is the only one that can contribute to a better world.

RDM Group

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