

## COMMUNICATION ON PROGRESS AT 23 OCTOBER 2008

In April 2004 Sabaf officially adhered to the Global Compact principles concerning human rights, labour standards, environmental protection, and anti-corruption efforts. Sabaf expresses and renews its commitment to supporting and championing the Compact's ten 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 state its commitment in the respect of all its employees, partners, customers and, more in general, to public opinion.

For FY2007 Sabaf has once again prepared a comprehensive Annual Report, which embodies financial, social, and environmental results. The document includes a section, as reported below, recalling Global Compact principles and providing references to the sections where readers can find details on the actions taken by the company in support of the ten principles. **Reference should therefore be made to the Annual Report for a complete illustration of the actions taken by Sabaf as regards sustainable development and consistently with Global Compact principles.**

The social and environmental section of the FY2007 Annual Report has been prepared according to GRI/G3 guidelines (maximum application level = A+) and we use also a "Making the connection. The GRI Guidelines and the UNGC Communication on Progress". The Annual Report is available on our website [www.sabaf.it](http://www.sabaf.it) in both Italian and English.

| Global Compact principles  | Annual Report Section  | Major activities/achievements related to the principles   |
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| <b>HUMAN RIGHTS</b>  |  |   |
| <p>Principle I</p> <p>Support and respect universally proclaimed human rights within respective spheres of influence</p> | <p>"Sabaf and its staff", "Sabaf and its suppliers", SA 8000</p> | <p>Sabaf is total belief in the importance of the company's "human assets". The intention is to make management, suppliers, employees and outside staff aware of the need to assure full observance of the social accountability principles established in the SA8000 standard.</p> <p>In implementing SA8000, Sabaf SpA analyzes and monitors the main factors of ethical and social risk relating to under-age labor, forced labor, health and safety, freedom of association and the right to collective bargaining, discrimination, disciplinary procedures, working hours, and compensation.</p> <p>During 2007, in line with its policy to encourage involvement of its stakeholders, the management of Sabaf SpA invited its main suppliers to take part in a workshop to analyze and discuss the principles of the SA8000 standard and the social responsibility policies that the Sabaf Group hopes to extend to its suppliers. Details were also given on the use of the Social Responsibility monitoring unit as a more transparent means of communication, information and support for suppliers in relation to qualification activities, which is intended to encourage:</p> <ul style="list-style-type: none"> <li>• Awareness of issues related to Social Responsibility by means of a guided tour of its key aspects;</li> <li>• Participation in monitoring activities to ensure compliance with the requirements of SA 8000 based on the active involvement of stakeholders.</li> </ul> |
| <p>Principle II</p> <p>Ensure that the business is not complicit, even indirectly, in human rights abuses</p>            | <p>"Sabaf and its staff", "Sabaf and its suppliers", SA 8000</p> | <p>The company requires its suppliers to respect – in all their activities</p> <ul style="list-style-type: none"> <li>– the standard principles as the minimum prerequisite for establishing a long-lasting relationship based on social responsibility.</li> </ul> <p>Since 2003, supply contracts have already included an ethical clause based on the SA8000 standard.</p> <p>Sabaf adopted the Organization, Operation and Control Model (pursuant to Legislative Decree 231/2001), which is a set of general principles, rules of conduct, means of control. The Model also reports organizational, training and information activity, and disciplinary system design to prevent the human rights abuse and commission of criminal offences. Sabaf had also established an ethical committee (Compliance officer) that is engaged for any anomaly signaling.</p>   |

| LABOUR STANDARDS  |  |  |
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| <p>Principle III</p> <p>Uphold workers' freedom of association and recognise the right to collective bargaining</p> | <p>"Sabaf and its staff", SA 8000</p>                            | <p>During 2007 Sabaf SpA management invited union representatives to take part in a panel to look at Corporate Social Responsibility and the Group's Social Report, and to hear their opinions and suggestions for improvement.</p> <p>SABAF is looking for ways to best meet the requests put forward by the trade union representatives. To this end, the Company intends to present its training plans to them in order to increase the transparency of these processes and garner suggestions for professional staff development.</p> <p>The Company adopted the Sabaf <i>Chart of Values</i> based on the most important legislation, guidelines and writings, existing both in Italy and globally, on human rights and corporate social responsibility. More specifically, the Charter is based on:</p> <ul style="list-style-type: none"> <li>▪ The Universal Declaration of Human Rights, The European Union Charter of Fundamental Rights, the Italian Constitution, and Nova Spes Charter of Fundamental Human Values.</li> <li>▪ The core labor standard laid down ILO (International Labor Organization) conventions, the Guidelines for Multinational Enterprise of the Organization for Economic Cooperation and Development, the United Nation Global Compact, The principles of SA8000</li> </ul> <p>For further information see above: Principle I and Principle II</p> |
| <p>Principle IV</p> <p>Eliminate all forms of forced and compulsory labour</p>                                      | <p>"Sabaf and its staff", "Sabaf and its suppliers", SA 8000</p> | <p>See above: Principle I, Principle II and Principle III,</p>   |
| <p>Principle V</p> <p>Effective elimination of child labour</p>   | <p>"Sabaf and its staff", "Sabaf and its suppliers", SA 8000</p> | <p>See above: Principle I, Principle II and Principle III,</p>   |
| <p>Principle VI</p> <p>Eliminate all forms of discrimination in respect of employment and occupation</p>            | <p>"Sabaf and its staff", SA 8000</p>                            | <p>See above: Principle I, Principle II and Principle III,</p>   |

| ENVIRONMENT  |  |   |
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| Principle VII<br>Support a precautionary approach to environmental challenges                    | "Sabaf and the environment"                            | The environmental management system of Ospitaletto production site had been certified as compliant with the ISO 14001 standard since 2003. With implementation of the ISO 14001 standard Sabaf has also pinpointed the main environmental risks associated with its production, that are systematically monitored and managed.  |
| Principle VIII<br>Undertake initiatives to promote greater environmental responsibility.         | "Sabaf and its customers", "Sabaf and the environment" | In 2007, Sabaf obtained 21,550 RECS certificates (Renewable Energy Certificate System), which certify the production of electricity from renewable sources. The zero-emission energy has resulted in an 82% reduction in CO <sub>2</sub> emissions from electricity consumption.  |
| Principle IX<br>Encourage the development and diffusion of environmentally friendly technologies | "Sabaf and its customers", "Sabaf and the environment" | <p>A priority for Sabaf's product innovation strategy is the quest for superior performance not only in terms of environmental impact but also in products' production and utilization. Sabaf's products enable:</p> <ul style="list-style-type: none"> <li>▪ greater energy efficiency</li> <li>▪ lower consumption</li> <li>▪ halving of carbon monoxide emissions</li> <li>▪ significant reduction of CO<sub>2</sub> emissions.</li> <li>▪ energy saving in production</li> <li>▪ lower lead content of product,</li> <li>▪ lighter production</li> <li>▪ reduction of consumption for packaging and transport.</li> </ul> |

| ANTI-CORRUPTION   |   |  |
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| Principle X<br>Work against all forms of corruption, including extortion and bribery. | "Integration of social accountability in operating processes" | Sabaf adopted the Organization, Operation and Control Model (pursuant to Legislative Decree 231/2001), which is a set of general principles, rules of conduct, means of control. The Model also reports organizational, training and information activity, and disciplinary system design to prevent the human rights abuse and commission of criminal offences. In order to monitor the good adoption of the model, the Board of Directors has defined the guidelines for the internal control system in the Corporate Governance Manual. Sabaf had also established an ethical committee (Compliance officer) that is engaged for any anomaly signaling. |

Ospitaletto, 23 October 2008

SABAF S.p.A.  
Angelo Bettinzoli  
Chief Executive Officer

