
UN Global Compact

First Communication on Progress (COP)
from FRETTE



FRETTE S.R.L.

July 2012

DECLARATION OF SUPPORT FOR THE UN GLOBAL COMPACT



Welcome to Frette's 2012 Communication on Progress (COP) regarding the Global Compact. Frette became a member of the UN Global Compact in May 2011, and this is our first report.

It was an obvious choice for us to sign and support the UN Global Compact. It is already a natural part of our way of management and for many years we have been integrating social responsibility, care for human rights, as well as anti-corruption measures into our business.

Frette operates globally and, regarding sustainability, works in accordance with internationally recognized principles and guidelines.

The Global Compact is an opportunity not only to support this commendable global initiative but also to foster a transparent dialogue with our stakeholders as part of our corporate citizenship.

The spirit of Frette's joining and supporting the Global Compact, support that we reaffirm for the next year, concentrates on the implementation and monitoring of the principles that relate to human rights, social standards and the fight against corruption in the supply chain. Our determination to operate in compliance with the ten principles covers all the companies of the Frette Group globally.

This is Frette Group's first COP: it has been developed with the intention of defining our starting point, providing a snapshot of the current status, and setting a target for the future.

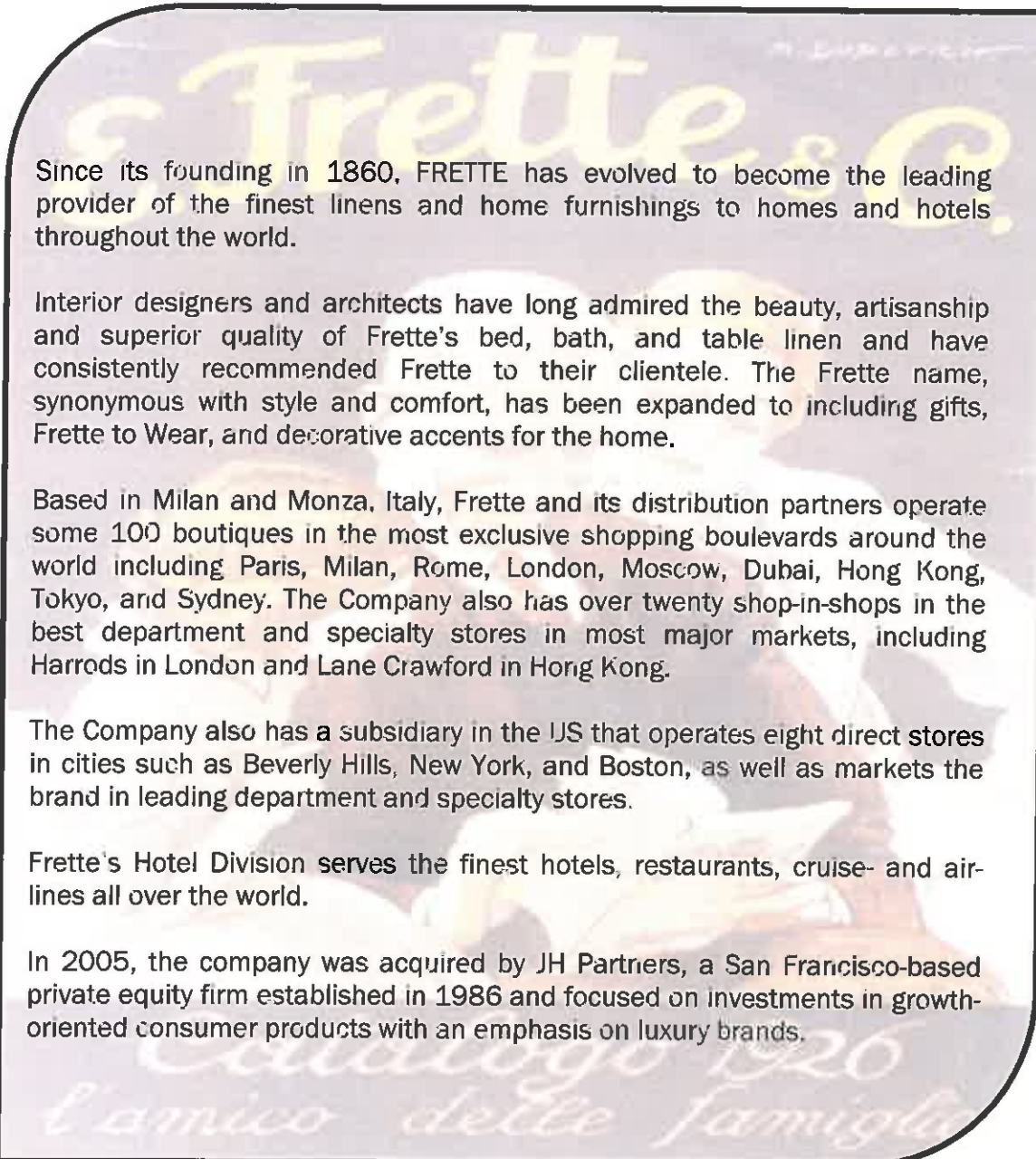

Laurence Franklin
CEO, Frette

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I. THE FRETTE GROUP

I.1 Who we are



Since its founding in 1860, FRETTE has evolved to become the leading provider of the finest linens and home furnishings to homes and hotels throughout the world.

Interior designers and architects have long admired the beauty, artisanship and superior quality of Frette's bed, bath, and table linen and have consistently recommended Frette to their clientele. The Frette name, synonymous with style and comfort, has been expanded to including gifts, Frette to Wear, and decorative accents for the home.

Based in Milan and Monza, Italy, Frette and its distribution partners operate some 100 boutiques in the most exclusive shopping boulevards around the world including Paris, Milan, Rome, London, Moscow, Dubai, Hong Kong, Tokyo, and Sydney. The Company also has over twenty shop-in-shops in the best department and specialty stores in most major markets, including Harrods in London and Lane Crawford in Hong Kong.

The Company also has a subsidiary in the US that operates eight direct stores in cities such as Beverly Hills, New York, and Boston, as well as markets the brand in leading department and specialty stores.

Frette's Hotel Division serves the finest hotels, restaurants, cruise- and airlines all over the world.

In 2005, the company was acquired by JH Partiers, a San Francisco-based private equity firm established in 1986 and focused on investments in growth-oriented consumer products with an emphasis on luxury brands.

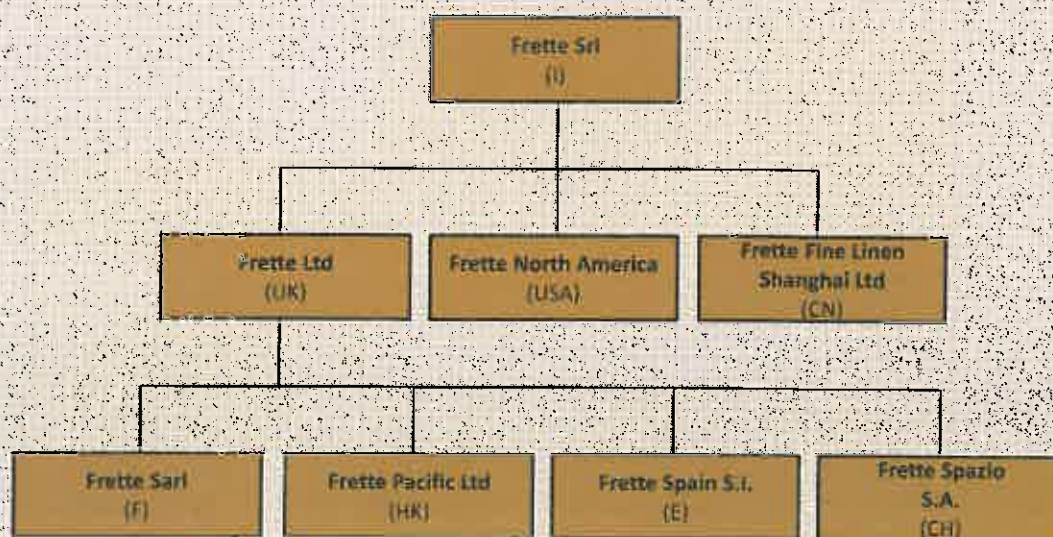
I. THE FRETTE GROUP

I.1 Who we are

Frette Group is structured in a holding company based in Italy FRETTE S R L that manages the Creative functions to define the home linen collections, fall –winter and spring – summer, and to support the development own hospitality collection as well as the custom specifications for hospitality private labeling.

FRETTE S R L is responsible for the engineering of the above collections, supplier scouting and quality assurance for the entire Group.

The Group is completed, as per scheme below, by other companies that manages sales and distributions in the respective geographic areas so to ensure the international coverage worldwide.



I. THE FRETTE GROUP

I.1 Who we are

FRETTE GROUP PEOPLE

BY NATIONALITY

ITALIAN	AMERICAN	SPANISH	FRENCH	CHINESE	TOTAL
262	60	2	6	6	336
77,5 %	18 %	0,5 %	2 %	2 %	100

BY GENDER

MALE	FEMALE	TOTAL
65	271	336
19 %	81 %	100 %

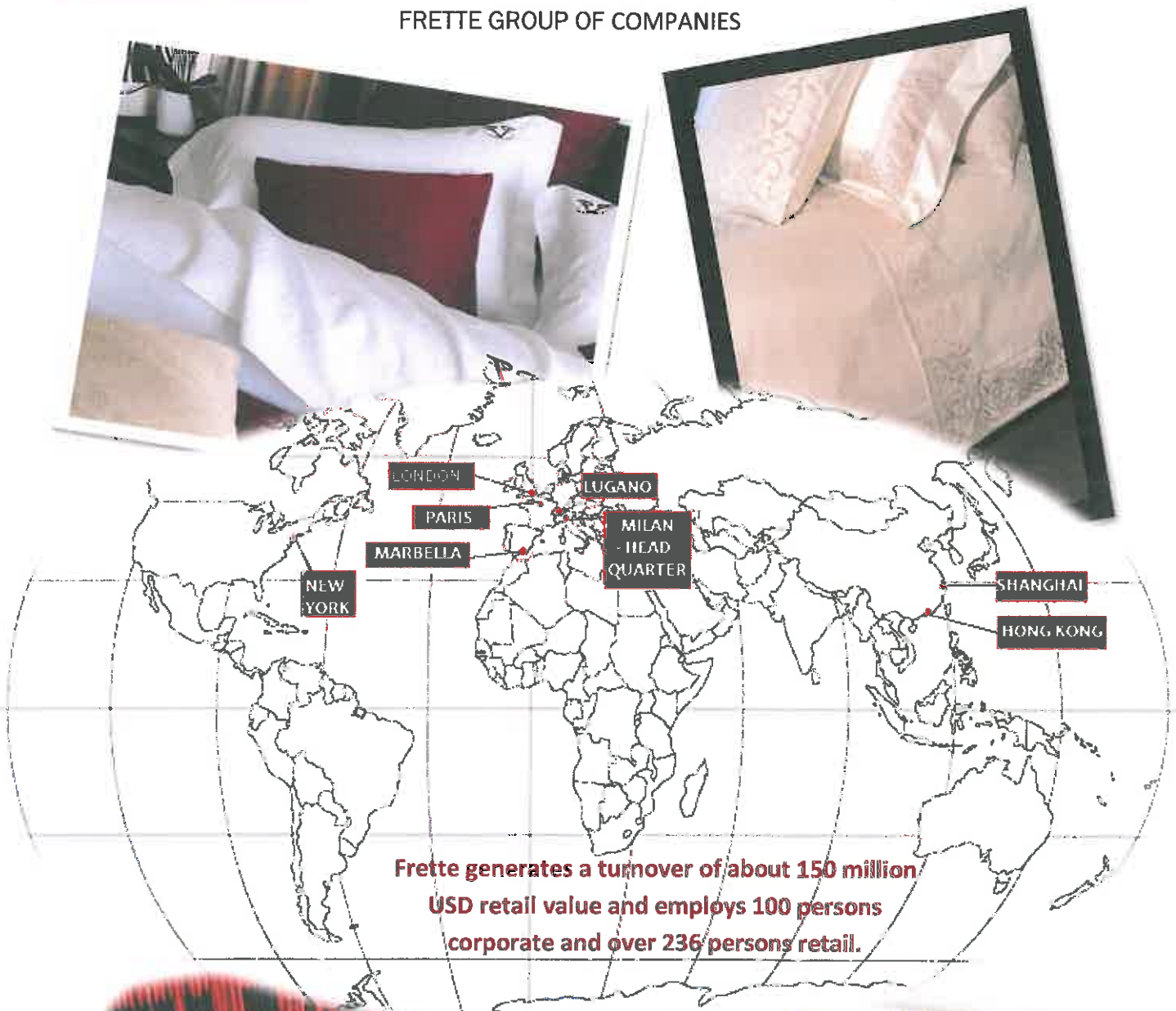
BY ROLE

TOP MANAGER	MIDDLE MANAGER	STAFF STYLE	STAFF TECHNICAL	STAFF SALES	SERVICE	TOTAL
13	32	9	36	228	18	336
4 %	10 %	2,5 %	11 %	67,5 %	5 %	100

I. THE FRETTE GROUP

I.2 Where we are

FRETTE GROUP OF COMPANIES

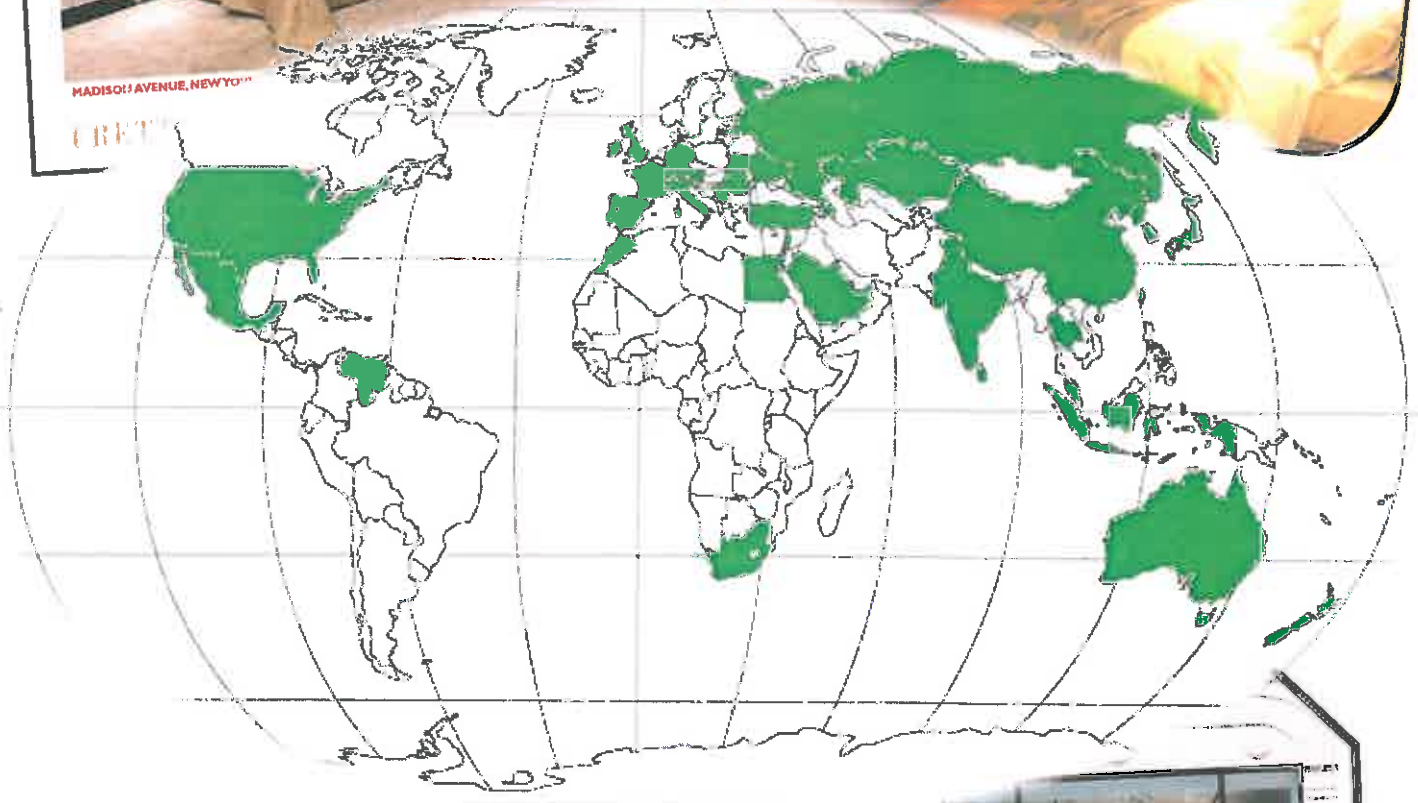


Frette generates a turnover of about 150 million USD retail value and employs 100 persons corporate and over 236 persons retail.



I. THE FRETTE GROUP

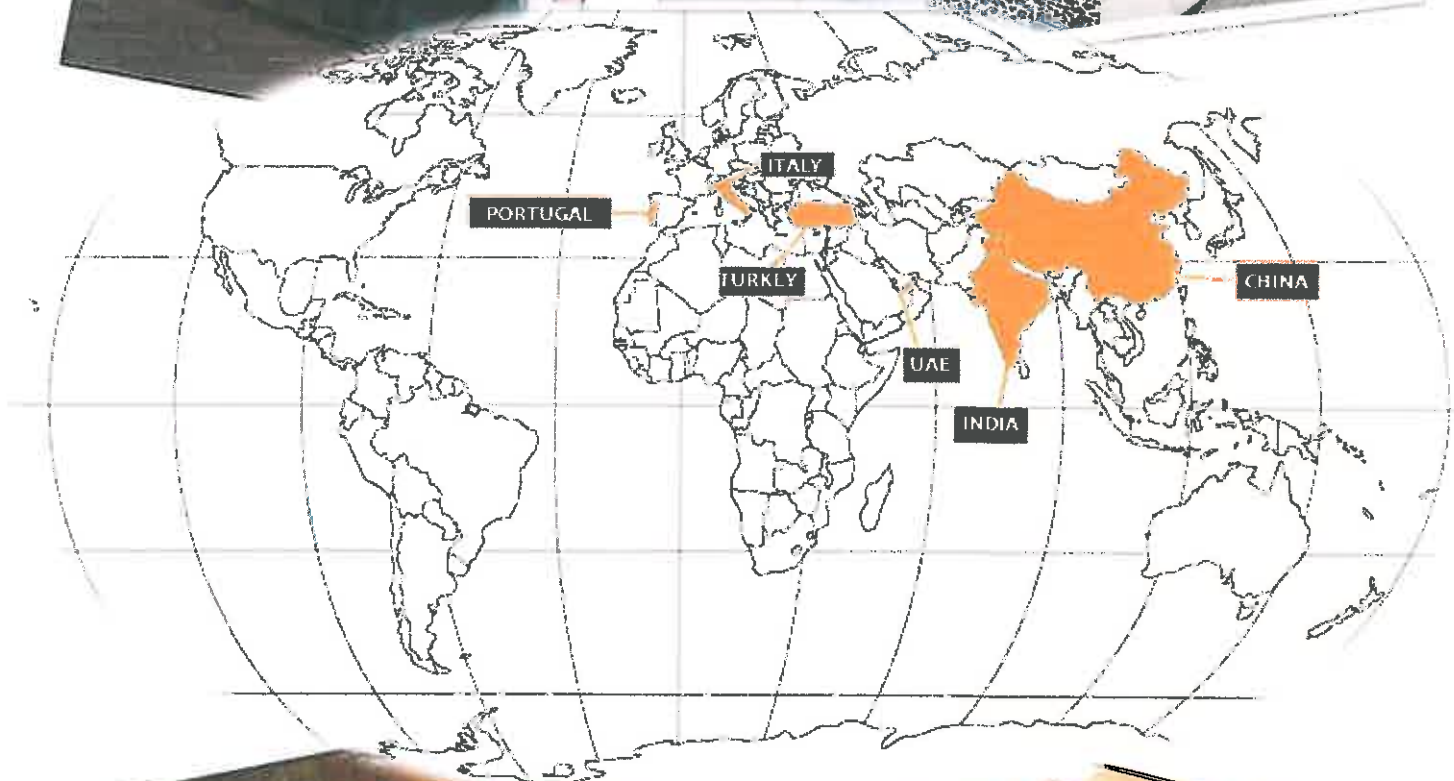
I.3 Points of sale



Monza, Italy - 1936

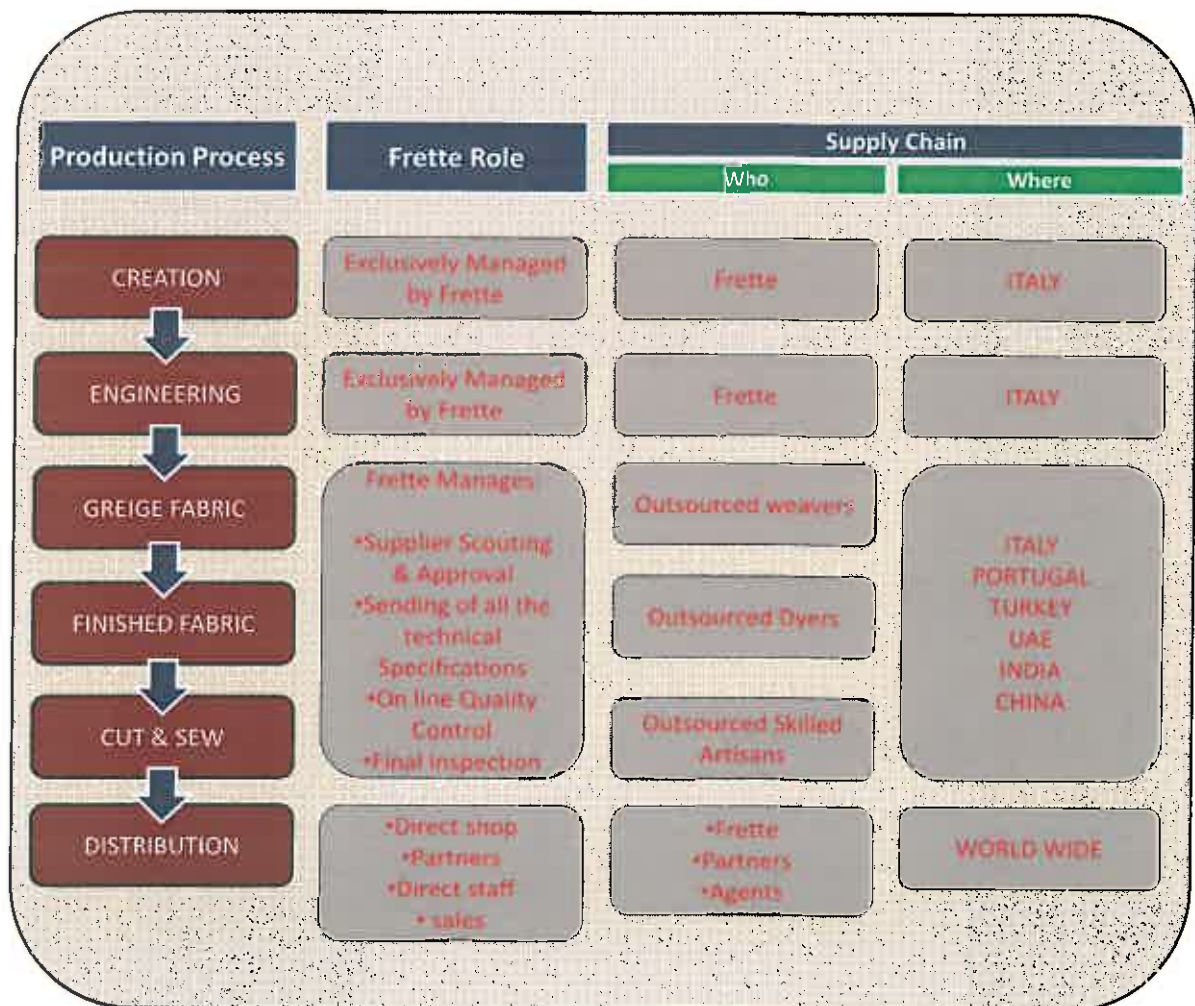
I. THE FRETTE GROUP

I.4 Supply Chain



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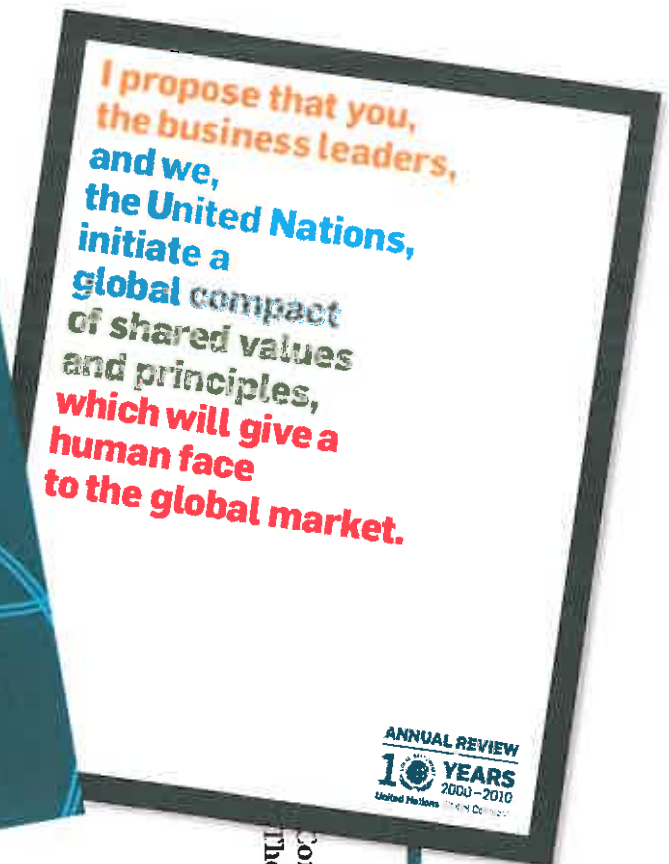


II. The UN Global Compact



Launched in July 2000, the UN Global Compact is a platform for the development, implementation and disclosure of responsible and sustainable corporate policies and practices.

Endorsed by chief executives and top management of companies throughout the world, it seeks to align business operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment, and anticorruption.



UNITED NATIONS
**GLOBAL
COMPACT**

Corporate Sustainability in
The World Economy



WE SUPPORT

III. TEN PRINCIPLES



WE SUPPORT

HUMAN RIGHTS

Principle 1

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

Principle 2

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

LABOUR

Principle 3

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

Principle 4

the elimination of all forms of forced and compulsory labour;

Principle 5

the effective abolition of child labour; and

Principle 6

the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

Principle 7

Businesses are asked to support a precautionary approach to environmental challenges;

Principle 8

undertake initiatives to promote greater environmental responsibility; and

Principle 9

encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

Principle 10

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

IV. HUMAN RIGHTS

Principle 1

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Principle 2

make sure that they are not complicit in human rights abuses

Since 2008, Frette provided itself with its own ORGANIZATION, MANAGEMENT AND AUDIT MODEL in a voluntary adherence to the Italian law n° 231, art. 6, paragraph 3 regulating the responsibility of the persons, corporations and associations.

In defining this model, Frette instituted its own CODE of ETHICS, that in addition to following to the laws of Italy, declares the centrality of the individual as sanctioned by art. 5.3.

Art. 5.3 - Frette's Ethic Code

"The Company sustains and respects the human rights in conformity with the Universal Declaration of the Human Rights of UN."

By its own structure, the MODEL establishes a CONTROL TEAM nominated by the Board Of Directors of the company. This group is in charge of all controlling and monitoring Company activities, the efficacy of the model, and the respect of ethical behaviour.

The Control Team has the responsibility to present a report to the BOD at the beginning of every fiscal year, containing:

- * the results of the verification process;
- * the communication of any behaviour not in line with the Code of Ethics.

The model has been presented to all the directors and business unit managers of the Frette's Group of Companies on the occasion of the training plan; it will be made available to all the employees within 2012 - in addition to the current hard-copy format, also on the Company's intranet.

On top of safeguarding the principles historically sanctioned at a general level, in the next twelve months Frette will evaluate expanding the local working group of the Global Compact, with other personnel in order to thoroughly investigate and apply in everyday's life the criteria of detection and evaluation of the respect of the principles 1 and 2.

V. LABOUR

[Principle 3](#)

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

[Principle 4](#)

the elimination of all forms of forced and compulsory labour;

[Principle 5](#)

the effective abolition of child labour; and

[Principle 6](#)

the elimination of discrimination in respect of employment and occupation.

The application of the principles is being implemented in the various areas with the aid of differentiated tools depending on the geographic localization, the local laws and the related level of control from the authorities. We will report on the progress of these items in our next report.

TOOLS DESCRIPTION

AREA	RESOURCES	TOOLS
<u>Italy</u>	Frette employees	Italian law 43 T.U. 286/98 and LAW 903/1977 para 1
	Suppliers	To be developed
<u>Rest of the World</u>	Frette employees	Survey Underway
	Suppliers	Frette's Purchasing General Agreement Conditions

V.1 Italy

We make reference above all to the International Human Rights Charter which is composed of the “Universal Declaration of Human Rights” of 1948 and the International Civil, Political, Economic, Social and Cultural Covenants of 1966.

For the most part these human rights standards are regulated in Italy by law. With regard to the Charter, we acknowledge the universality and indivisibility of human rights.



Frette’s Italian supplier network is mainly composed of a myriad of small artisanal entities who are the sole owners of their business and possess the necessary know-how and can apply the high standards of Frette manufacturing.

Due to this fragmented scenario, Frette will:

- ✦ develop a survey intended to ascertain the overall status at these suppliers, and determine what kind of action, if any, is needed to improve adherence to the basic Principles.
- ✦ Communicate its participation in the Global Compact and promote the initiative among all suppliers.

The above actions will be carried out in 2013.

V.2 Rest of the World

The main tool used by Frette to implement the principles is a signed formal agreement by the supplier to operate according to Frette's General Agreement.

A section of the General Agreement is specifically dedicated to quality:

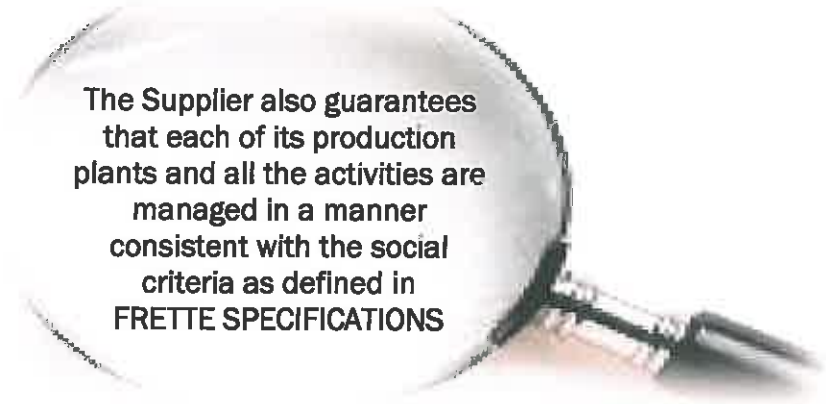
- (1) the quality of the product and its certification, and
- (2) the quality of the production ethics.

This section is made up of article 11:

[EXCERPT FROM FRETTE'S GENERAL AGREEMENT]

ART.11 - DEVELOPMENT AND PRODUCTION - CERTIFICATE AND QUALITY CONTROL - INDEMNITY

11.1 The Supplier guarantees that, in the development and manufacture of the Products, all necessary tests and controls have been carried out and approvals have been obtained or, where appropriate, will be carried out and obtained in order to verify, certify and guarantee the conformity of the Products (i) with the special conditions set out in each individual Purchase Order, (ii) the provisions of these General Conditions and, (iii) the provisions and/or indications set out in the Specification sheet bearing the Specifications and characteristics of the Products which is appended to each Purchase Order by Frette.



The Supplier also guarantees that each of its production plants and all the activities are managed in a manner consistent with the social criteria as defined in FRETTE SPECIFICATIONS

FRETTE SPECIFICATIONS RELATING TO THE GLOBAL COMPACT **(Contained in our General Supplier Agreement)**

1.1. SCOPE

The following social criteria currently apply to the textile processing level only. As far as a practical quality assurance system for the farm level will be in place, these social criteria also apply for the farm level.

1.2. EMPLOYMENT IS FREELY CHOSEN

There is no forced or bonded labour. Workers are not required to lodge "deposits" or their identity papers with their employer and are free to leave their employer after reasonable notice.

1.3. FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING ARE RESPECTED

Workers, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively. The employer adopts an open attitude towards the activities of trade unions and their organisational activities. Workers representatives are not discriminated against and have access to carry out their representative functions in the workplace.

Where the right to freedom of association and collective bargaining is restricted under law, the employer facilitates, and does not hinder, the development of parallel means for independent and free association and bargaining.

1.4. WORKING CONDITIONS ARE SAFE AND HYGIENIC

A safe and hygienic working environment must be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Adequate steps must be taken to prevent accidents and injury to health arising from, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

Workers must receive regular and recorded health and safety training, and such training must be repeated for new or reassigned workers.

Access to clean toilet facilities and to potable water, and, if appropriate, to rest areas, food consuming areas and sanitary facilities for food storage must be provided.

Accommodation, where provided, must be clean, safe, and meet the basic needs of the workers.

The company observing the code must assign responsibility for health and safety to a senior management representative.

1.5. CHILD LABOUR MUST NOT BE USED

There must be no new recruitment of child labour.

Companies must develop or participate in and contribute to policies and programs which provide for the transition of any child found to be performing child labour to enable her or him to attend and remain in quality education until no longer a child; "child" and "child labour" as being defined by ILO. Children and young persons under 18 must not be employed at night or in hazardous conditions. These policies and procedures must conform to the provisions of the relevant ILO standards (C138, C182).

1.6. LIVING WAGES

Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income. All workers must be provided with written and understandable information about their employment conditions including wages before they enter employment and about the particulars of their wages for the pay period concerned each time that they are paid.

Deductions from wages as a disciplinary measure are not permitted nor must any deductions from wages unless provided for by national law without the express permission of the worker concerned. All disciplinary measures should be recorded.

1.7. WORKING HOURS ARE NOT EXCESSIVE

Working hours must comply with national laws and benchmark industry standards, whichever affords greater protection. In any event, workers must not be required to work in excess of 48 hours per week on a regular basis, and must be provided with at least one day off for every 7 day period on average. Overtime must be voluntary, must not exceed 12 hours per week, must not be demanded on a regular basis and must always be compensated at a premium rate.

1.8. NO DISCRIMINATION IS PRACTISED

There is no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.

1.9. REGULAR EMPLOYMENT IS PROVIDED

To every extent possible work performed must be on the basis of recognized employment relationship established through national law and practice.

Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship must not be avoided through the use of labour-only contracting, sub-contracting, or home-working arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment, nor must any such obligations be avoided through the excessive use of fixed-term contracts of employment.

1.10. HARSH OR INHUMANE TREATMENT IS PROHIBITED

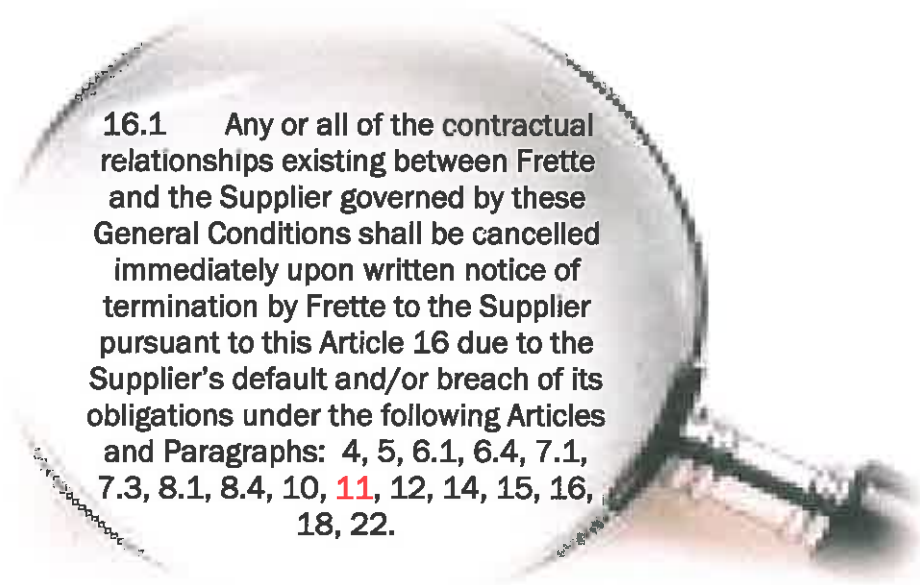
Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation must be prohibited.

Frette staff and management visit factories for qualitative controls of the product and to observe general status of working conditions every year.

The non-observance of the rules sanctioned by art.11 will be considered by Frette sufficient grounds to proceed with the immediate termination of the relationship.

[EXCERPT FROM FRETTE'S GENERAL AGREEMENT]

ART.16- TERMINATION



16.1 Any or all of the contractual relationships existing between Frette and the Supplier governed by these General Conditions shall be cancelled immediately upon written notice of termination by Frette to the Supplier pursuant to this Article 16 due to the Supplier's default and/or breach of its obligations under the following Articles and Paragraphs: 4, 5, 6.1, 6.4, 7.1, 7.3, 8.1, 8.4, 10, **11**, 12, 14, 15, 16, 18, 22.

16.2 All contractual relationships between Frette and the Supplier shall also be terminated with immediate effect in the event of the occurrence of any one of the following:

- a. the Supplier being placed in liquidation, or the commencement of any proceeding against it under any law for the relief of debtors or otherwise becomes insolvent, or bankrupt, or makes assignments for the benefit of creditors;
- b. the Supplier or its chief executive, chief financial officer or chief operating officer being subjected to criminal proceedings related to employment by, or conduct of business for, Supplier or any other business in which such officer is involved;
- c. the commencement by any member of the Frette group or any third party of a civil action against the Supplier for trademark encroachment/infringement or unfair competition.

The following table summarizes the status of the General Agreement implementation action.

IMPLEMENTATION OF FRETTE GENERAL AGREEMENT

COUNTRY	SUPPLIERS	GENERAL AGREEMENT	
		ALREADY EXECUTED	UNDER DISCUSSION
Portugal	5	/	5
Turkey	4	1	3
UAE	1	1	/
India	4	3	1
China	4	4	/
STATUS	18	9	9
%	100%	50%	50%

Frette target is to finalize all the General Agreements currently underway so as to put under control the respect of the principles by the end of May 2013.

VI. ENVIRONMENT

Principle 7

Businesses are asked to support a precautionary approach to environmental challenges;

Principle 8

undertake initiatives to promote greater environmental responsibility; and

Principle 9

encourage the development and diffusion of environmentally friendly technologies.

As a part of its business operations, Frette manages the product design and development of its line in conjunction with its approved supply network.

The impact on the environment from Frette's stylistic and manufacturing choices is therefore originated by the supply chain. In connection with this first Communication On Progress, we have prepared a questionnaire that, starting from the most basic data, will allow us to obtain an understanding of the situation at our suppliers and then to develop measurable awareness plans with them.

In addition, the questionnaire cover letter, a copy of which is reproduced on next page, taking inspiration from the REACH European regulations, aims at certifying the non-use by Frette's supply chain of Substances of Very High Concern regarding health and the environment.

FRETTE

Dear supplier,

In connection with the start up of the Sustainability Program scheduled by Frette over the coming years, we would like to inform you that our Group is committed to the United Nations initiative UN Global Compact, regarding safeguarding Human Rights, improving Environmental issues, and eliminating corruption in the supply chain.

For more details about the programs and the principles of the initiative, we attach herewith an explanatory document.

By this letter we ask for your support in providing us with information regarding any action you may have taken or are planning to take to protect and improve the environment.

For this purpose and to make it easier for you to answer, we have prepared the attached chart. We would be grateful if you would return it to us duly filled in. The data should cover the last two fiscal years and also include any improvement action underway.

In addition, on a more specific note regarding our production, as you know, the regulation called REACH is in force at European level, defining a list of forbidden chemical substances harmful to the health and noxious to the environment. The list of these substances is also attached herewith.

Would you please provide us with your declaration of non-use of any and all of these substances.

Best regards,

Frette S.r.l. Sodo Unico Capitale Sociale euro 2.030.000,00 I.v. REA MI-1761936 Codice Fiscale e Partita IVA n. 04630610964
Sede Amministrativa e Operativa: Via Borgazzi, 23 - 20900 Monza (MB) Tel. +39 039 6046 1 Fax +39 039 6046 365 mki@frette.it
www.frette.com
Sede Legale: Via Principe Amedeo, 3 - 20121 Milano

VII. ANTI-CORRUPTION

Principle 10

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

As mentioned in this COP at page 10, in its ORGANIZATION, MANAGEMENT AND AUDIT MODEL, Frette has defined a clear panorama of crimes, such as:

- Culpable homicide and/or grievous personal harm resulting from violation to the rules of accident prevention and hygiene and health safeguards in the work place.
- Crimes against the individual person, such as the exploitation of children including prostitution and child pornography (also through Internet), the trade of persons and the maintenance of slavery or forced working conditions; and among the crimes against the person, prohibition of female genital mutilation.
- Technology and Information services crimes and illicit use and treatment of data.
- Offences of organized criminality.
- Offences regarding copyrights and the violation of intellectual property rights.

And in a more specific way:

- ✘ Receiving, recycling, and use of cash, goods and utilities of delinquent origin.
- ✘ Crimes of receiving, recycling, use of cash, goods and utilities of illicit origin.
- ✘ Crimes of induction including ignoring any required declarations, or to return mendacious declarations to the judiciary authority.

Also through the procurement of influence and decisions by:

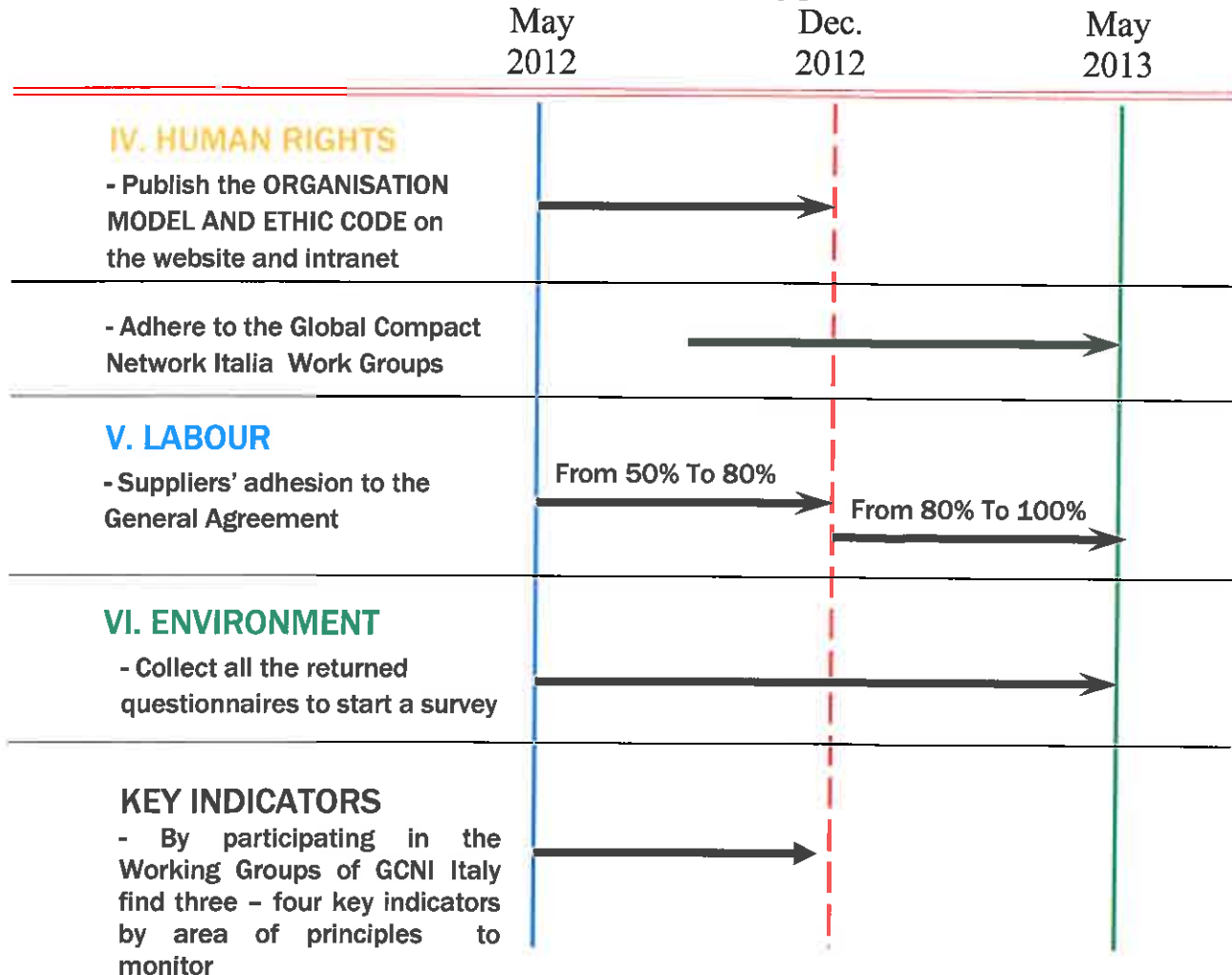
- ✘ Receiving any form of compensation from anyone for the execution of an act which is for direct personal benefit.
- ✘ Be subjected to any form of influence from unauthorized third parties for assumption of decisions and/or the execution of acts related to job activity.

A specific Organism of Control that reports directly to the BOD is assigned the monitoring and control of all these behaviours.

A Disciplinary System has been instituted: it includes differentiated sanctions that can include the dismissal of any employee that adopted a behaviour in clear infringement to the recommendations contained in the MODEL.

VIII. ACTIONS SUMMARY

Frette is committed in developing the following plan :



This is our **Communication on Progress** in implementing the principles of the United Nations Global Compact.

We welcome feedback on its contents.