

UN GLOBAL COMPACT

Attn.Mr. Georg Kell – Executive Director

COMMUNICATION ON PROGRESS

In April 2004 Sabaf formally adhered to the UN Global Compact principles concerning human rights, labour standards, environmental protection, and the fight against corruption. With this letter Sabaf expresses and renews its commitment to support and champion the Compact's 10 principles within its sphere of influence. Sabaf continues to endeavour to make the Global Compact and its principles an integral part of its strategy, culture, and day-to-day operations. It also undertakes to declare this commitment explicitly to all its employees, partners and customers, and to public opinion in general.

In FY2005 Sabaf prepared a Integrated Annual Report for the first time, combining business results and those relating, more generally, to impact on the company's business territory. The document includes a section (page 119) in which the Global Compact's principles are recalled, with references shown to the sections where details can be found of the action taken by Sabaf to support the 10 principles, as reported below.

<i>Global Compact Principle</i>	<i>Cross-reference to Integrated Annual Report</i>
HUMAN RIGHTS	
Principle 1 Support and respect universally proclaimed human rights within respective spheres of influence	"Sabaf and its staff"
Principle 2 Ensure that the business is not complicit, even indirectly, in human right abuses	"Sabaf and its staff", "Sabaf and its suppliers", SA8000
LABOUR STANDARDS	
Principle 3 Uphold workers' freedom of association and recognise the right to collective bargaining	"Sabaf and its staff", SA8000
Principle 4 Eliminate all forms of forced and compulsory labour	"Sabaf and its staff", "Sabaf and its suppliers", SA8000
Principle 5 Effective elimination of child labour	"Sabaf and its staff", "Sabaf and its suppliers", SA8000
Principle 6 Eliminate all forms of discrimination in respect of employment and occupation	"Sabaf and its staff", SA8000

ENVIRONMENT	
Principle 7 Support a precautionary approach to environmental challenges	"Sabaf and the environment"
Principle 8 Undertake initiatives to promote greater environmental responsibility	"Sabaf and its customers", "Sabaf and the environment"
Principle 9 Encourage the development and diffusion of environmentally friendly technologies	"Sabaf and its customers", "Sabaf and the environment"
ANTI-CORRUPTION	
Principle 10 Work against all forms of corruption, including extortion and bribery	"Sabaf and the Public Administration"

The 2005 Integrated Annual Report was prepared in accordance with the Global Reporting Initiative (GRI). Below we summarise the main actions undertaken by Sabaf and fully detailed in the Integrated Annual Report, which is available on the site www.sabaf.it also in an English-language version.

Human Rights and Labour Standards

Consistently with its values, Sabaf recognises the great importance of an enterprise's social dimension and of its consequent responsibilities. Inside its organisation, in terms both of daily operations and of strategic perspective, Sabaf pursues full achievement of the requisites required by the SA8000 standard (Social Accountability). This means convinced recognition of the decisive importance of management of the company's "human capital" and heightening of the sensitivity of top and middle management, suppliers, employees and outside staff members to the need to observe the social accountability principles established by the SA8000 standard and by the company's Charter of Values. In 2005 Sabaf completed the process necessary to obtain certification of its social accountability system according to SA8000 requirements. The certification was issued by the CISE (a SAI (Social Accountability International) accredited entity) on December 22nd 2005.

Environment

Sabaf has always paid special attention to the environment, constantly seeking to reduce the environmental impact of its industrial activity. The company's strong sensitivity to the importance of respecting environmental equilibrium has emerged in the various decisions taken in the last few years, which, besides assuring legal compliance, aim for continuous improvement of the company's environmental performance. Sabaf's attention to the environment has also taken the concrete form of achievement of ISO 14001:2001 environmental certification. In March 2006 Sabaf

promoted a conference in Milan on the possibilities of saving energy in domestic cooking, attended by some of the world's leading international experts on the matter and by a number of environmental associations.

Anti-Corruption

In 2003 Sabaf adopted and published a Charter of Values, based on the OECD (Organisation for Economic Co-operation & Development) Guidelines for Multinational Enterprises. In the same document Sabaf also states that it observes Global Compact principles.

The Charter of Values is also a means of spreading and sharing principles of honesty and moral integrity in the company. All staff have been directly involved in implementing the Charter, which also includes procedures for reporting any non-compliance or for observations by stakeholders.

In 2006 Sabaf has formally adopted an organisational & control model pursuant to Italian Legislative Decree 231/2001, compliance with which is able to prevent illicit or irregular conduct. Italian Legislative Decree 231/2001 has also introduced companies' administrative liability for some offences - including offences against the Public Administration (e.g. corruption, extortion, and so forth), crimes against the individual personality, corporate crimes, and market abuse.

October 18, 2006

Angelo Bettinzoli

Chief Executive Officer
SABAF S.p.A.

