



*Socially responsible
management for
sustainable
development*



2003 Social
report





*"Humanity that treats the world as a world to be thrown
away also treats itself as humanity to be thrown away."*

G. Anders

Table of Contents

01 Corporate identity	
02 Sustainability governance	
03 Economic performance	
Letter from the Chief Executive Officer (CEO)	4
Methodology Preface	5
Introduction	6
Objectives for improvement of management systems	8
Objectives for improvement of the corporate social responsibility report	
01. Corporate identity	
Group history to date	12
Product range	14
Market context	15
The Sabaf Group today	17
Values	20
Vision and mission	23
Strategic design	24
Operating plan	26
02. Sustainability governance	
Sabaf corporate governance system	32
Internal control and audit system	33
Social responsibility management system	35
Performance di Intellectual capital	43
03. Economic performance: financial report	
Financial highlights	50
Value-added	54

04 Social
performance >

05 Environmental
performance >

06 Stakeholder
feedback
system >

07 Proposal for
improvement >

04. Social performance:	Report on social engagement	
	Identification of stakeholders	60
	Sabaf and its staff	62
	Sabaf and its shareholders	80
	Sabaf and its customers	84
	Sabaf and its suppliers	94
	Sabaf and its financiers	97
	Sabaf and its competitors	99
	Sabaf and the public administration	100
	Sabaf and the community	102
05. Environmental performance:	SABAF and the environment	
	Environmental policy	108
	Environmental impact	110
	Environmental investments	115
06. Stakeholder feedback system		120
07. Proposal for improvement		126
	Attestation of procedural compliance	128
	Table of contents according to the GRI, GBS and Italian Welfare Ministry guidelines	130
	Glossary	140
	Useful Web links concerning social accountability and responsibility	143

Letter from the Chief Executive Officer

In a fiercely competitive and highly uncertain global economic environment, social responsibility takes on increasing value. It strengthens Sabaf's long-term strategic vision, according to which the company's future tomorrow depends on the responsible choices we make today.

And today we reiterate what we wrote in our very first Corporate Social Responsibility report, i.e. "A company's development is driven by its capacity to adapt and to learn – which in turn is the result of the intellectual curiosity of the people working for the company. Asking questions is an innate part of human nature, and it is in this spirit of constant learning and discovery that the company's management has started to reflect on the sustainability of the company's ways of working and on social exchange and engagement with its stakeholders".

This is the vision that, in the last four years, has been our guiding light in developing our socially responsible management process – and that today enables us to state, also thanks to the feedback from our stakeholders, that the Sabaf Corporate Social Responsibility Report is one of the examples of best practice in the Italian environment.

For us none of this is a final destination. We will continue investing in improvement of the socially responsible management process to assure Sabaf long-term growth capable of combining the quest for profit with protection of the environment and total respect of ethics in business matters, whilst simultaneously meeting the various stakeholders' legitimate expectations.

In our heightened awareness of the fact that the company's value lies in its heritage of knowledge, we will continue to invest in innovation, research and development, and in development of our staff's skills. In this perspective, we will continue our project to analyse and monitor our intellectual capital, supplementing the traditional economic, social and environmental dimensions of our business.

Sabaf has accepted the challenge of constructing sustainability capable of lasting over time as being the only means of generating benefits for the community as a whole. In contrast with other companies, our company is in fact continuing to invest in internal growth. This choice, whilst on the one hand it has meant more work and greater security for production staff, on the other hand has also meant use of flexible means of working envisaged by the law in order to remain competitive. Whilst this choice has not always been fully approved by some of our counterparts, at present it is indispensable in order to continue our marketplace success and avoid jeopardising Sabaf's future development.

In the 2003 Corporate Social Responsibility Report we demonstrate our commitment to continue the process of sustainable and long-lasting development, via steady implementation of our socially responsible management system. In addition, we report on the steps taken in the past year and also outline proposals for future improvement.

Angelo Bettinzoli
Chief Executive Officer

Methodology preface

Our 2003 Corporate Social Responsibility Report is the result of continuous improvement of the socially responsible management process adopted by SABAF

The document has been prepared according to the methodology devised by the **Istituto Europeo per il Bilancio Sociale** (IBS – the European Institute for Social Accounting), which supplements – enriching them – the guidelines prepared by the Gruppo di Studio per il Bilancio Sociale (GBS – Study Group for Social Reporting), and takes as its benchmarks – for the assessment of economic, environmental and social performance – the indicators presented in the Sustainability Reporting Guidelines 2002 by the **Global Reporting Initiative** (GRI).

In developing the document, SABAF has also taken into consideration:

> The *CSR performance indicators* presented by the *Italian Welfare Ministry* as part of the CSR-SC (corporate social responsibility/social commitment) project

> The *Account Ability 1000* guidelines for social accounting and reporting that pay special attention to the dialogue with stakeholders

> la *Social Accountability 8000* (an international standard concerning labour rights), the principles of which it reflects in the company's management of staff and suppliers.

SABAF'S 2003 Corporate Social Responsibility Report consists of seven sections, preceded by the explanation of methodology and followed by attestation of procedural conformity.

> **Methodology preface:** an outline of the assumptions and standards of reference taken as the guiding basis of the social reporting and accounting process

1. Corporate identity: expression of the key values adopted by the company, together with its mission and strategic design, to orient corporate decisions. It also highlights the group's institutional and organisational characteristics.

2. Sustainability performance: expression of the governance model and management system adopted to manage social responsibility and apply the principles of sustainable development

3. Economic performance: an account – as the expression of the economic resources produced – of key business and financial indicators and of the statement of calculation and allocation of value added

4. Social performance: the account of social interflows, in the form of qualitative and quantitative exchanges with our main stakeholders – staff, shareholders, customers, suppliers, financiers, competitors, the public administration, and the community

5. Environmental performance: SABAF and the environment – a precise description of the company's environment policy, processes and environmental impact

6. Stakeholder feedback: verification of the quality of the social responsibility report and of SABAF'S conduct vis-à-vis stakeholders. It also comprises the various stakeholders' legitimate expectations in order to monitor them and therefore better direct future operating choices.

7. Proposal for improvements: a statement of intent of the direction of improvements for future operations

> **Attestation of procedural compliance:** appraisal – expressed by an independent body – of the proper compliance of the social accounting and reporting process with the standards of reference and best practices.

In our 2003 Corporate Social Responsibility Report, the data present in the sections on Corporate identity and Economic performance concern SABAF as a Group, while those contained in the other sections refer, unless otherwise indicated, to the parent company SABAF S.p.A.

Introduction

SABAF presents the fourth edition of its social responsibility report with a number of novelties concerning methodology and content.

The main novelties in this edition of the report concern: (a) ongoing refinement of the social responsibility management system, (b) application of further *performance* indicators (as defined by the GRI and the Italian Welfare Ministry), (c) inclusion of information concerning competitors (see Chapter 4 in the section called “SABAF and its competitors”), and (d) introduction of sector *benchmark* data (see Chapter 4 in the section called “SABAF and its staff”).

SABAF’S socially responsible management process pursues sustainable long-term corporate growth – and SABAF considers reciprocity and symmetry to be indispensable prerequisites for creating relationships directed towards this aim with all its stakeholders. In the same way that SABAF offers transparency, simultaneously – by way of symmetry – it hopes for similar transparency and correctness from its stakeholders, in order to replace the logic of conflictuality with that of synergic co-operation and of parallel satisfaction of legitimate expectations. In our social responsibility report, we report on sustainability in its three dimensions, i.e.

> **Economic sustainability**, which means operating in such a way as to ensure that corporate decisions not only increase the company’s value in the short term but also – and above all – assure continuation of business in the long term

> **Social sustainability**, which means championing ethical business conduct and at the same time meeting the various stakeholders’ legitimate needs whilst respecting shared common values

> **Environmental sustainability**, which means production that minimises manufacturing activities’ direct and indirect environmental impact, in order to

preserve the natural environment for the benefit of future generations.

As a demonstration of the fact that, for SABAF, the social responsibility report is not only a means of communication but also – and above all – a management tool open to the assessments of stakeholders, to whom the company is committed, we think it appropriate to introduce the 2003 Corporate Social Responsibility Report with a review of what has been accomplished as regards the commitments made to stakeholders at the end of the 2002 Social Responsibility Report.

In the following table we show the path followed in accomplishing the various objectives.

“

Beauty is intrinsic in nature and existed before Man did. All the most beautiful things that a human is capable of making are merely conscious or unconscious imitations of what is already present in nature.

The beauty of nature is a source of inspiration not only for human endeavours, but also for human sentiments – and therefore ethics can be considered to be the transfer of beauty to human behaviour.

The quest for beauty – in this wider meaning of the term – is the highest aspiration of any human. Similarly, the quest for socially responsible management is the highest aspiration of any company wishing to fulfil its natural function, i.e. satisfaction of human needs.

In its 2003 Corporate Social Responsibility Report SABAF wants to present to all its stakeholders the steps it has taken in this “return to the origins” – a return that ought to be in the natural order of things.

”



**2003-2004 IMPROVEMENT OBJECTIVES
FOR THE MANAGEMENT SYSTEM**

COMMITMENTS MADE IN THE 2002 SOCIAL REPORT

Implementation of the Charter of Values	<ul style="list-style-type: none"> – Deliver the Charter of Values to all <i>stakeholders</i> – Perform specific training and value-sharing activities for employees, differentiated by function and role
Implementation of the environmental management system complying with the ISO 14001 standard	<ul style="list-style-type: none"> – Obtain certification of ISO 14001 conformity – Separate waste by type to aid disposal and recycling – Achieve rational use of water, electricity and raw materials
SA8000 Certification	<ul style="list-style-type: none"> – Submit the labour relations management process to assessment by an accredited independent body to obtain certification of SA8000 conformity
Training and communication	<ul style="list-style-type: none"> – Assure maintenance of high qualitative and quantitative standards of training – Progress specific projects designed to aid organisational communication
Action on occupational safety and workplace environment	<ul style="list-style-type: none"> – Invest increasingly in specific training with the aim of reducing workplace accidents (minimum of 200 hours of training/year on safety matters) – Seek possible solutions to attenuate worker discomfort connected with particular weather conditions

IMPROVEMENT OBJECTIVES FOR SOCIAL REPORT CONTENT

(based on suggestions emerging from discussion with *stakeholders*)

Describe the relevant competitive scenario more analytically
Describe company/trade-union relations more analytically
Compare SABAF'S performance with that of other companies in the same sector
Make consultation of Social Report simpler and more immediate

ACTION TAKEN IN 2003	ACTION PLANNED FOR 2004
<ul style="list-style-type: none"> – The Charter of Values was delivered, together with the Social Responsibility Report, to all stakeholders who asked to receive it and to all SABAF new hires – “Taking Values to Heart”, the training/information program, was undertaken, separately involving production managers, department supervisors, and shift managers 	<ul style="list-style-type: none"> – Continue the “Taking Values to Heart” project”
<ul style="list-style-type: none"> – Certification of ISO 14001 conformity was obtained on November 27th 2003 – Total water consumption decreased drastically, whilst the increase in electricity and raw-material consumption was due to the increase in production and to the adoption of devices to improve the workplace environment 	<ul style="list-style-type: none"> – The differentiated waste collection system will come fully on-stream during 2004
<ul style="list-style-type: none"> – The process of auditing of the labour relations management system has been started – At the beginning of 2004 a managing training day on the topic took place. 	<ul style="list-style-type: none"> – SA8000 certification is expected to be obtained by the end of 2004
<ul style="list-style-type: none"> – An innovative distance-learning training project was implemented – The “Taking Values to Heart” organisational communication project was launched – In July 2003 quarterly publication of “SABAF Magazine” started – Dissemination of information has been underpinned by wider use of company notice boards. 	<ul style="list-style-type: none"> – Activation of a company intranet
<ul style="list-style-type: none"> – Some 562 training hours on safety matters took place in 2003 – Experimental investment in ventilation/ cooler turrets 	<ul style="list-style-type: none"> – Extension of factory ventilation/cooling system

COMMITMENTS MADE IN 2002 SOCIAL REPORT	REFERENCES
<ul style="list-style-type: none"> – Insert section on “SABAF and its competitors” in Social Performance chapter 	Chapter 4, section called. “SABAF and its competitors”, page 99.
<ul style="list-style-type: none"> – Provide a report on labour relations and on the subjects of discussion between management and union representatives 	Chapter 4, section called “SABAF its staff labour relations”, page 77.
<ul style="list-style-type: none"> – Insert comparative analyses of SABAF and its sector in relation to some performance indicators 	Chapter 4, section called “SABAF and its staff”, page 63-79.
<ul style="list-style-type: none"> – Prepare a synthetic document summarising the company’s economic, social and environmental choices and performance 	It has been considered preferable to prepare an electronic and interactive version of the social responsibility report, available on CD and on our institutional Web site.

07

06

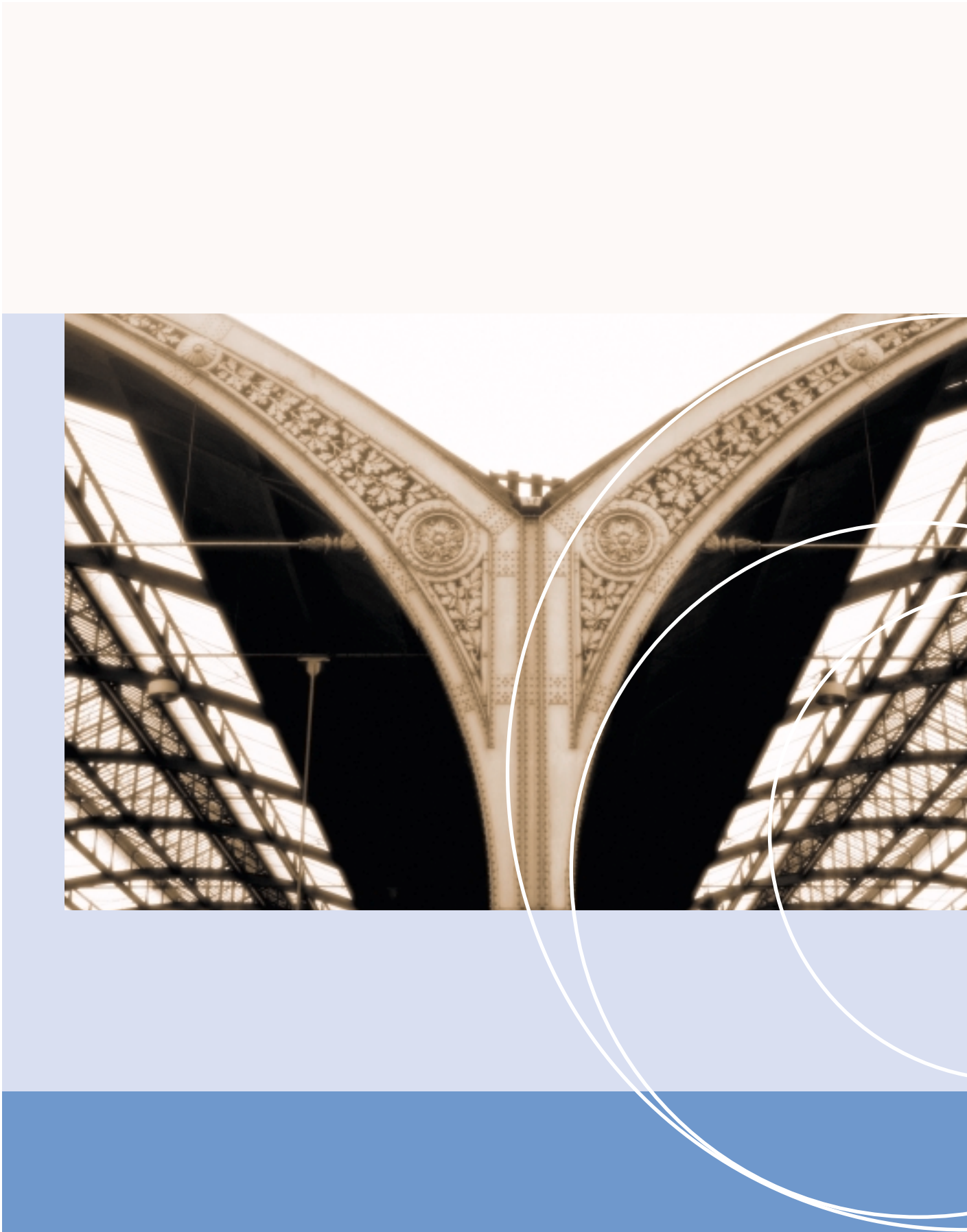
05

04

03

02

01 Corporate
identity >



01



— 01 Corporate
Identity



Group history to date

SABAF'S history features a story of constant development, which has successfully combined ongoing business growth with continuous improvement of corporate culture.

The basic choice of considering the company's development to have priority over any other interest has been continuously confirmed by strategic decisions that stand out for (a) extremely high levels of investment, (b) development of distinctive skills in the sector of reference, and (c) very tight integration of design and manufacturing activities.

1950: Giuseppe Saleri, together with his father and brothers, founded the general partnership Saleri Battista e Figli, a business producing sanitary valves, gas valves, and spare parts for motor vehicles.

1981: SABAF started the production of burners, thus in effect becoming a supplier of the entire range of components for domestic gas cooking appliances.

2000: The company – aware of the role taken on within its specific context and of the importance, also external, of its business – decided to tackle the issues of sustainable development and corporate social responsibility in a systematic manner. It set up a Corporate Responsibility Task Force and published the first edition of the company's corporate social responsibility report. In October of the same year it acquired control of Faringosi-Hinges, a company in the production of hinges for oven and dishwasher doors.

1950



1951 1952 1953 1954 1955 1956 1957 1958 1959 1960 1961 1962 1963 1964 1965 1966 1967 1968 1969 1970 1971 1972 1973 1974 1975 1976 1977

1956: The company decided to focus on gas valves.

1972: This was the year of the first technological turning point. The company totally renewed its machinery, adopting state-of-the-art technologies. SABAF, the first company in Europe to do so, introduced tool pre-setting on all its transfer machines. The key factors of that period's success were completion of the specialisation process and upgrading and rationalisation of the production and commercial set-up – making it possible to meet the relevant market's increasingly specific needs and to obtain production homologation according to national and international standards.

1993: SABAF obtained ISO 9001 certification of its quality system and started a process of shareholder reorganisation (control by a sole shareholder) and organisational adjustment (separation between ownership control and management, ample use of delegated powers).

“

Today some 500 people work in the SABAF group, making it one of the main production operations in the Brescia area in Northern Italy and the world's foremost producer of components for domestic gas cooking appliances.

”

2002: SABAF SpA inaugurated its new headquarters location in Ospitaletto – a cutting-edge industrial complex in terms of technology, safety, and environmental sustainability.

2003: SABAF SpA obtained ISO 14001 certification of the conformity of its environmental management system.

January 2004: Within the Ospitaletto industrial complex, work started on construction of a new factory of some 12,000 sqm for the production of new-generation light alloy valves. The new factory – designed and built paying special attention to minimisation of environmental impact, maximisation of worker safety, and improvement of the workplace environment – will feature exploitation of extremely advanced process technology.

1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2xxx V

1998: SABAF was listed on the Italian Bourse. This move formally set the seal on the clear-cut separation between ownership and management of the company, with the latter entrusted to a group of *managers* outside the Saleri family.

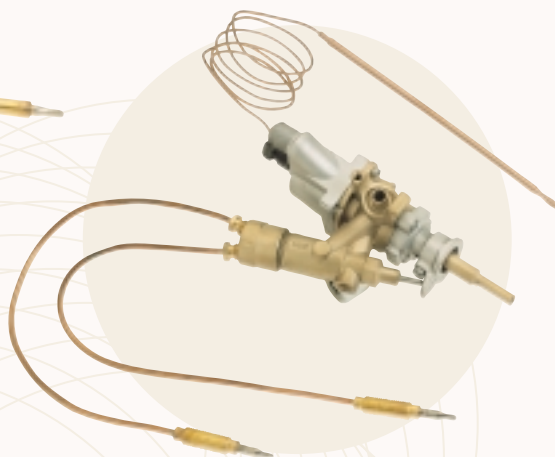
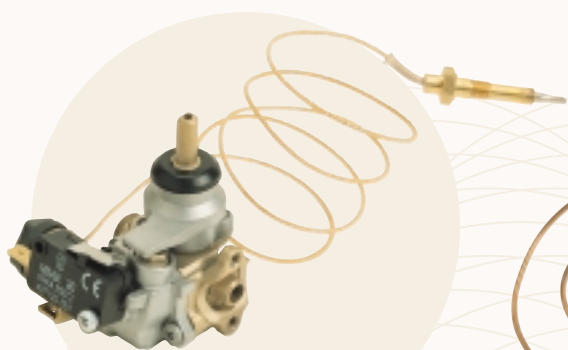
2001: The company was admitted to the STAR (high quality small/mid caps) segment of the Italian Bourse. SABAF started producing burners in Brazil.

2xxx: In the awareness that, in our business model, corporate culture and the sharing of common values plays a central role, we will continue to apply a socially responsible management approach with the aim of maintaining the competitive advantage achieved thus far and of assuring ongoing long-term development.

Product range

At present our product range consists of:

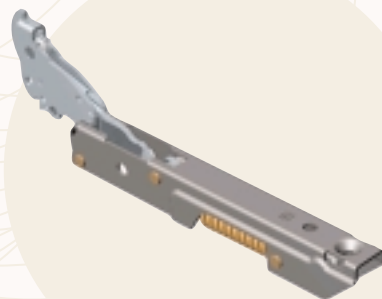
> Valves and thermostats, with or without thermoelectric safety devices. These are the components regulating the flow of gas to burners. The thermostats feature a heat-regulating device for constant maintenance of the desired temperature



> Burners. These are the components that, via the mixing of gas with air and combustion of the gas used, produce one or more rings of flame



> Hinges. These are instead the components permitting the smooth and balanced movement of oven or dishwasher doors when they are opened or closed



> Accessories. Other components, either directly produced or marketed.

07

06

05

04

03

02

Market context

At European level the situation of our market of reference features surplus production capacity as regards finished products – less evident in the gas-cooking appliance segment than in other segments of the white goods market (washing and refrigeration) – and ongoing concentration involving all levels of the supply side (component producers – finished goods producers – distribution). The marked anomaly of the cooking segment – where numerous small specialists operate successfully in the home and international markets – compared with other segments remains evident, contrasting with the washing and refrigeration segments, where less regional characterisation and the major impact of economies of scale generate much greater concentration.

For some years now, the cooking appliance component sector has been very dynamic. Due to the difficulty of reconciling industrial design and production complexity with the maintenance of high standards of quality and with components' large production volumes, multinational domestic appliance manufacturers have in fact focused themselves on less technical functions – such as marketing, basic and visual design, and distribution – whilst outsourcing the industrial design and production of components.

Domestic appliance manufacturers therefore tend to draw on highly specialised outside suppliers – such as SABAF – which act as *global suppliers*, are active in the main global markets, and are able to supply a full range of products meeting the various markets' specific needs.

In this context, SABAF enjoys excellent market positioning, enabling to exploit all opportunities relating to changing demand. SABAF in fact holds a technological and market *leadership* position at international level, because it offers a full range of components featuring high levels of reliability and safety, constantly assisting cooking appliance producers' technical staff from the design phase to the phase of after-sales services.

Among the major trends underway in the sector today, the most significant ones are:

- > Use of specialised suppliers also for the production of burners
- > Growing technical collaboration in relationships between domestic appliance producers and their suppliers, leading the latter to turn themselves into long-term *partners*, capable of providing great reliability, joint industrial design services, and the assurance of major production flexibility
- > In the European market, emergence of demand of appliances equipped with top quality components and meeting high safety *standards*
- > In the North American, the orientation of major gas cooking appliance producers towards components meeting European *standards*, technically different to those traditionally used in the region and featuring high quality and performance
- > In emerging countries (Latin America, Asia, and Eastern Europe) strong growth in original-equipment demand, with a general orientation towards products assuring quality and reliability
- > The increasing orientation of standards and regulations towards product safety, producer liability, and environmental protection.

Regulatory developments

In Italy, the installation standard UNI-CIG 7129 [UNI = Italian Standards Organisation, CIG = Italian Gas Committee] – which establishes the compulsory size of ventilation openings in premises housing gas-fired thermal appliances – is under review. A proposal is on the national standards working table – currently in the public inquiry phase – according to which a rule would be introduced excluding the 100 sq. cm opening if the kitchen houses just a gas cooking appliance with total power of less than 11.7 kW, on condition that it is equipped with flame supervision devices (thermocouples) that halt gas outflow if the burner accidentally goes out. In practice, this means that, only with the purchase of a hob endowed with thermocouples, if the kitchen features an extractor hood and a wall-mounted forced draught & exhaust boiler, will it be possible to avoid the 100 sq. cm opening on an outside wall.

This should further stimulate the sale solely of cooking appliances equipped with thermocouples, which in Italy account for nearly the entire build-in market and for the majority of freestanding cookers.

At European level, discussion is underway of revision of the EN 30 standard for gas cooking appliances. It is hoped that this will finally lead to the introduction shortly of the general compulsory presence of flame supervision devices (thermocouples), as well as to other amendments needed to allow for the development in recent years of cooking appliances featuring very powerful burners and of appliances with ceramic glass tops.

In Saudi Arabia, the SASO (Saudi Arabia Standards Organisation) has made it compulsory for gas cookers' ovens to be equipped with flame supervision devices (not required previously)

The worldwide trend towards safe use of gas for cooking continues, with the aim of minimising the risks of explosions caused by valves left open with burners that have gone out due to accidental leakage of liquids from saucepans or to simple forgetfulness.

Industry associations

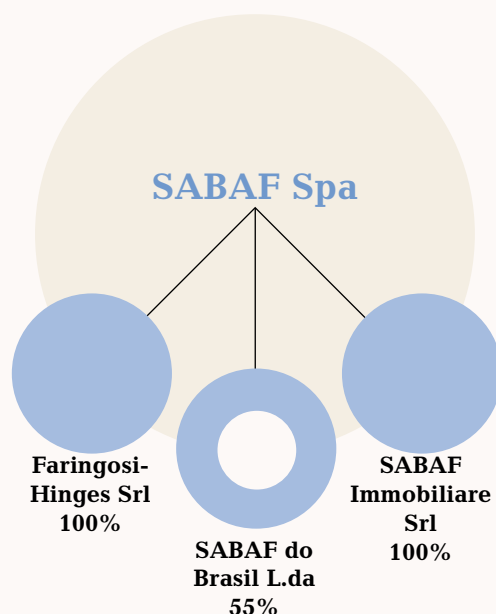
The main industry associations to which SABAF belongs are:

- **Associazione Nazionale Industrie Apparecchi Domestici e Professionali** [the Italian association of domestic and professional appliance producers] (one of the associations forming the **ANIE federation** [the Italian federation of electrotechnical and electronics companies]). This comprises leading Italian and European producers in the sector and, in particular, takes part in technical and regulatory development initiatives taking place in national and international committees. It is the institutional counterpart of ministries, Parliament, and regional governments on the topics of most interest. It collaborates with the Industry and Environment Ministries and the ENEA [the Italian agency for new technologies, energy and the environment] in implementation of energy saving measures meeting the commitments made by European governments in Kyoto.

- **Confederazione Italiana della Piccola e Media Impresa (CONFAPI)** [Italian confederation of small and medium enterprises], which today represents over 50,000 companies and whose institutional purpose is the defence of the interests and enhancement of the value of Italian SMEs. CONFAPI's strength is its territorial organisation, which enables the Confederation to be extensively present throughout Italy. The associations are organised on a provincial basis [under the Italian acronym **API**].

CONFAPI's organisational structure is also based on national sector unions and associations. The unions and associations stipulate collective labour agreements with their respective trade-union federations, whilst CONFAPI stipulates inter-confederate agreements with national trade-union confederations for the entire industrial sector.

The Sabaf Group today



Institutional set-up

Today SABAF is an industrial group that, besides the parent company SABAF SpA, also comprises:

Faringosi-Hinges S.r.l.

Acquired by SABAF SpA in 2000, Faringosi-Hinges is one of the main manufacturers of hinges for ovens and dishwashers. In 2003 the company – which has a strong export vocation – achieved sales of € 9.9 million (mn) (+13.2% vs. 2002), with a 14.4% operating profit margin. During 2003 SABAF acquired the remaining 20% of Faringosi. Consistently with the strategy adopted by the parent company, Faringosi today is strongly committed to product and process innovation, so that the new models' superior performance is combined with increased automation of the various production phases.

SABAF do Brasil L.da

The Brazilian manufacturing site has been operational since April 2001 and was created to produce certain components directly in Brazil in order to meet the needs of multinationals present in the country, reducing the impact on final prices of customs duties and shipping costs, which make products manufactured in Europe uncompetitive. During 2003, in view of the higher volume achieved and the increased competitiveness of local production, the group decided to complete the entire burner production process. The operations of burner processing, assembly, and testing were therefore joined by pressure die-casting of burner injector cups and flame spreaders (initially via local suppliers) and burner-lid coining and enamelling.

SABAF do Brasil's production today is designed to supply not only the Brazilian market but also the other markets in the Latin American continent.

The Sabaf Group today

SABAF do Brasil has 10 employees. The Brazilian manufacturing activity observes the same technological standards and standards for worker safety and minimisation of environmental impact as applied in Italy. Specifically, the Brazilian plant is equipped with new machinery, totally similar to those used for production in Italy. Besides applying the United Nations Code of Conduct for Transnational Corporations, SABAF takes care to verify that the operating policies and procedures in place in Brazil are consistent with those of the parent company, with special reference to items relating to social responsibility. In addition, SABAF undertakes to measure and report on the Brazilian unit's economic, social and environmental performance when its business becomes significant.

SABAF Immobiliare Srl

Given the importance of the property investments involved in construction of the new Ospitaletto site and of the desirability of purchasing residential accommodation for employees, the company decided to delegate operational management of its properties to a specific subsidiary. SABAF Immobiliare Srl owns the Ospitaletto property, which it rents to the parent company SABAF SpA. It also owns 19 apartments, all given for use by SABAF SpA employees. In February 2004 SABAF Immobiliare Srl stipulated a *leasing* contract of an estimated total value of some € 8 mn for construction of a new shed of some 12,000 sqm under cover within the Ospitaletto site, to be rented out, upon completion, to the parent company.

Production activity

SABAF do Brasil	2002	2003
Number of employees	9	10
Average weekly working hours	44 (Monday-Friday 07.00 am-4.48 pm)	44 (Monday-Friday 7.00 am-4.48 pm)
Total overtime hours	224.48	780.08 ¹
Minimum worker age	25 years	26 years
Average worker age	36 years	37.3 years
Average pay ²	BRL 1,229.62	BRL 1,376.07
Minimum contractual pay for category	BRL 389.40	BRL 453.20
Hours of outside training	104 hours	0 hours
Benefits not imposed by law	Medial insurance, canteen, agreements with pharmacies to facilitate workers' purchase of medicines	Medial insurance, canteen, agreements with pharmacies to facilitate workers' purchase of medicines
Number of accidents	0	0
Days of absence due to accidents	0	0

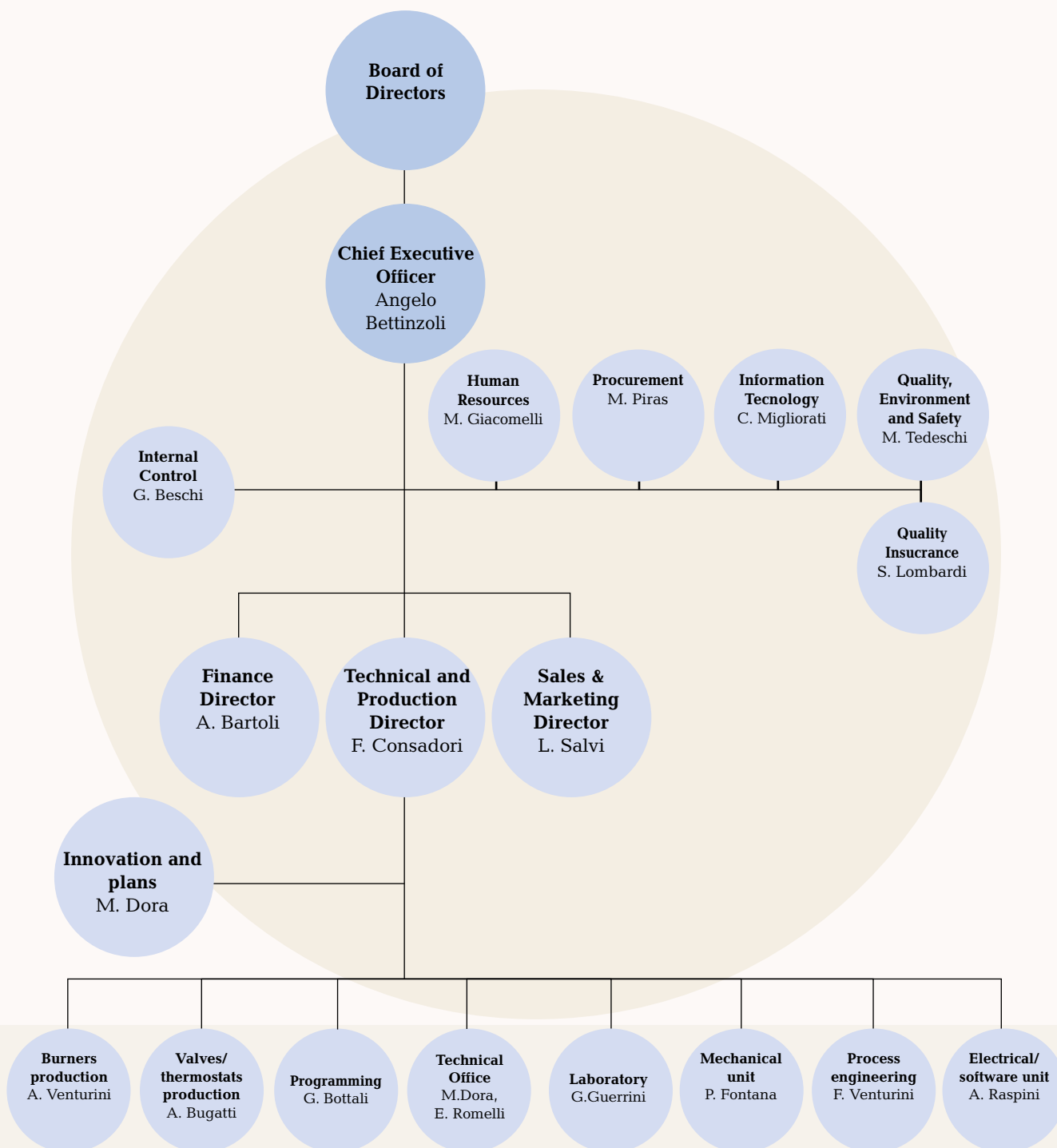
¹ This figure increased following offsetting of hours not worked during 2002/2003 ("Time bank": a contractual mechanism concerning additional work and that involves recovery and/or offsetting of overtime working).

² 2003 medium change: 1Real = 0.29 Euro

The Sabaf Group today

Organisational set-up

In order to achieve its objectives the company has adopted a functional, lean and flexible organisation model to enable it to address the complexity of its sector and to seek to foster innovation via informal communication between the various functions.



Values

SABAF takes as its original value – and therefore as the fundamental criterion for all choices – the human individual, leading to an entrepreneurial vision centring round the development of a new humanism assuring the individual's dignity and freedom within a framework of shared rules of conduct.

The centrality of the individual is a universal value, i.e. a "hyper-rule" applicable regardless of differences in time and space.

In respecting this universal value the company operates promoting cultural diversities via the criterion of spatial and temporal equity.

A similar moral commitment implies automatic renouncement a priori to all choices that do not respect the individual's physical, cultural and moral integrity, even if such decisions would be efficient, economically beneficial, and legally acceptable.

Respecting the value of the individual as such means, first and foremost, restoration in the hierarchical order of things of "Being" to top priority over "Doing" and "Having", and then protection and enhancement of the "quintessential" manifestations permitting full expression of the individual in his/her entirety:

The value of thought - fundamental for the individual because it combines the ability to know, evaluate, and act responsibly

The value of communication - because, via communication with and listening to others, interpersonal relations are created on the basis of reciprocal understanding

The value of action - meaning the possibility of fully expressing creative capacities individually and as part of a group.

The value of belief - not so much as the act expressing religiousness, but also as confident hope of self-accomplishment and of the possibility of contributing to the improvement of one's context.

In order to assure the individual's existence and development, the company jointly pursues **promotion of the value of life**, together with protection of the individual person's integrity, and of the **value of the natural environment**, dedicating special attention to the various ways in which the environment is used.

07

06

05

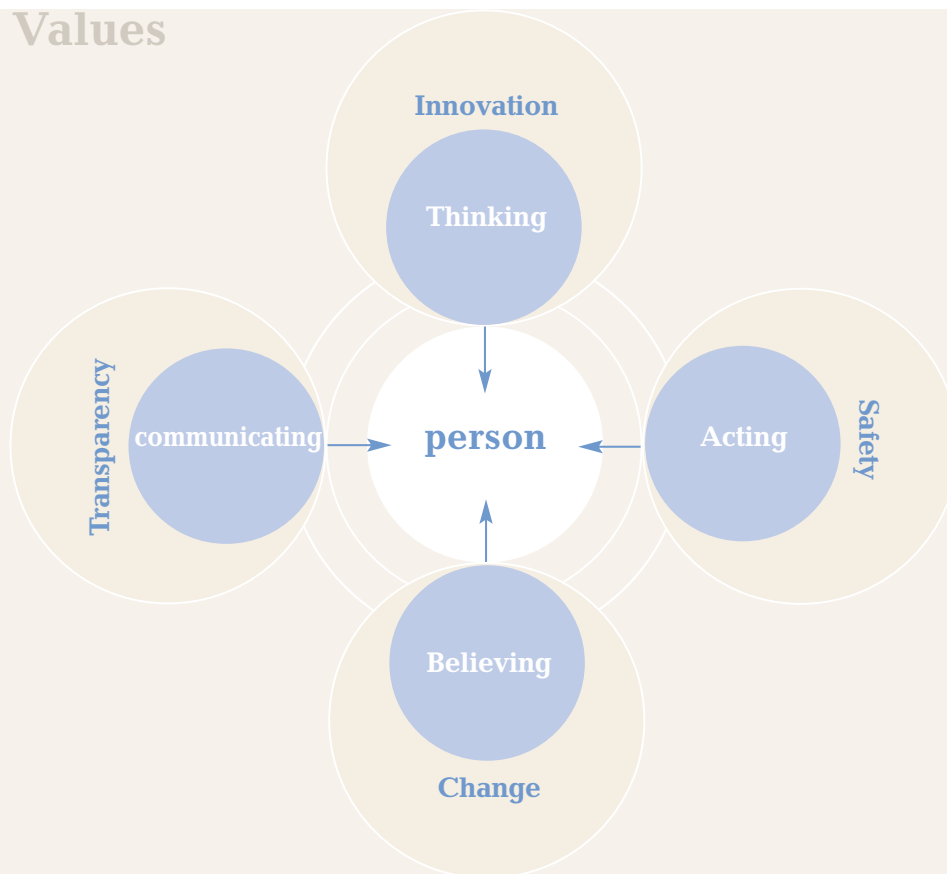
04

03

02

01 Corporate identity >

Values



Promoting the value of thought and belief:

Innovation and openness to change

SABAF invests in state-of-the-art technological solutions and in the development of its staff's skills and professionalism, to encourage constant innovation of the company's processes and products – which, besides strengthening its competitive edge, constitute progress for civil society in terms of greater safety and lower environmental impact.

Promoting the value of action:

Safety assurance

Safety is one of the lynchpins of SABAF'S business project. On-the-job safety in the company, defined as protection of workers' physical integrity, is assured via modernisation and ongoing improvement of the workplace and adoption of stringent quality *standards*. Consumer safety is assured by offering products featuring extremely high levels of safety and quality. The products in fact undergo meticulous quality control procedures, as per the strictest *standards* present in the market, thus assuring zero defects.

Promoting the value of communication:

Transparency and dialogue

SABAF cares about the needs and legitimate expectations of its internal and external stakeholders (employees, customers, suppliers, shareholders, competitors, the public administration, and the community as a whole). Because of this, the company is committed to continuous dialogue with all its stakeholders, who are informed of the company's activities with the utmost transparency. Internal procedures and actual conduct are oriented towards total compliance with laws and regulations.

Corporate charter of values

In identifying its stance in terms of values, SABAF has found itself to be naturally consistent with the "Corporate charter of values" – a roadmap for the ethical orientation of business, developed by the Istituto Europeo per il Bilancio Sociale (IBS) of the basis of the "Charter of Man's fundamental values", devised by the Nova Spes International Foundation

The values highlighted by the IBS are:

- 1. Centrality of the individual** – respect of his/her physical and cultural integrity and of his/her values in relations with others;
- 2. Enhancement of human resources' value** via processes of professional growth and participation in the corporate mission;
- 3. Environmental friendliness and protection;**
- 4. Attention to the needs and legitimate expectations** of internal and external stakeholders to improve the sense of belonging and the level of satisfaction;
- 5. Reliability of operating systems and procedures** to maximise the safety of staff, the community, and of the environment;
- 6. Efficiency, effectiveness, and cost effectiveness of operating systems**, to assure constant growth of business profitability and competitiveness;
- 7. Constant R&D commitment**, all areas, to aid and achieve – in pursuit of the strategic design – the utmost degree of innovation;
- 8. Correctness and transparency of operating systems** in conformity with current regulations and conventions vis-à-vis the company's internal and external stakeholders;
- 9. Interrelation with the community** and with its representatives, for a participative dialogue of exchange and social enrichment, designed to improve the quality of life.



07

06

05

04

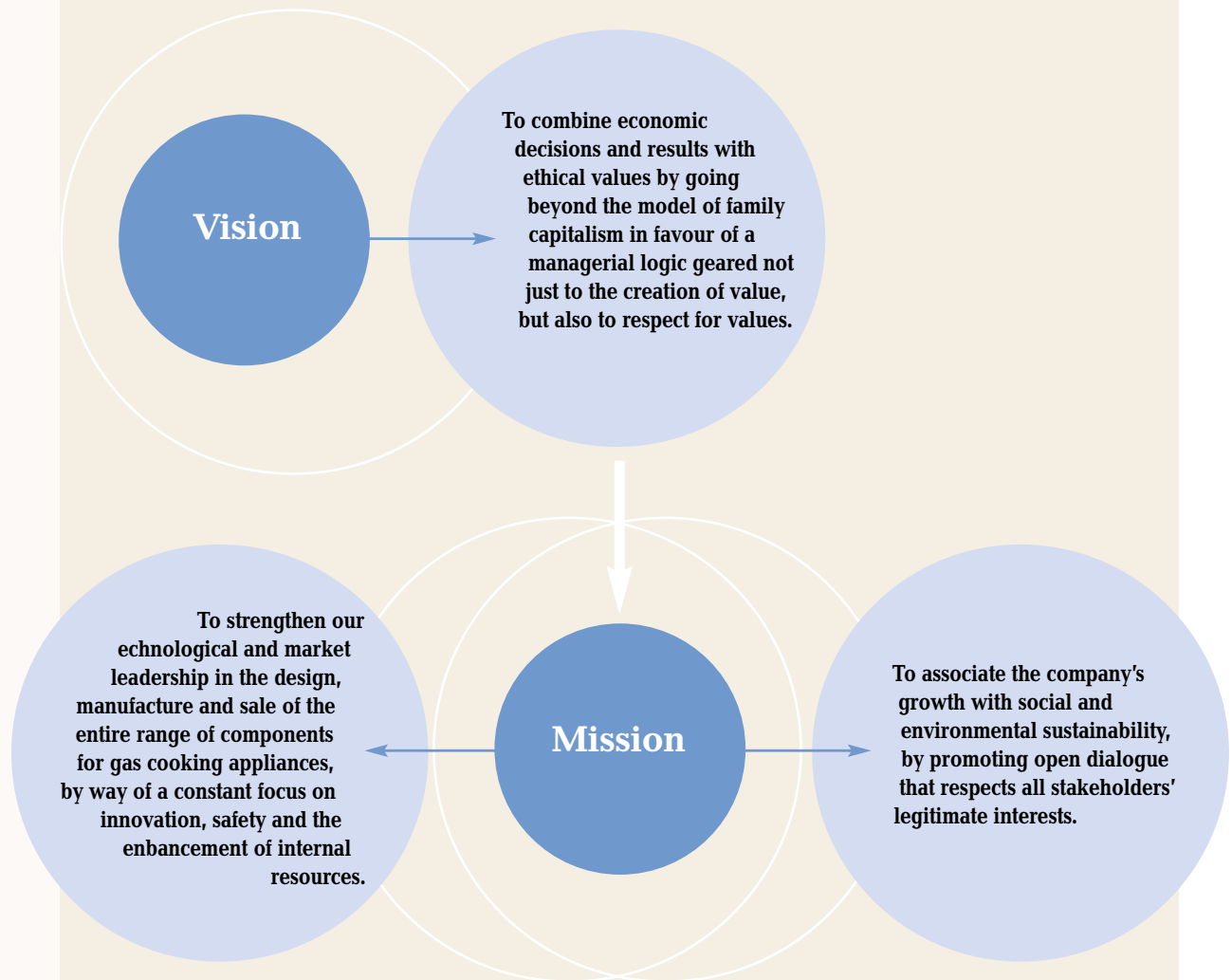
03

02

01 Corporate identity

>

Visione and mission



Strategic design

Consistently with its shared values and mission, the company believes that there is a successful business and cultural model to be replicated and adapted in foreign markets and in adjacent sectors via strategic alliances and external acquisitions.

Innovation, safety, enhancement of people's value, and socio-environmental sustainability are the distinctive characteristics of the SABAF model.

Innovation

For SABAF innovation is one of the essential components of its business model and one of its main strategic levers.

Thanks to constant innovation, the company has succeeded in achieving excellent results, identifying technological and manufacturing solutions amongst the most advanced and effective currently available, and creating a virtuous circle of continuous process and product improvement, ultimately acquiring technological skills with features difficult for competitors to emulate. Our new manufacturing sites in Italy and abroad are designed to assure products based on the highest technological standards available today. They are a cutting-edge model in terms of both environmental friendliness and worker ergonomics and safety. Investments in innovation have enabled the company to become a global *leader* in an extremely specialised niche market and, over time, to achieve high standards of technological advancement, specialisation and manufacturing flexibility. In particular, it should be noted that a key factor in the company's success has been the *know-how* acquired over the years in internal development and construction of machinery, tools, and moulds.

Safety

Safety has always been one of the indispensable features of the company's business project.

Safety for SABAF is not mere compliance with existing standards, but a management philosophy aiming for continuous improvement of performance, in order to guarantee end-users an increasingly safe product. Besides investing in new-product R&D, the company has chosen to play an active role in spreading safety culture, both fostering and encouraging the sale of products featuring thermoelectric safety devices, and via a communication policy aiming to promote use of products with thermoelectric safety devices. SABAF has long been a promoter in the various institutional environments of the introduction of regulations making the adoption of products with thermoelectric safety devices obligatory. Safety has turned out to be a key factor for success in the specific business area, also because the company succeeded in anticipating demand for products with safety devices in the European market and in stimulating the spread of such products also in developing countries.

07

06

05

04

03

02

01 Corporate
identity >

Strategic design

Establishment in international markets

SABAF pursues growth via establishment in international markets, replicating its business model in emerging countries and adapting it to local culture.

Consistently with its corporate values and mission, the company is seeking to transfer state-of-the-art *know-how* and technology to these countries, whilst fully respecting human and environmental rights and complying with the *United Nations Code of Conduct for Transnational Corporations*. This choice is based on our awareness that, only by operating in a socially responsible manner, is it possible to assure the long-term development of business initiatives in emerging markets.

Expansion of the components range and partnership with multinational groups

Ongoing expansion of our components range is intended to further increase our customers' loyalty via fuller satisfaction of their needs.

Its ability to offer a full range of components is a feature further distinguishing SABAF from its competitors.

This expansion is pursued via both in-house research and strategic alliances with other leading players in the sector or acquisitions in related sectors. The company intends to further consolidate its collaborative relationships with customers and to strengthen its positioning as sole supplier of a full product range in the cooking components market, thanks to its ability to adapt its production processes to customers' specific requirements.

SABAF has undertaken the social reporting approach also in order to demonstrate that it is a reliable and transparent partner with whom to develop long-term projects and co-makership relationships. The company – aware of its role within the household appliance manufacturing chain – monitors, discloses and is committed to seek to constantly improve its environmental and social performance, also aware

that this increases the value of the product it offers. SABAF'S strategic commitment to championing sustainable growth associated with respect of common values and balanced customer and supplier relationships is such as to permit development of the virtuous circle based on reciprocal trust, able to foster the growth of shared know-how – intellectual capital – and to contribute to limitation of transaction costs and related control costs.

Enhanced exploitation of the value of "intangible assets" and intellectual capital

Enhanced exploitation of "intangible assets" is essential to be able to compete effectively in the international market.

SABAF carefully monitors and enhances the value of its true "intangible assets" – i.e. the great technical and professional skill of people working in the company; its image now synonymous with quality and reliability; and its reputation as a company attentive to social and environmental problems and to the needs of its counterparts. Promotion of the idea of business and dealings with *stakeholders* as "the passion for a project founded on common ethical values in which all can symmetrically recognise themselves" is not only a moral commitment but also the true guarantee of enhanced exploitation of the value of "intangible assets" (intellectual capital). In this perspective the sharing of ethical values is the link between promotion of a business culture oriented towards social responsibility and enhanced exploitation of the value of the company's intellectual capital. Thanks to the strong "accelerator" provided by the shared-value process, SABAF aims to strengthen its human assets (increasing employees' skills, sense of belonging, and satisfaction), thus aiding development of organisational capital (operating *know-how* and process improvement), whilst assuring constant development of relationship assets (in terms of improvement of two-way relationships with *stakeholders*).

Operating plan

Consistently with its strategic design, the company is committed to responsibly involving its stakeholders to achieve enhanced simultaneous satisfaction of reciprocal legitimate interests, by increasing SABAF'S economic value and improving its social and environmental performance.

Manufacturing development in Italy

SABAF SpA's entire manufacturing activity is currently based in the modern industrial complex of Ospitaletto, in the province of Brescia. The industrial complex has been designed paying special attention to assurance of high standards of worker safety and to minimisation of environmental impact. The site stands out for its high degree of automation – not only of core production phases but also of support activities, such as the chip de-oiling and treatment plant and the warehousing system.

The new factory has made it possible to:

- > Complete factory automation
- > Eliminate inefficiencies thanks to layout rationalisation
- > Activate a third shift at times of peak demand
- > Develop new production capacity
- > Increase flexibility along the entire production process
- > Assure better standards of worker safety and ergonomics
- > Minimise environmental impact.

In addition, during 2002 and 2003 we gradually completed **verticalisation of burner production**, via insourcing of production of coined steel components.

In 2003 SABAF SpA invested some ~ 9.5 mn in plant, machinery, and equipment. The most significant items concerning purchase of machinery to increase production capacity for valves with safety devices, automation of the calibration and testing phases for thermostats, and machinery for burner-lid coining and enamelling.

In January 2004, within the Ospitaletto industrial site, work started on construction of a new factory of some 12,000 sqm for the production of new-generation light alloy valves. Its distinctive feature will be the use of extremely advanced process technology.

The new factory has been designed and will be constructed according to the same standards used to create the "twin" unit which came on-stream in 2002 – meaning special attention to minimisation of environmental impact, protection of worker safety, and improvement of the workplace environment.

07

06

05

04

03

02

Operating plan

Market-share growth in non-European markets

The impact of sales in non-European markets has grown constantly in the last few years. Whilst the group is outright *leader* of the European market, in non-European market its penetration is increasing steadily. The percentage of revenues generated outside Europe rose from 17% in 2001 to 19.9% in 2002, then rising to 21.8% in 2003.

Achievement of the objective to expand in non-European markets requires that development of the sales network be accompanied by technical resources dedicated to inventing and developing new components able not only to meet any different technical specifications, but also to respond to the different culinary and cooking styles typical of the various geographies.

SABAF has elected to produce certain components directly in Brazil in order to meet the needs of multinationals present in the country, reducing the impact on final prices of customs duties and shipping costs, which make products manufactured in Europe uncompetitive. The Latin American market has estimated demand for some 6.5 mn cookers (of which 83% concentrated in Brazil), corresponding to an estimated total value of the components market of some € 80 mn.

In the People's Republic of China SABAF has been present since 1998 with a delegation office in Shanghai. The production currently exported to the Chinese market targets a population segment with a standard of living in line with that of Europe. The group is assessing the desirability of creating a manufacturing unit in China to enable it also to target the middle market range, which is a strategic medium-term target.

Another important Asian market is Korea, wealthier and more advanced than the Chinese market and featuring quality *standards* similar to those of Europe. In 2003, despite the greater competitive difficulties

caused by euro appreciation, Korea was once again the most important and dynamic non-European market for SABAF. Sales in South Korea, totalling € 7.7 mn, accounted for 7% of the total.

The North American market, which traditionally uses components different to the European type, is potentially of great interest for SABAF. Some trends underway in the area, such as dispensing with the use of mercury in thermostats, extension of the use of circular-section ramps, and increased penetration of *built-in* models, could be big entry opportunities for SABAF in this market. The company's R&D department is therefore working hard on development of special models for the North American market and on the preparation of American cookers featuring components meeting European *standards*.

Acquisitions in adjacent sectors

In early 2003 we completed the process of integration with Faringosi-Hinges Srl, *leader* in the production of oven and dishwasher hinges, with acquisition of 100% control by SABAF. Faringosi-Hinges Srl's manufacturing programmes and quality objectives have found an ideal match in SABAF, thus leaving room for commercial synergies in all Markets. SABAF is currently transferring its industrial and technological skills to Faringosi, providing support for production and underpinning it with financial resources for new investments.

SABAF takes into careful consideration further opportunities for growth via acquisitions in adjacent sectors, as long as they are (a) consistent with its business model and (b) such as to assure the maintenance of excellent quality standards in products, manufacturing processes, corporate organisation, and economic performance.

Operating plan

R&D efforts

For SABAF innovation is a distinctive feature of its business model and, as stated, one of its primary strategic levers.

For SABAF innovation is one of the essential components of its business model and, as stated, one of its main strategic levers. Thanks to constant innovation, the company has succeeded in achieving excellent results, identifying technological and manufacturing solutions amongst the most advanced and effective currently available, and creating a virtuous circle of continuous process and product improvement, ultimately acquiring technological skills with features difficult for competitors to emulate. che, in particolare per quanto riguarda i produttori di bruciatori, appaiono come dei meri *followers*.

In the last few years SABAF'S R&D has been oriented in five directions, i.e.

- > Light alloy valves with and without safety devices
- > Brass valves and thermostats with safety devices
- > New types of burners
- > Development of new machinery and tools for in-house production
- > New types of hinges.

R&D activity in 2003

Burners

In 2003 we continued fine-tuning of new, extremely innovative burners, featuring significantly higher yields than those currently in circulation and that will be protected by operation and design patents. Prototyping is scheduled for the second half of 2004.

Valves

In 2003 industrialisation started of the new aluminium-alloy simple valve, sales of which started in the spring of 2004.

Considerable resources have been dedicated to the study of new light alloy valves with safety devices for cookers and hobs, which will lead to substantial cost reductions. The first samples should be ready by the end of 2004.

Other R&D studies concerned a light-alloy valve for Dual burners, specifically developed for the Chinese market.

Hinges

As regards hinges, the R&D activity continued with creation of production lines for the new dishwasher hinges, whilst testing and project definition were successfully completed for the new internal-cam hinge for application to doors weighing up to 20 kg.

By way of further demonstration of its excellence in research, in 2003 SABAF SpA won the Intel Design award for its "Dual" triple-crown burner with separate command of the inner and outer rings of flame. Sale of this product started in the second half of the year.



07

06

05

04

03

02

01 Corporate identity >

Operating plan

Quality and Environment projects

The Total Quality approach is well established within SABAF, so much so that the company's achievement of ISO 9001 certification for its quality system dates back to 1993. During 2002 certification was updated according to the **ISO 9001:2000** ("Vision 2000") *standard*.

The commitment to quality exists right from the design stage and subsequently involves all phases of production. Severe analyses and tests are performed in SABAF'S Experience Unit, recognised as able to perform quality tests on products by the Istituto Marchio di Qualità (IMQ – the Italian quality institute).

No less important for SABAF is environmental protection. The company has in fact implemented an environmental management system compliant with the **ISO 14001** standard, receiving certification in November 2003. Besides ensuring compliance with current regulations and laws, the ISO 14001 standard aims to constantly minimise the environmental impact stemming from the company's processes and products.

Customer-oriented projects

SABAF considers its ability to meet all its customers' requirements continuously, fast, and reliably to be important. In the early months of 2004 we performed a second *customer satisfaction* survey – more detailed than the first survey (performed in 2002). This generally yielded good results, as shown by the data dedicated to customer relationships.

With the aim of further promoting co-makership relations with customers, we are on-line with a technical Web site (<http://www.sabafb2b.com/b2bita/>) serving the B2B (business-to-business) market. Via this site, SABAF engineers and the company's present and prospective customers can transmit projects and drawings. The site is an extremely useful tool in terms of minimising new products' time to market.

Staff development projects

In the last few years SABAF has been one of the medium-sized Italian businesses that has created the most jobs, hiring numerous young people with training contracts – which in nearly all cases have turned into contracts of permanent hire – and investing substantial resources in training.

Hiring analysis

Year	New hires of which:	Training contracts	Ex temporary agency workers
1999	93	50	4
2000	38	28	5
2001	66	28	17
2002	67	31	17
2003	60	29	23
Total	324	166	66

The company assures its employees a workplace environment featuring the highest *standards* of safety and makes every endeavour to ensure that the working climate is calm and co-operative.

2003 marked the start of the "Taking Values to Heart" training/information program, with the aim of sharing the company's elected social responsibility approach with production managers and department supervisors, and to make ethical conduct a cornerstone of company operations, seconded and adopted by all members of the company.

07

06

05

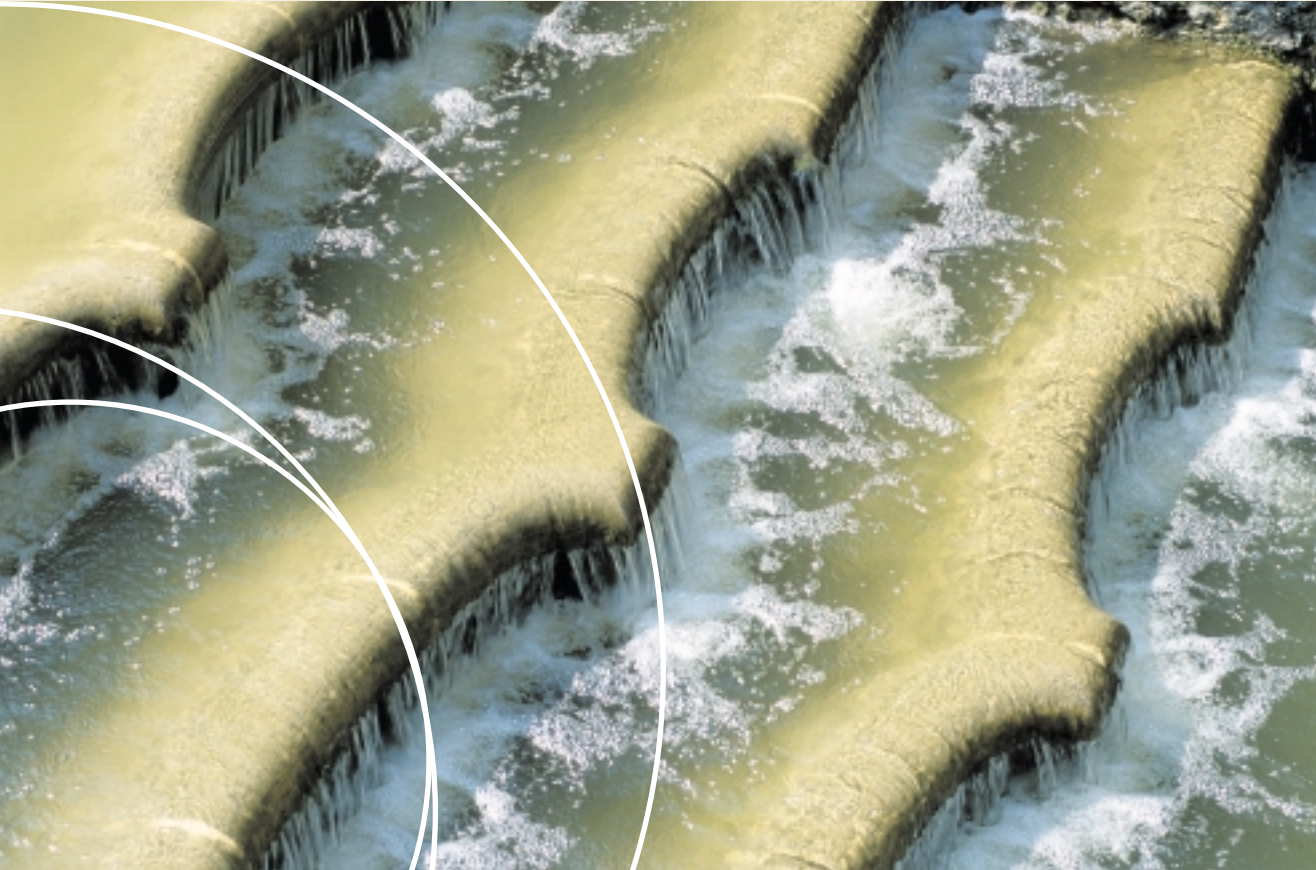
04

03

02 Sustainability
governance >

01





— **02** Sustainability
Governance >

Sustainability Governance

Sabaf's corporate governance system

SABAF'S entrepreneurial model is rendered explicit in our corporate "vision", i.e. *to combine business decisions and results with ethical values by going beyond family capitalism and opting for a managerial logical oriented towards not only the creation of value – but also towards the respect of values*

The model adopted is based, in the first place, on the decision to achieve strict separation of the interests and choices of the key shareholder (the Saleri family) from the interests and choices of the company and group, consequently entrusting corporate management to managers not forming part of the key shareholder. In order to reinforce this decision, the Saleri family (which owns 52.94% of SABAF SpA's share capital via its *holding* company Giuseppe Saleri SpA) has undertaken, also via signature of an accompanying agreement, not to hold, in future, executive offices within SABAF Group companies.

Expansion of the shareholder base occurring when the company was listed; entry into the STAR (quality small/medium caps) segment (and consequent voluntary acceptance of stricter rules for transparency and information); and the more recent decision to endow the company with a Board of Directors featuring a majority of independent directors are the subsequent steps taken by SABAF in the direction of adapting its corporate governance system to a model that views social interest and the creation of value for all shareholders as being the benchmark for directors' work.

As a further step along this path, SABAF'S management believes that ethics founded on the centrality of the individual and respect of shared values, set at the head of the creation of value, are able to orient decisions in a manner consistent with corporate culture and contribute significantly to assuring the company's sustainable long-term growth.

Structure of the Board of Directors

Giuseppe Saleri Chairman	Gianbattista Saleri Deputy Chairman	Angelo Bettinzoli Chief Executive Officer	Alberto Bartoli Chief Financial Officer	
Elio Borgonovi Independent director 57 years old	Leonardo Cossu Independent director 45 years old	Raffaele Ghedini Independent director 45 years old	Franco Carlo Papa Independent director 46 years old	Flavio Pasotti Independent director 43 years old
University professor and since 2002 co-ordinator of CSR initiatives at Milan's Università Luigi Bocconi	Chairman of the Board and CEO of Icoigest Srl Board member, standing statutory auditor, and president of the statutory auditors' committees of numerous companies	University professor in industrial and business economics at the LUISS Guido Carli university in Rome. Visiting professor at Cambridge University (UK) Founder and chairman of the consulting firm RG Episteme Srl, of the Gamma Group international financial project, of Oikyweb SpA, and Oikytech Srl	Past President of the AIAF (Italian association of financial analysts) Chief Executive Officer of Ernst & Young Financial-Business Advisors SpA and Managing Partner of the Corporate Finance division.	Entrepreneur and President of the Brescia API (association of small companies) President of a supplementary pension fund
Vice President of AIDEA (Italian academy of business economics).				
Founding member of EURAM (European Academy of Management).				
Board member of various companies		Member of BoDs and Advisory Boards of industrial and financial companies		

Sustainability Governance

Internal control & audit system

The internal control & audit system of SABAF SpA and of its subsidiaries consists of the combination of rules, procedures and organisational facilities designed to assure – with a reasonable degree of certainty – achievement of the following objectives:

- > Adequate control of corporate risks
- > Effective and efficient operational business processes
- > Protection of asset integrity
- > Complete, reliable and timely accounting and management information
- > Compliance of business conduct with laws, regulations, and corporate directives and procedures.

The internal control & audit system plays a fundamental role in SABAF'S *corporate-governance* system and is characterised by the strong commitment of the company's corporate bodies and by the major involvement of all staff.

Role of the Board of Directors

The Board of Directors holds ultimate responsibility for the internal control & audit system. More specifically, the Board of Directors watches over general operational progress, assesses the business risks submitted to it for examination by the CEO and by the Internal Control & Audit Committee, and checks the adequacy of the general organisation and administrative set-up of the company and group.

SABAF'S Board of Directors believes that the current system of internal control & audit is able to guard against the risks typical of the activities performed by the company and its subsidiaries and to monitor the business and financial status of the company and group.

Role of the Chief Executive Officer

The Chief Executive Officer has the responsibility of identifying the main business risks and of submitting them to the Board of Directors. To this end, the CEO defines procedures for management of the internal control & auditing system and appoints an internal auditor.

Role of the Internal Control & Audit Committee

The Internal Control & Audit Committee:

- > Assists the Board of Directors in periodical evaluation of the adequacy and effective operation of the internal control & audit system
- > Performs guidance functions concerning the internal control & audit activity

- > Assesses the internal auditor's work plan and activities
- > Evaluates, together with the Administrative Director and independent auditors, the adequacy of accounting standards and policies applied and the uniformity of accounting standards and policies applied by consolidated companies
- > Assesses the proposals made by independent auditing firms for award of the independent auditing assignment, the work plan prepared for the independent audit, and the results presented in the report and in any recommendation letter.

During 2003 the Committee constantly monitored updating and implementation of the Risk Management Plan and analysed the results emerging from the internal auditor's activity, reporting on them to the Board of Directors. In 2003 the Internal Control & Audit Committee met five times and, in particular, worked in depth on the following aspects:

- > Updating of mapping of related parties
- > Adoption of the *Internal Dealing Code*
- > Analysis of the company's risk profile as regards criminal offences against the public administration and corporate offences
- > Assessment of auditing firms' proposals for award of the independent auditing assignment for the 3-year period 2003-2005
- > Review of the accounting and organisational impact stemming from future adoption of international accounting standards.

The President of the Statutory Auditors' Committee attends the Committee's meetings.

Role of the Internal Auditor

The task of the Internal Auditor is to:

- > Assist the CEO in the design and management of the internal control & audit system
- > Plan internal auditing activities
- > Check that procedures in place for management of major risks are applied.

For this task, the Internal Auditor does not report to any of the heads of the operating areas on a line basis, but directly to the CEO. He reports back on his work to the Internal Control & Audit Committee and the Statutory Auditors' Committee.

We are currently implementing a 3-year *internal audit* plan, the objective of which is monitor activities in all processes considered to be critical.

Sustainability Governance

Internal control & audit system

In performing his task, the Internal Auditor draws on the support of an outside auditing firm different to the one used for independent auditing of year-end financial statements. This support concerns:

- > Definition of internal auditing guidelines
- > Assistance in the implementation of new internal auditing methods and tools
- > Analysis of critical business processes
- > Performance of procedure-conformance tests.

The role of employees

All group employees, according to the tasks assigned to them in the organisation, ensure effective functioning of the internal control & audit system, as part of their accountabilities in the achievement of objectives.

Directors' remuneration

Directors' remuneration is decided on a fixed basis by the shareholders' meeting. Division of the amount between directors has been decided upon by the Board of Directors and is detailed in the

supplementary notes to year-end statutory financial statements.

A significant part of management's compensation is linked to the achievement of specific objectives. More specifically, on May 6th 2003 our shareholders approved *stock-option* plan that provides for assignment of options giving the right to subscribe – in the period between July 1st 2006 and October 31st 2006 – a maximum of 666,500 newly issued shares, against payment of a subscription price of € 14.38. Vesting of options is dependent on achievement of previously established targets for consolidated EBITDA and EBIT for FY2005 and for SABAF stock's minimum market price in the last quarter of 2005, as well as on continuation of the employment and/or outside staff relationship with the company. The plan's beneficiaries are 5 directors and 23 employees of the company.



07

06

05

04

03

02 Sustainability
governance >

01

Sustainability Governance

Social responsibility management system

In order to translate the values and principles of sustainable development into choices of action and operating activities, SABAF is applying **ProGreSS®** - responsible management process for sustainable development – a system that, via a standard methodology, harmonises existing operating approaches in just one responsible management process designed to apply paths to excellence.

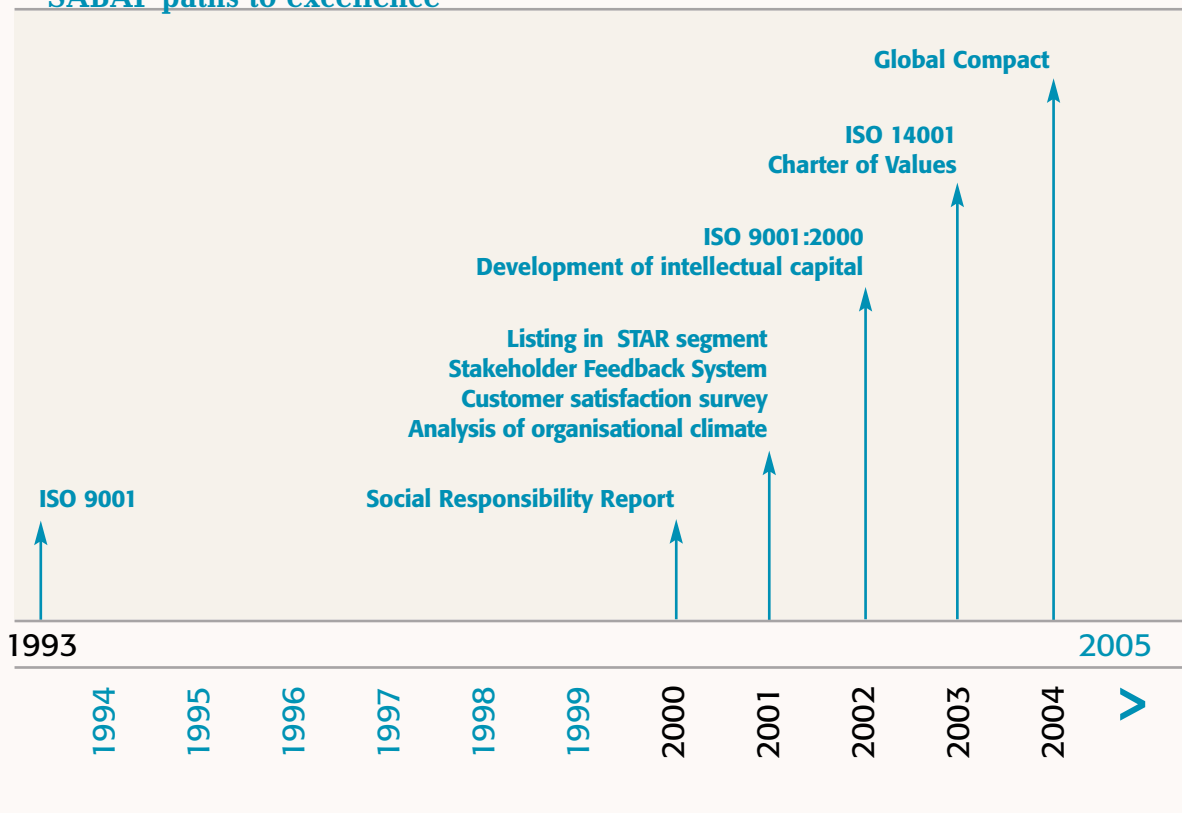
Based on this approach, SABAF'S Corporate Social Responsibility Report is not only a means of communication inside and outside the company, but a report on a strategic process aiming for ongoing improvement of our corporate business culture. The primary factors in this process are the:

- > **Sharing** of values, mission and of the integrated policy for sustainable development
- > Adoption of a **training/action process**, able to implement improvements via inter-functional projects

involving employees and featuring specific routes in terms of training and organisational communication

- > Development of an **internal control & audit system** capable of monitoring both achievement of objectives set and also ant ethical risks, as well as of verifying implementation of the company's commitments to *stakeholders*
- > Definition of **key indicators**, capable of monitoring our economic, social, and environmental performance
- > Adoption of a clear and complete **reporting system** able to inform the various categories of *stakeholders* effectively
- > Definition of a **stakeholder feedback system**, in order to share and define together with *stakeholders* the improvement path to be implemented.

SABAF paths to excellence



07

06

05

04

03

02 Sustainability
governance >

01

The paths to excellence >

Code of Ethics
Self-Governance Code
Corporate Governance
Italian Leg. Decree
231/2001

ISO Management
SA 8000 / OHSAS 18001
EMAS / ISO 14001
Intellectual Capital
Customer Satisfaction

Methodological
Basis

Corporate
Identity

Sustainability
Governance

Financial report:
Economic
Performance

The model
simultaneously
applies and
harmonises the
GRI, AA 1000 and
GBS principles

- History
- Market context
- Values
- Vision & Mission
- Institutional & organisational set-up
- Strategic design
- Action plan
- Primary choices

- Corporate governance
- Social responsibility management system

- Significant operating highlights (key performance indicators, key success factors)
- Value calculation
- Value-added calculation
- Distribution of value-added

Performance
sustainability
scorecard

PROGRESS©
processo di Gestione Responsabile per lo
Sviluppo Sostenibile
IBS-SEAN Model

**Independent Auditing of
Year-End Accounts**

**Total
Quality
Management**

**Attestation
of Conformity**

**Social
engagement
report: Social
Performance**

- Staff
- Shareholders/ backers
 - Customers
 - Suppliers
- Public administration
 - Community
- Media and virtual community

**Stakeholder
Feedback
System**

Dialogue with
stakeholders

**Improvement
Proposals**

Combination
of the various
related aspects –
ethics, quality,
environment, safety,
and economic efficiency
of operations - in a
comprehensive Sustainability
Governance Model.

**Environmental
Performance**

- SGA (environmental
management system) and
environmental policy
 - Process analysis
- Environmental indicators
(input/output)

The key fundamentals of the model are:

- > Responsible leadership
- > Human-based management
- > Process-based approach
- > Organisational learning
- > Integrated management system
- > Vision of enterprise as a vital
component of the social system

Sustainability Governance

Social responsibility management system

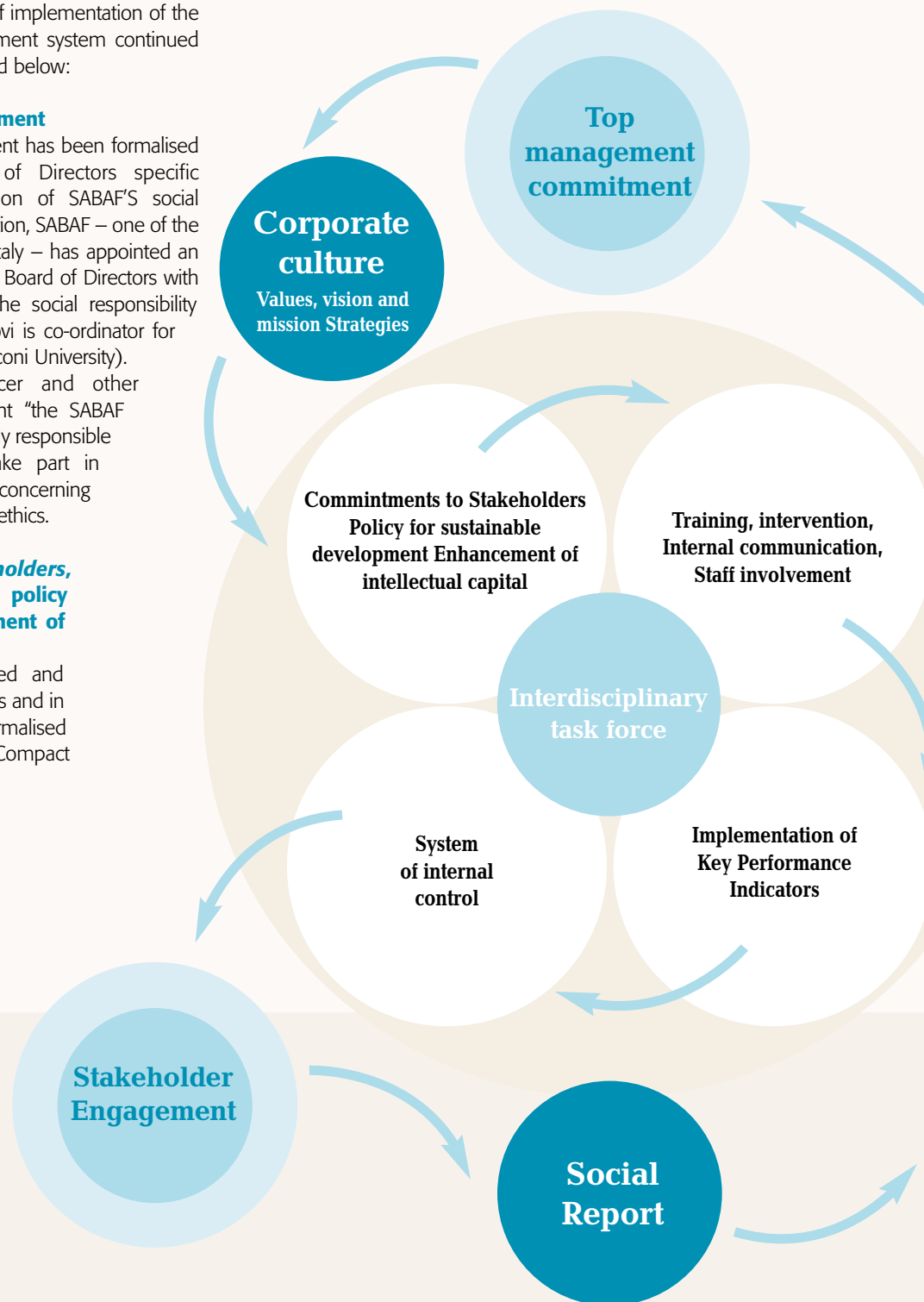
In the last year the process of implementation of the social responsibility management system continued with the activities summarised below:

Top management commitment

Top management commitment has been formalised by assigning the Board of Directors specific competence in the definition of SABAF'S social responsibility policies. In addition, SABAF – one of the first companies to do so in Italy – has appointed an independent member of the Board of Directors with professional experience in the social responsibility area (Professor Elio Borgonovi is co-ordinator for CSR initiatives at Milan's Bocconi University). The Chief executive officer and other *managers*, invited to present "the SABAF case" as an example of socially responsible management, personally take part in meetings and conferences concerning CSR and corporate business ethics.

Commitments to stakeholders, sustainable development policy combined with enhancement of intellectual assets

During 2003 SABAF defined and published its Charter of Values and in the early months of 2004 formalised its adherence to Global Compact principles.



sistema di gestione
responsabilità sociale
modello IBS-SEAN

SABAF Charter of Values

The Charter of Values is the instrument of *governance* via which SABAF'S Board of Directors explicitly expresses the company's values, standards of conduct, and the ways in which it manages relationships with its *stakeholders* – employees, shareholders, customers, suppliers, financiers, the community and the environment.

The Charter seeks to give a "proactive vision" of ethics, focusing principally on positive actions to be taken and not only on inappropriate types of conduct to be avoided. This vision is achieved in tangible terms by a positive use of freedom by decision-makers, where benchmark values guiding decisions in a manner consistent with SABAF'S culture of social responsibility.

Communication and training

The Charter of Values is given to all internal and external *stakeholders* who ask to receive it and can also be consulted at and downloaded from our institutional Web site.

As from 2004 the Charter is given to all new hires and is communicated to staff via training and sharing courses, differentiated according to staff's function and role.

How to report any non-compliance

All SABAF'S can report any case of non-compliance with the Charter by sending – in writing and in a non-anonymous form – description of the case of presumed non-compliance to the Internal Auditor.¹

Employees can report cases of non-compliance directly to the Human Resources Manager.

Those making the reports will be guaranteed anonymity so as to avoid possible retaliation against them.

Corrective
actions
Ongoing
Improvement

¹ Reports can be sent in the following ways:

- e-mail (gianluca.beschi@sabaf.it);
- Letter addressed to:
Gianluca Beschi – SABAF SpA, Via dei Carpini 1 – 25035 Ospitaletto (BS), Italy

Standards of conduct

Honesty

Diligent respect for current laws, all house rules, this charter, and all related regulations and conventions mentioned.

Moral integrity

Behaviour, under all circumstances, reflecting moral integrity and consistent with the values expressed in this charter, with the rejection of all forms of arbitrary discrimination. No unfair advantages shall be conceded in exchange for gifts or other favours that exceed the normal standards of courtesy, in any type of dealing or negotiation. Parties finding themselves in potential conflict of interest shall make all efforts to resolve the situation.

Equity

Equitable exercise of power deriving from a position of authority. Impartiality - in form and substance - of all decisions, which must be taken in an objective and fair manner, without preconceived discrimination against any party for reasons of gender, sexual orientation, age, nationality, health, political opinions, race or religious beliefs.

Transparency and correctness

Transparent communication through the use of form and content that are easily understood and appropriate to the different stakeholders with which the company interacts. Transparency also means explaining the logic behind the company's actions, so that each stakeholder concerned can reach an informed decision. Correctness in communication means being responsible for the truthfulness and thoroughness of the information supplied. Where required by law or requested by the interested parties, information must be treated as confidential.

Efficiency and effectiveness

Pursuit of the best possible results, given the resources available, in keeping with the highest quality standards applicable to the various branches of activity. Performance of one's job in a professional, responsible manner in order to be effective in reaching stated goals.

Dialogue

The taking of decisions after consulting all stakeholders concerned, so as to reach solutions that respect the legitimate interests of each.

Sustainability Governance

Social responsibility management system

Global Compact.

The UN "Global Compact" initiative was launched by the UN's Secretary General, Kofi Annan, at the *World Economic Forum* in Davos in 1999. In his appeal, the Secretary General invited the leaders of the world economy to adhere to the Global Compact – a "global pact" that unites corporations, UN agencies, labour organisations and other organisations in civil society in the promotion of corporate social responsibility via the observance and championing of nine fundamental principles concerning human rights, labour standards, and the environment.

On occasion of the *Global Compact Leaders Summit*, held in June 2004, a tenth principle was introduced obliging companies to combat corruption.

The ten principles of the global compact

HUMAN RIGHTS

Principle I

Businesses should support and respect universally recognised human rights within their respective spheres of influence, and

Principle II

make sure that they are not complicit, even if indirectly, in human rights abuses.

LABOUR STANDARDS

Principle III

Businesses should uphold workers' freedom of association and recognise the right to collective bargaining,

Principle IV

the elimination of all forms of forced and compulsory labour,

Principle V

effective abolition of child labour, and

Principle VI

elimination of every form of discrimination in respect of employment and occupation.

ENVIRONMENT

Principle VII

Businesses should support a precautionary approach to environmental challenges,

Principle VIII

undertake initiatives to promote greater environmental responsibility, and

Principle IX

encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

Principle X

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

07

06

05

04

03

02 Sustainability
governance >

01

Sustainability governance

Social responsibility management system



Sustainability Governance

Social responsibility management system

Communication, training/action, and staff involvement

In order to share the social responsibility process undertaken by the company with members of staff, in 2003 SABAF:

- > Started to publish a quarterly company newsletter in which, among the other topics concerning corporate life, CSR issues are specifically discussed
- > Launched an organisational action programme called "Taking Values to Heart"
- > Set up focus groups, without management representatives, in order to receive staff's suggestions and proposals for improvement of the process

Definition of Key Performance Indicators

We identified an initial set of *Key Performance Indicators* (KPIs for short), capable of monitoring in an integrated manner – via a specific *scorecard* – not only our social, economic and environmental *performance*, but also our *performance* in terms of intellectual capital.

Implementation

During 2003 *management's* main efforts focused on:

- Definition and publication for the first time of the SABAF Charter of Values
- Procedures to obtain attestation of conformity with the ISO 14001 standard (achieved in November)
- Dispatch to suppliers of contracts containing a clause of an ethical nature, based on the SA 8000 standard.

Internal control and auditing system

In creating the Charter of Values we also defined the roles of the various players involved in the social responsibility management process, i.e. the Social Responsibility Task Force, the Internal Auditor, and the Internal Control & Auditing Committee, extended to include the Chairman and Chief Executive Officer.

In addition, a major role in controlling implementation of the socially responsible approach was also assigned to the Board of Directors, which – at strategic level – verifies implementation of social responsibility policies.

The Social Responsibility Task Force consists of the heads of the various functions:

Francesco Consadori (Technical & Production Unit), Luca Salvi (Sales & Marketing Unit), Alberto Bartoli (Administration Unit), Gianluca Beschi (Internal Auditing), Maddalena Giacomelli (Human Resources Unit), Marco Piras (Procurement), Marco Tedeschi (Quality Assurance, Prevention & Protection, and Environment), and Claudio Migliorati (Information Systems), with the supervision of Angelo Bettinzoli (Chief Executive Officer).

The **Social Responsibility Task Force** has been assigned the following tasks:

- > Verify operational implementation and respect of the Charter of Values and of policies relating to social responsibility
- > Aid the dissemination and awareness of the Charter of Values and of the Corporate Social Responsibility Report among all stakeholders
- > Encourage training activities and information concerning ethics and social responsibility
- > Periodically review the Charter of Values and prepare the annual Corporate Social Responsibility Report.

The **Internal Auditor** has been assigned the following tasks:

- > Verify the completeness and truthfulness of information concerning social responsibility contained in the Corporate Social Responsibility Report and in other company documents
- > Receive and analyse reports of breaches of the Charter of Values and report the most significant cases to the Internal Control & Audit Committee

The **Internal Control & Audit Committees**, extended to include the Chairman and Chief Executive Officers, has been assigned the following tasks:

- > Assess and monitor ethical risks
- > Rule on breaches of the Charter of Values reported by the Internal Auditor
- > Periodically verify – expressing binding opinions – the adequacy and efficacy of the company's business policies, procedures, and results, in order to assure their consistency with the principles expressed in the Charter
- > Approve revisions of the Charter of Values.

Sustainability Governance

Intellectual capital

Consistently with what is described in the strategic design, for SABAF intellectual capital is one of the company's most important assets. The competitive advantage built up over time by the company is a result not only of the sector's structure but also of SABAF'S distinctive skills. Today the company has developed an operating mix capable of generating:

> **"Sustainability value"** – relating to the ability to create value in a sustainable manner, combining business growth with environmental efficiency and effectiveness and respect of the values that create growing legitimization and reputation

> **"Intellectual asset value"** – relating to people's ability to learn, to the skills acquired over the years by the company, and to the ability to create relational networks.

Management and measurement of intellectual-capital assets is consistent with the methodological approach used to draw up SABAF'S Social Responsibility Report. The latter already provides "reasoned information" on the company's intangible resources in the six dimensions of intellectual capital proposed by the AIAF (Associazione Italiana degli Analisti Finanziari – Italian association of financial analysts), i.e. strategy, customers & markets, human resources, processes & innovations, organisation, and corporate governance.

Besides this, SABAF has also started to try out a system capable of managing and measuring, as well as sustainability performance, also performance in terms of intellectual capital, with the ultimate objective of achieving – within the next few years – full reporting in just one integrated document on the two types of performance.

Human capital

In our first Corporate Social Responsibility Report we stated that "SABAF is the people who work there", because it is thanks to the know-how, aptitudes and skills of its staff that, over time, SABAF has established a competitive advantage difficult for others to emulate.

Human capital consists of the:

> Know-how (explicit and implicit) possessed by the people and teams working in SABAF – know-how that

has to be useful and consistent with strategic development

> Aptitudes, capabilities and skills, i.e. to the overall "know-how" acquired by the people working in SABAF

> Personal qualities, i.e. ethical conduct, work ethic, emotional intelligence, and the ability to re-invent one's self and to transfer knowledge.

Much of the information and indicators concerning human capital is present in the section on "SABAF and its staff". In particular, it is important to underline how the company has invested in staff skills, increasing training activities. 2003 featured provision of an average of 17 hours of training per employee, with a commitment of 3,070 hours by internal trainers and an investment in training equivalent to 0.13% of sales. In addition to the items described above, it is also important to note the activity concerning development of department supervisors' people skills.

Another important item is the growth in the last three years of the number of staff in three areas of strategic importance to the company, i.e. 6% in R&D activities, 63% in activities relating to quality, environment, and safety, and 36% in sales % marketing.

Another indicator showing the growth of SABAF'S human level is the increase in the level of education. Staff with upper secondary school certificates or university degrees amounted to 39% of the total as at December 31st 2003, with an increase in the last three years of some 15%.

Sustainability Governance

Intellectual capital

Structural capital

Structural capital is the “must-have” quality needed to surface the value of human capital, permitting the translation of individual skills into distinctive skills of the organisation as a whole – thus creating forms of capital advantage over competitors. Structural capital depends on the company’s ability to acquire, surface, organise, appropriate, re-utilise, and protect the company’s knowledge and know-how. In contrast with human capital, structural capital is in fact directly owned by the company.

SABAF has identified its structural capital as consisting of the following component assets:

- > Organisational skills
- > Organisational culture
- > Process and product innovation
- > Knowledge-management systems
- > Information systems
- > Operating systems
- > Production processes.

With the aim of strengthening its structural capital, SABAF pays constant attention to the launch of specific activities designed to increase, surface, and share individual knowledge and know-how, also via the definition of specific organisational procedures and *routines*.

Innovation is a key factor in the business success of SABAF, which has always invested considerable resources in technological research.

Our R&D investments in the last three years have increased by some 33%, rising from about € 1,019,000 to € 1,359,000.

The efforts made on product innovation in recent years have taken the concrete form of creation of the totally hermetic “Dual” triple-crown burner. Thanks to the dual intake system, it is possible to command the external crowns and the internal crown separately. The burner can be controlled by a dual-outlet valve or by means of two separate valves. The company’s significant commitment to R&D activities was rewarded by the 2003 Intel Design award in the “technology” section for the SABAF Dual 4.5 Triple-Crown Burner.

As regards our information technology structure, we note that SABAF puts at its staff’s disposal 151 computers and 13 servers, which together support total available space of some 332 GB.



07

06

05

04

03

02 Sustainability
governance >

01

Sustainability Governance

Intellectual capital

Relational capital

Relational capital basically expresses the value of a company's relations with its *stakeholders*. Enhancement of the value of relational capital is deeply rooted in the managerial culture of SABAF, which – in order to accomplish its mission – interacts and co-operates with its *stakeholders*. The latter, organised in sub-systems (e.g. employees, trade unions, etc.) and super-systems (financial, political, and social, etc.), can in fact influence the company's development.

SABAF'S sustainable growth depends on the degree of "consonance" and sharing of values that the company manages to establish with its stakeholders. Respecting of common values increases reciprocal trust; aids the development of common knowledge; and thus helps to contain transaction costs and related control costs. In practice it creates benefits for the company and for all its *stakeholders*.

The company constantly monitors its relations with all *stakeholder* categories.



Relational capital management can also be read via the indicators contained in the "Social Performance" chapter, which show how relational capital management has a positive influence on SABAF'S performance.

The company has developed activities and projects for sharing, information and awareness with its customers and suppliers. In 2003 a specific meeting with SABAF'S main suppliers was held to share strategic orientations, policies and themes, such as social responsibility and management of intellectual capital.

Analysis of customer relational capital merits special attention. As at 31.12.2003 SABAF had 286 customers (3% more than in 2002) and average sales were about € 385,000 (+5.8% vs. 2002).

The average loyalty rate and relationship age of customers in the last five years shows that customers have always purchased SABAF products, excluding from the analysis small customers that have gone out of business or that have changed their company name.

Lastly, the results of the customer satisfaction survey performed in the first half of 2004 (see Chapter 04, section called "SABAF and its customers") show a generally very positive assessment of the company (with an average score of 7.8 on a 1-to-10 scale).

The studies prepared by financial analysts in 2003 reveal: 10 positive ratings, 3 neutral, and 1 negative. Financiers' confidence can also be expressed via the cost of third-party resources – which for SABAF is quantifiable in a spread of 0.90% on the Euribor for medium-/long-term debt.

The results of the analysis of media relations also demonstrate the company's efforts as regards external communication. In 2003 there were 307 articles featuring at least one mention of SABAF, of which 70% in the national press and 30% in the regional press. 33% of the articles were dedicated solely to the company. SABAF was mentioned positively in 67% of the cases and neutrally in the remaining 33%.

11% of the articles concerning the theme of social reporting. In 56% of cases the article was dedicated to the company and in all of them a positive opinion was expressed on the company.

During 2003 there were no controversies with or manifestations against SABAF.

Sustainability Governance

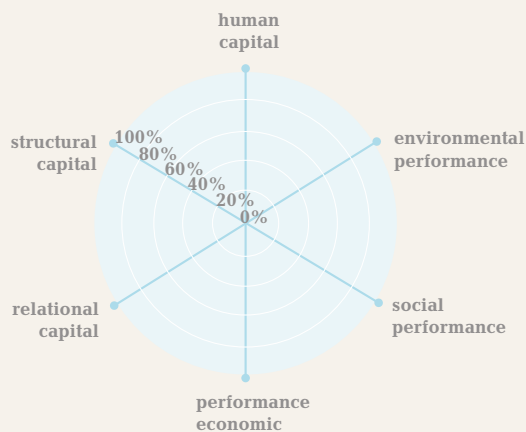
Intellectual capital

Development of project for intellectual capital analysis

The project features the ambitious objective of integrating management of intellectual capital – and therefore of activities contributing to the creation of intangible value – with management of social responsibility management – and therefore of sustainability *performance*.

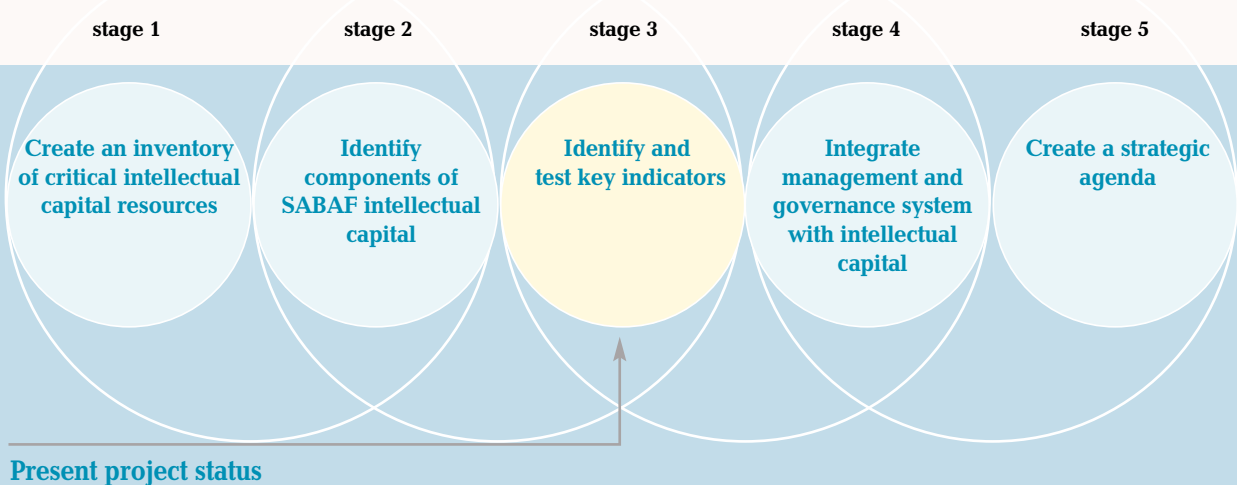
SABAF *management's* aim is to define a scorecard capable of monitoring and managing 6 key dimensions:

Key Performance Indicator system



The steps of this path are summarised in the following exhibit:

Project for intellectual capital analysis



Sustainability Governance

Intellectual capital

During 2003 SABAF identified and tested a series of indicators that it believes able to monitor the process of intellectual capital generation:

Intellectual capital indicators

HUMAN CAPITAL

- **Average staff age**
(sum of workers' ages/total number of workers)
- **(No. of secondary school diploma holders and university graduates/total no. of workers)**
- **Outgoing turnover**
(Workers resigning/total workers)
- **Training hours/total workers**
- **Training investment /company sales**
- **Key people loyalty index**

STRUCTURAL CAPITAL

- **Value of rejects/sales**
(Total rejects/total sales)
- **Staff satisfaction**
(Outright number)
- **Internal image index**
(Outright number)
- **IT budget/sales**
- **No. of PCs/no. of employees**
- **No. of Lotus Notes users/ no. of employees**
- **Hours dedicated to NPD projects/total hours worked**
- **Hours dedicated to jobs for construction of machines for new products or to increase production capacity/total hours worked**
- **Investments in tangible fixed assets/sales**

RELATIONAL CAPITAL

- **Sales growth**
(% YoY growth)
- **Average per-customer sales**
(Total sales/total no. of customers)
- **% of sales coming from new customers**
- **% incidence of top 10-20 customers**
- **Number of sample ranges for customers**
- **Number of product codes supplied to top 10 customers by sales**
- **Hours dedicated to technical assistance of customers**
- **Customer satisfaction**
(outright number)
- **Rejects c/o customers**
(rejects found by customers/rejects admitted and agreed upon)
- **Customer complaints**
- **Publications**
(no. of publications in magazines, etc.)
- **Favourable recommendations by analysts**
(No. of favourable recommendations/ total no. of recommendations)
- **Lawsuits against the company**
- **Sanctions imposed by the public administration**

07

06

05

04

03 Economic
performance >

02

01





— **03** Economic
Performance



Financial report

Key operating highlights

The financial report is the section of the social responsibility report that is most directly linked to consolidated and statutory year-end financial statements and that provides relevant information on the business, capital and financial status of the company and group.

SABAF has identified GRI guidelines as being best practice for economic, social and environmental reporting. Consistently with those guidelines, in Financial Report section we show GRI economic indicators meaningful for our corporate reality, besides the table calculating value-added according to GBS standards.

2003 was a difficult year for SABAF, due to an unfavourable economic environment in Europe that was only partly offset by the big increase in exports to the rest of the world.

The across-the-board decrease in consumer spending in major EU markets – which also affected domestic gas cooking appliances – was joined by (a) a reduction in the competitiveness of exports to countries in the USD area of SABAF'S longstanding Italian customers and (b) heightened competitive pressure.

This latter factor mainly impacted profitability since, as a strategic decision, SABAF preferred to maintain sales volume, sacrificing product margins. In other words, the 7% growth was achieved via both a major increase in efforts to penetrate non-European markets, and improvement of market share in Italy,

Profitability indicators

Amounts in € '000			(SABAF Group)		
Net profit					
2001	9,685	10,000	20,000	30,000	40,000
2002	0	10,397	20,000	30,000	40,000
2003	0	10,225	20,000	30,000	40,000
EBIT					
2001	0	15,352	20,000	30,000	40,000
2002	0	18,282	20,000	30,000	40,000
2003	0	19,347	20,000	30,000	40,000
EBITDA					
2001	0	10,000	23,931	30,000	40,000
2002	0	10,000	29,035	30,000	40,000
2003	0	10,000	20,000	31,308	40,000
Manufacturing margin					
2001	0	10,000	20,000	32,370	40,000
2002	0	10,000	20,000	37,225	40,000
2003	0	10,000	20,000	39,867	40,000
2001	2002		2003		
ROCE (Return on Capital Employed)					
23.2%	21.7%		21.6%		
Dividends per share (€)					
0.34	0.37		0.40		
Total dividends (€ '000)					
3,853	4,193		4,533		

Taxes

Amounts in € '000		(SABAF Group)	
2001	2002	2003	
Taxes paid			
5,141	6,601	7,771	

Investments in the community

2001	2002	2003	
Jobs created (SABAF Group)			
30	28	11	
Jobs created (SABAF SpA)			
25	24	8	
Donations (SABAF Group - € '000)			
35	51	53	

Financial report

Key operating highlights

where the SABAF Group's sales grew by 5.8% (in a substantially static market).

At the same time, however, after very modest growth right up to the end of the third quarter of 2003 (+2.7% YoY), in the fourth and last quarter of 2003 the SABAF Group experienced considerable sales acceleration (+17.7% YoY), driven both by strong recovery of sales in the Italian market¹ (+27.6%) and robust activity in international markets (+9.6%).

The internal productivity index measures the average basic product units per employee per working day.

R&D investments have grown by some 33% in the last three years. The "Dual" triple-crown burner, presented in May 2003, is the most significant result of the innovative capacity of the company, which received the Intel Design award for the product.

Appreciation of SABAF'S high intangible value is summarised in the market cap./net equity indicator. Technological and market leadership, unique know-how in the sector, capacity for continuous product and process innovation, and – last but certainly not least – the perception of SABAF as a leading company in terms of social responsibility, are the factors that, although they cannot be represented using conventional reporting instruments, help to increase the value set on the company.

Suppliers

(SABAF SpA)

2001	2002	2003
Value of outsourced goods and services (€ '000)		
Processing		
2,280	2,806	3,498
Enamelling		
2,830	2,903	1,985
Assembly		
472	1,217	726

Staff productivity

2001	2002	2003
Internal productivity index		
442	442	478

Investments

(SABAF Group)

Amounts in € '000		
2001	2002	2003
Research & Development		
1,019	1,246	1,359
Other investments in tangible fixed assets		
22,028	20,800	10,771
Net debt/equity ratio		
31%	41%	29%

Intangible value

2001	2002	2003
Market capitalisation / net equity		
2.46	2.62	2.24

¹ The term "Italian market" means SABAF'S relevant market, i.e. producers of finished appliances, but for whom exports account for some 60% of total sales on average.

Financial report

Key operating highlights

Sabaf Group

Operating performance

Amounts in € '000 (SABAF Group)		
2001	2002	2003
87,363	103,223	110,019
90,345	106,066	110,761
39,620	45,516	48,220
24,996	29,558	31,939
16,031	18,962	20,281
14,480	16,648	17,819
14,655	16,674	17,826
9,684	10,270	10,257

Sales revenue
Production value
Value added
EBITDA
EBIT
Profit before tax and non-recurrent items
Pre-tax profit
NET PROFIT

Capital and financial status

Amounts in € '000 (SABAF Group)		
31/12/01	31/12/02	31/12/03
72,667	78,100	76,384
45,088	49,689	49,749
-28,223	-26,668	-25,145
-10,835	-11,366	-11,598
78,697	89,755	89,390
-8,501	-9,835	2,345
-12,953	-16,055	-22,413
57,243	63,865	69,322

Net fixed assets
Current assets
Current liabilities
Reserves for risks & contingencies and employee severance indemnities
NET CAPITAL EMPLOYED
Short-term net financial position
Medium-/long-term net financial position
NET EQUITY

Financial report

Key operating highlights



SABAF S.p.A.

Operating performance

Amounts in € '000	(SABAF S.p.A.)		
	2001	2002	2003
Sales revenue	79,087	94,247	99,468
Production value	82,032	96,854	99,726
Value added	35,922	39,670	41,706
EBITDA	22,722	25,280	27,084
EBIT	14,504	16,574	17,402
Profit before tax and non-recurrent items	13,939	15,888	17,226
Pre-tax profit	13,743	15,899	17,226
NET PROFIT	9,507	10,155	10,195

Capital and financial status

Amounts in € '000	(SABAF S.p.A.)		
	31/12/01	31/12/02	31/12/03
Net fixed assets	53,466	62,720	63,502
Current assets	46,391	42,045	45,284
Current liabilities	-26,356	-23,796	-25,988
Reserves for risks & contingencies and employee severance indemnities	-9,283	-9,633	-9,666
NET CAPITAL EMPLOYED	64,218	71,336	73,132
Short-term net financial position	-8,546	-10,330	1,902
Medium-/long-term net financial position	2	1,010	-7,002
NET EQUITY	55,674	62,016	68,032

Financial report

Value Added

Here we show the tables providing data concerning the statutory SABAF SpA and consolidated group income statements. These have been reclassified in order to show the process via which Value Added is created (with "value added" meaning the difference between gross production value and the consumption of goods and services) and its distribution to those who, for various reasons, have "dealings" with the business – in particular employees, shareholders, the public administration, the community as a whole, and the business itself.

Value Added shown in this way represents SABAF'S ability to create wealth whilst assuring profitable operations and to share it out between the various components of the social context in which it operates.

In 2003 the SABAF Group produced Net Total Value Added of € 41 mn, up by +6% from € 39 mn in 2002.

Value-Added calculation

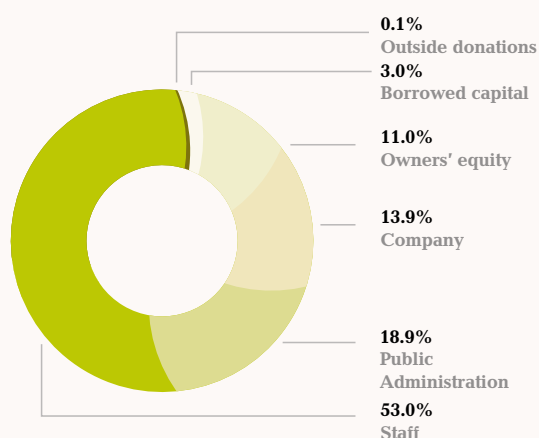
Amounts in € '000			(Statement of consolidated)
2001	2002	2003	
			Production value
87,363	103,254	110,054	1 Revenues from sales and services
-144	-156	-195	Revenue adjustments
87,219	103,098	109,859	
1,706	1,908	-505	2 Change in inventories of work in process and of semi-finished and finished products
692	377	540	4 Other revenues and income
89,617	105,383	109,894	Revenues from core activities
418	317	424	5 Revenues from non-core activities (internal production)
90,035	105,700	110,318	TOTAL PRODUCTION VALUE
			Intermediate production costs
32,407	37,995	39,285	6 Raw materials
1,903	2,674	2,905	Secondary materials and consumables
34,337	40,669	42,190	
13,000	15,159	14,749	7 Services
252	160	80	8 Use of third-party assets
500	0	0	10 Provisions
141	33	51	11 Other operating costs
48,230	56,021	57,070	
41,805	49,679	53,248	GROSS CORE-BUSINESS VALUE-ADDED
			12 Non-core items
521	653	499	Non-core revenues
-441	-860	-762	Non-core costs
-80	-207	-263	
			12 Non-recurrent items
278	102	99	Non-recurrent revenues
-54	-47	-111	Non-recurrent costs
224	55	-12	
42,109	49,527	52,973	TOTAL GROSS VALUE ADDED
1,066	1,240	1,275	Amortisation of intangible fixed assets
7,495	9,468	10,618	Depreciation of tangible fixed assets
33,548	38,819	41,080	TOTAL NET VALUE ADDED

Financial report

Value-Added allocation to stakeholders

Amounts in € '000		(Statement of consolidated)	
	2001	2002	2003
STAFF REMUNERATION			
Outside staff	2,895	3,944	4,911
Company employees: Direct remuneration	11,391	12,067	12,393
Company employees: Indirect remuneration	3,494	4,494	4,475
	14,885	16,561	16,868
	17,780 53.0%	20,505 52.8%	21,779 53.0%
REMUNERATION OF PUBLIC ADMINISTRATION			
Direct taxes	4,971	6,404	7,569
Indirect taxes	170	197	192
	5,141 15.3%	6,601 17.0%	7,761 18.9%
REMUNERATION OF BORROWED CAPITAL			
Charges on bank loans	336	1,234	1,105
Charges on bond loans	0	0	25
Leasing charges	571	158	100
	907 2.7%	1,392 3.6%	1,230 3.0%
REMUNERATION OF OWNERS' EQUITY			
Dividends	3,853 11.5%	4,193 10.8%	4,533 11.0%
REMUNERATION OF THE COMPANY			
Allocations to reserves	5,832 17.4%	6,077 15.7%	5,724 13.9%
OUTSIDE DONATIONS	35 0.1%	51 0.1%	53 0.1%
TOTAL NET VALUE ADDED	33,548 100.0%	38,819 100.0%	41,080 100.0%

Value-Added Allocation to stakeholders



Financial report

Value-Added Sabaf SpA



Statement Value-Added

Amounts in € '000

(calculation for

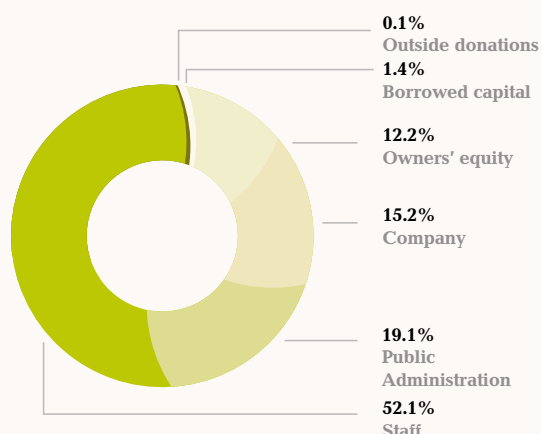
2001	2002	2003	
			Production value
79,132	94,276	99,503	1 Revenues from sales and services
-134	-144	-180	Revenue adjustments
78,998	94,132	99,323	
1,584	1,571	-639	2 Change in inventories of work in process and of semi-finished and finished products
648	374	141	4 Other revenues and income
81,230	96,077	98,825	Revenues from core activities
418	316	412	5 Revenues from non-core activities (internal production)
81,648	96,393	99,273	TOTAL PRODUCTION VALUE
			Intermediate production costs
29,095	34,289	34,720	6 Raw materials
1,828	2,558	2,593	Secondary materials and consumables
30,923	36,847	37,313	
11,442	13,626	13,099	7 Services
920	2,652	2,675	8 Use of third-party assets
500	0	0	10 Provisions
58	31	37	11 Other operating costs
43,843	53,156	53,124	
37,805	43,237	46,113	GROSS CORE-BUSINESS VALUE-ADDED
			12 Non-core items
506	687	1,131	Non-core revenues
-678	-662	-713	Non-core costs
-172	25	408	
			12 Non-recurrent items
249	86	76	Non-recurrent revenues
-450	-47	-109	Non-recurrent costs
-201	39	-33	
37,432	43,301	46,498	TOTAL GROSS VALUE ADDED
419	604	388	Amortisation of intangible fixed assets
6,812	7,710	8,809	Depreciation of tangible fixed assets
30,201	34,987	37,301	TOTAL NET VALUE ADDED

Financial report

Value-Added allocation to stakeholders

Amounts in € '000		(Statement of SABAF S.p.A.)	
	2001	2002	2003
STAFF REMUNERATION			
Outside staff	2,462	3,416	4,237
Company employees: Direct remuneration	10,038	10,917	11,161
Company employees: Indirect remuneration	3,466	4,029	4,028
	13,504	14,946	15,189
	15,966 52.9%	18,362 52.5%	19,426 52.1%
REMUNERATION OF PUBLIC ADMINISTRATION			
Direct taxes	4,236	5,744	7,031
Indirect taxes	134	78	93
	4,370 14.5%	5,822 16.6%	7,124 19.1%
REMUNERATION OF BORROWED CAPITAL			
Charges on bank loans	316	588	480
Charges on bond loans	0	9	30
Leasing charges	7	0	0
	323 1.1%	597 1.7%	510 1.4%
REMUNERATION OF OWNERS' EQUITY			
Dividends	3,853 12.8%	4,193 12.0%	4,533 12.2%
REMUNERATION OF THE COMPANY			
Allocations to reserves	5,654 18.7%	5,962 17.0%	5,662 15.2%
OUTSIDE DONATIONS	35 0.1%	51 0.1%	46 0.1%
TOTAL NET VALUE ADDED	30,201 100.0%	34,987 100.0%	37,301 100.0%

Value-Added Allocation to stakeholders



Analysis of the allocation of SABAF SpA's value added in 2003 shows that:

- > 52.1% was allocated to staff (in the form of wages and salaries, severance indemnity provision, training, canteen and transport services for employees, directors' remuneration, and agent commissions) confirming that a large part of the wealth produced by SABAF is returned to those who actively contribute to the company's development
- > 19.1% was distributed to the State in the form of taxes
- > 15.2% of value added was retained within the business and comprises net profit for the year that was not distributed and that will be used to self-finance the group (it should be noted that the free cash flow generated by depreciation and amortisation in the period has been ignored)
- > 12.2% of value added was allocated to shareholders as dividends
- > 1.4% represented total interest payments to financiers for borrowed capital (bank loans and leasing contracts)
- > 0.1% was allocated to the community in the form of gifts and donations.

The comparison with 2002 shows that the biggest change was the greater portion of Value Added allocated to the Public Administration (up from 16.6% to 19.1%) – reflecting the higher tax burden – at the expense of the portion of Value Added allocated to the company (down from 17% to 15.2%).

07

06

05

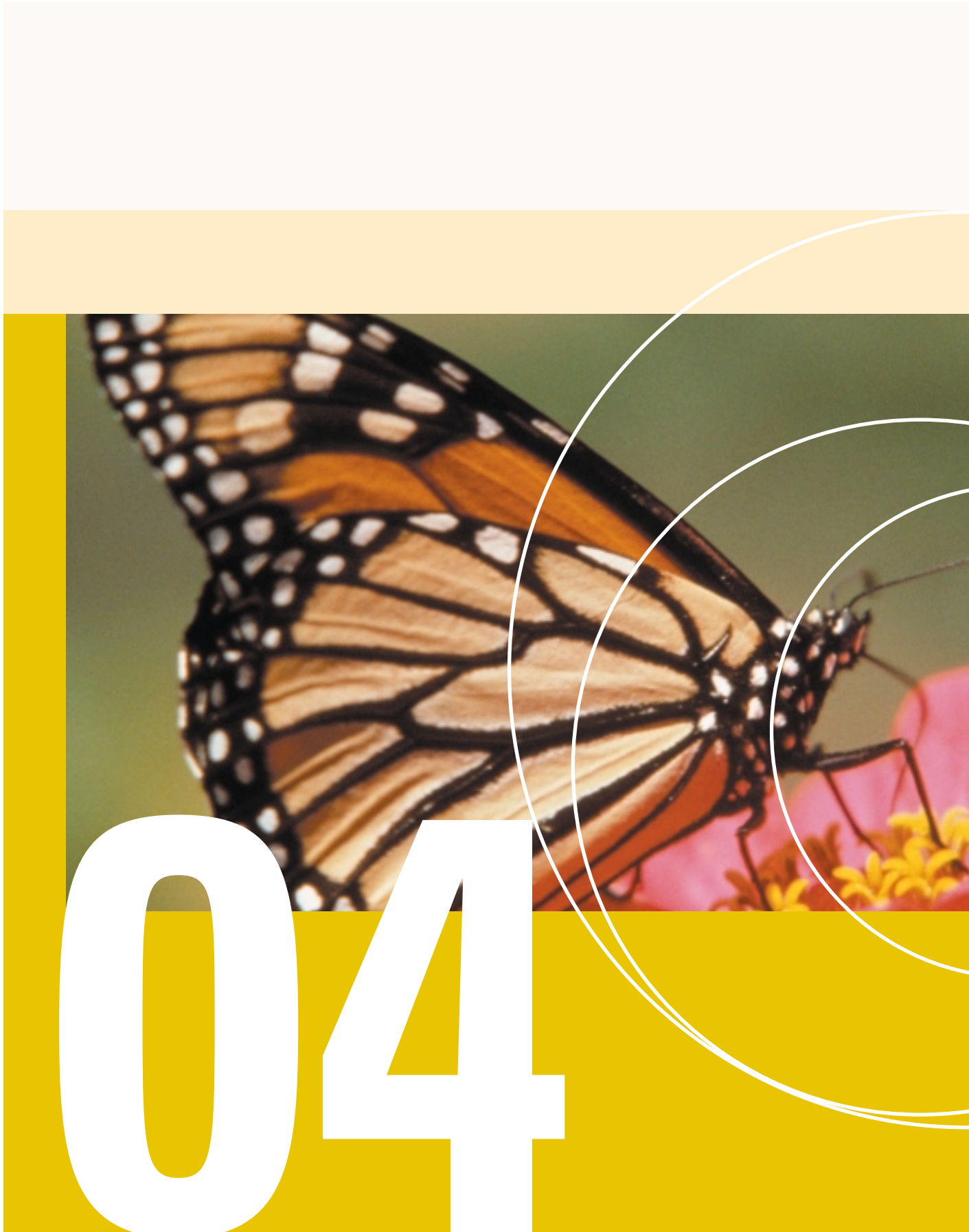
04 Social
performance >

03

02

01

04





— 04 Social
Performance



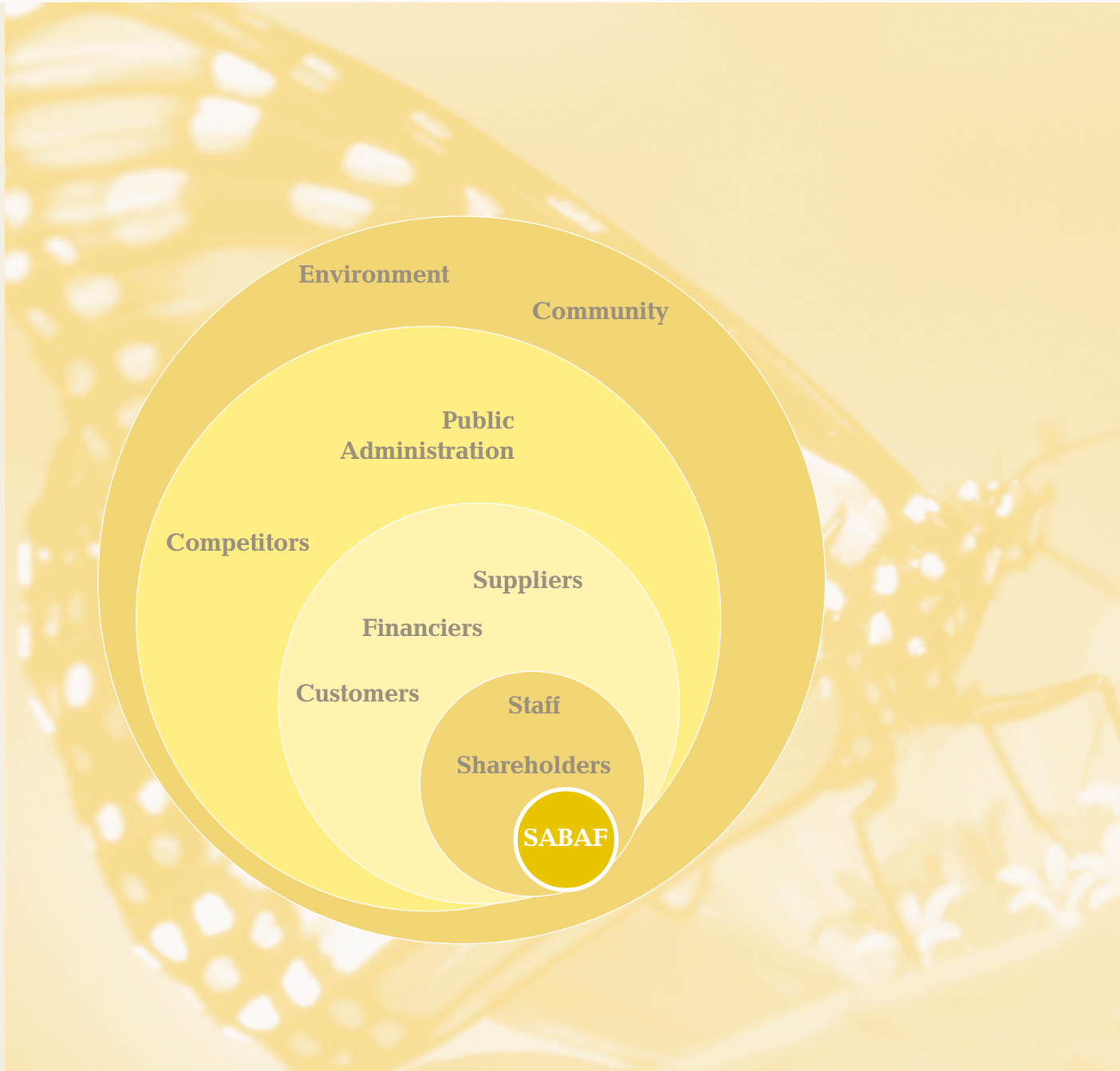
Identification of stakeholders

With the term “*stakeholders*” SABAF identifies all those groups of individuals – consisting of individual persons, organisations and communities – that directly influence the company’s business or that are directly or indirectly affected by it.

In its socially responsible management approach, SABAF interfaces with and involves all its stakeholders,

both internal (staff and shareholders) and external (customers, suppliers, financiers, public administration, competitors, the community, and the environment), making precise commitments to each of them.

In this CSR Report we present the main information concerning SABAF’S relationships or “dealings” with the *stakeholders* highlighted in the following map.



Identification of stakeholders

> **Staff:** members of staff are all those who have a relationship of subordination or collaboration with the company based on a hierarchical relationship. The category also includes agents and those who "represent" SABAF in the outside environment and look after the company's relations with *stakeholders*.

> **Shareholders:** these are the majority shareholders, Italian and non-Italian institutional investors, and private shareholders.

> **Customers:** our customers are domestic appliance manufacturers, ranging from large multinationals to niche SMEs.

> **Suppliers:** these are the suppliers of raw materials, machinery, equipment, goods, and services.

> **Financiers:** these are the banks and other financial institutions that contribute to financial support of the company.

> **Competitors:** these are all companies producing components for domestic gas cooking appliances.

> **Public Administration:** this category consists of central government bodies and agencies, regional governments and local authorities, and public agencies such as local health departments ("ASL"), the state occupational insurance and accident prevention agency ("INAIL"), and the state pension and welfare agency (INPS), etc.

> **Community:** this consists of the local community with which the company has dealings, schools and the academic world, end-users of domestic appliances (consumers) and, more in general, the entire civil society with which the company has or could have dealings.

> **Environment:** this is interpreted as being both the local territorial context in which the company performs its manufacturing activities and as the wider environmental context potentially affected by the company's activities or products.

Sabaf and its staff

Our commitments to staff

> To enhance the value of human capital's contribution of human capital in decision-making processes, fostering continuous learning, professional growth, and the sharing of knowledge.

> To ensure that the employment relationship is based on the parties' equal dignity and on respect for employees' legitimate expectations.

> To promote, in all countries where the company operates, respect for the fundamental human rights of workers by application of the principles established in the SA 8000 standard and as regards child labour, forced labour, on-the-job health and safety, freedom of association and the right to collective bargaining, discrimination, disciplinary practices, working hours, and compensation policies.

> To value and respect diversity, and to reject all forms of discrimination for reasons of gender, sexual orientation, age, nationality, health, political opinions, race and religious beliefs in all phases of the employment relationship.

> To protect individuals' physical, cultural and moral integrity by ensuring a safe and healthy workplace.

> To base employment relationships on merit and skill, exercising authority with fairness.

> To avoid all forms of mobbing to the detriment of workers.

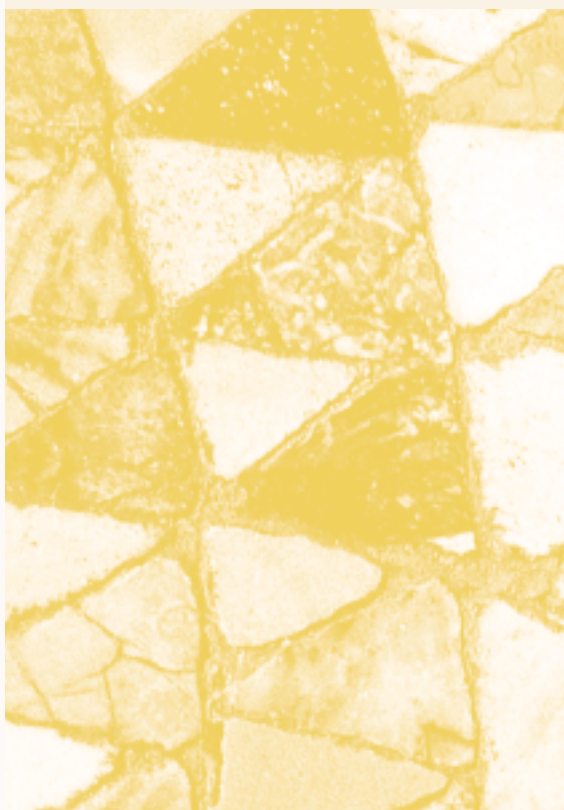
> To promote dialogue supporting decision-making processes, in keeping with employees' skills and responsibilities. To encourage teamwork and the spread of creativity, in order to permit the full expression of individual potential, consistently with business objectives.

> To adopt a two-way communication system that fosters dialogue and encourages employees to express their opinions and/or concerns in an untroubled manner.

> To provide clear and transparent information on the duties to be performed and on the position held, and also about the company's performance and market trends.

> To aid creation of a working atmosphere based on mutual respect and on clear and transparent communication, via a calm and clear exchange of opinions without the use of offensive language.

> To avoid all forms of discrimination and favouritism in hiring of staff. Recruitment shall take place according to how closely candidate profiles match company requirements.



Sabaf and its staff

Staff analysis

74% of the staff on our payroll are less than 40 years old, constituting a lively, energetic and change-oriented group, well able to rise to the challenges launched in the competitive arena

The number of SABAF SpA employees rose from 372 in 1999 to 435 in 2003 (increasing by 17%). Including our subsidiaries Faringosi-Hinges and SABAF do Brasil, SABAF Group employees as at December 31st 2003 totalled 505.

As regards the type of employment contract applied, 376 employees (86.4%) have open-ended (i.e. permanent) contracts, 47 (10.8%) training contracts, and 12 (2.8%) fixed-term contracts. 15 members of staff have part-time contracts.

Employees are joined by temporary workers provided by agencies. SABAF uses this means of labour flexibility, introduced in Italian legislation by Law 196/1997, to replace staff that are absent for sickness, maternity, military service or for leave of absence or to cope with production peaks associated with market demands or execution of particular orders. Thanks to the flexibility provided by temporary workers, once again in 2003 SABAF was able to meet its commitments to customers – in a competitive scenario featuring lack of visibility and markedly discontinuous customer orders (in some periods of the year sales varied by as much as 30% over the previous month).

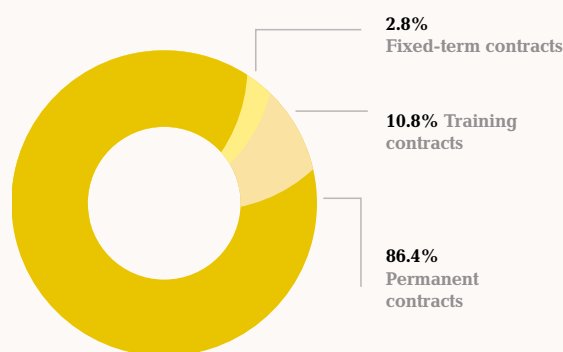
In 2003 SABAF signed an agreement with the company's trade-union representatives whereby the number of temporary workers used in the company can exceed the equivalent of 8% of permanent employees in each 4-month period of the year (the threshold defined by national collective contracts). It was mutually agreed that the benchmark threshold be raised from 8% to 15%. At the same time SABAF undertook to hire 20% of the annual average number of workers used beyond the 8% limit (of which up to 40% with a fixed-term contract and at least 60% with a permanent contract).

Staff turnover

2003			
Headcount as at 31/12/02	New hires	Leavers and retirees	Headcount as at 31/12/03
Managers			
3	1	1	3
White-collars and supervisors			
96	10	5	101
Blue-collars			
328	49	46	331
Total			
427	60	52	435

Staff analysis

as at December 31st 2003



Temporary workers used

in 2003

	Jan	10	20	30	42	50	60	70	80	90	100
Jan	10	20	30	40	50	60	70	80	90	100	
Febr	10	20	30	40	50	60	70	80	90	100	
March	10	20	30	40	55	60	70	80	90	100	
April	10	20	30	40	50	60	70	80	90	100	
May	10	20	30	40	51	60	70	80	90	100	
June	10	20	30	45	60	60	70	80	90	100	
July	10	20	30	40	50	60	76	80	90	100	
Aug	10	20	30	40	50	60	77	80	90	100	
Sept	10	20	30	40	50	60	70	80	90	108	
Oct	10	20	30	40	50	60	70	80	90	108	
Nov	10	20	30	40	50	60	70	80	90	104	
Dec	10	20	30	40	50	60	70	80	90	107	
Annual monthly average					72.7						

Sabaf and its staff

Staff analysis

SABAF employed a monthly average of 72 temps during 2003, with peaks occurring in the last four months of the year. Temporary workers were used on all shifts. In the last 5 years 66 ex-temporary workers have been hired, of which 23 in 2003.

During 2003 SABAF also opened its doors to 20 young interns, university or upper secondary school students.

The internship experience is viewed as an important opportunity, both for the young people involved - who are able to come into direct contact with the world of work and choose their future professional path more knowledgeably - and for the company, which during the internship is able to get to know potential trainees better and decide on their possible hire.

Number of interns at SABAF SpA

Origin	2001	2002	2003	Total
University (Brescia)	1	1	1	3
Technical colleges (Brescia, Lumezzane, Sarezzo)	7	2	2	11
Professional colleges (Brescia, Rovato)	1	0	17	18
TOTAL	9	3	20	32

Staff breakdown by functional area

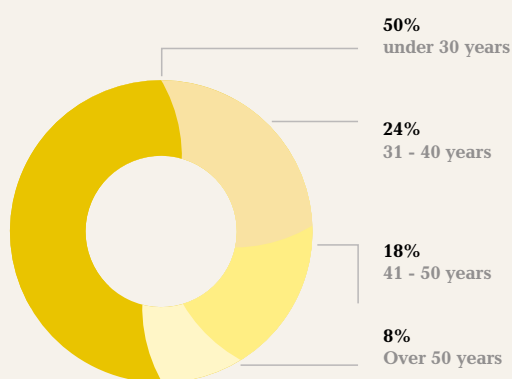
	2001	2002	2003
Production			
M	164	182	195
W	130	134	125
Total	294	316	320
R&D			
M	16	18	17
W	0	0	0
Total	16	18	17
Quality			
M	9	10	14
W	15	22	25
Total	24	32	39
Logistics			
M	27	21	17
W	6	1	1
Total	33	22	18
Sales			
M	5	4	7
W	6	8	8
Total	11	12	15
Services			
M	3	5	4
W	2	4	4
Total	5	9	8
Procurement			
M	2	2	2
W	1	1	1
Total	3	3	3
Administration			
M	6	6	5
W	11	9	10
Total	17	15	15
Total			
M	232	248	261
W	171	248	174
Total	403	427	435

Sabaf and its staff

Staff analysis

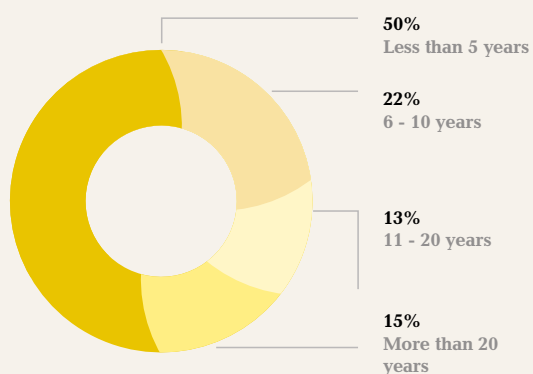
Staff breakdown

by age as at December 31st 2003



Staff breakdown by length of tenure

as at December 31st 2003



Contractual category

	2001	2002	2003
Blu-collars			
Men	160	176	184
Women	145	152	146
White-collars and Supervisor			
Men	69	69	74
Women	25	27	28
Managers			
Men	3	3	3
Women	0	0	0
TOTAL	403	427	435

Reasons for leaving company

Managers	Supervisors	White collars	Blue collars	Total
Personal reasons				
-	-	3	20	23
Family reasons				
-	-	-	1	1
Educational reasons ¹				
-	-	-	6	6
Transfer to Ospitaletto				
-	-	2	11	13
Retirement				
1	-	-	6	7
End of fixed-term contract				
-	-	-	1	1
Dismissal				
-	-	-	1	1
Total				
1	0	5	46	52

¹ Young people hired during in the summer, who in September regularly returned to their upper secondary schooling.

Sabaf and its staff

Hiring policy

Our hiring policy aims to ensure equal opportunities for all candidates without any form of discrimination.

During 2003 the company received more than 1,100 CVs, of which 1,071 were considered to be sound and were logged in the company databank. Some 150 screening interviews were held and 60 candidates were hired.

In addition 200 interviews were held with candidates from the "labour provision company"² used as an exclusive supplier.

The exponential growth in the number of CVs received by SABAF in the last year is also ascribable to SABAF'S reputation and to its attention to sustainability issues. Many candidates, particularly for the higher professional profiles, explicitly express the desire to work for SABAF because it is a socially responsible company.

All new hires received the Charter of Values. The company intends to get new hires not only to sign for receipt of this document, but also for specific acceptance of its contents.

In the last few years new hires, for some departments, have been skewed towards a higher educational level than in the past, given the constant increase in the degree of manufacturing automation.

SABAF'S percentages, in terms of educational qualifications, are in line with the average for the main metalworking and engineering companies in the province of Brescia (Source: 2001 figures – elaboration by the Research Dept. of the FIOM [federation of workers in the metalworking and engineering industry]).

Staff breakdown by educational qualification³

as at December 31st 2003

Men	Women	Total	Benchmark ⁴
University degree			
15	1	16 - 3.7%	3.0%
Higher secondary school diploma			
103	51	154 - 35.4%	31.2%
Lower secondary school diploma			
134	108	242 - 55.6%	58.4%
Primary school			
9	14	23 - 5.3%	6.4%
Other			
0	0	0	1.0%
Total			
261	174	435 - 100.0%	100.0%

Staff breakdown by zone of residence

2001	2002	2003
Lumezzane		
192 - 47.6%	177 - 41.5%	154 - 35.4%
Upper and Middle Val Trompia, Val Sabbia		
44 - 10.9%	35 - 8.2%	36 - 8.3%
Lower Val Trompia and Brescia		
66 - 16.4%	63 - 14.8%	59 - 13.6%
Ospitaletto, Franciacorta and neighbouring zones		
97 - 24.1%	150 - 35.1%	183 - 42.1%
Other zones		
4 - 1.0%	2 - 0.5%	3 - 0.7%
TOTAL		
403 - 100.0%	427 - 100.0%	435 - 100.0%

Sabaf and its staff

Hiring policy

Despite the company's initiatives to mitigate the inconvenience suffered by staff coming from the historical company location, staff living in Lumezzane further decreased in 2003, whilst there was a considerable increase in staff coming from zones in the vicinity of the new Ospitaletto location⁵.

Our recruitment policies have also given preference to the hire of staff living in the vicinity of the workplace.

SABAF employees as at 31/12/2003 included 21 non-Italians.

Non-eu workers

2001	2002	2003
No.		
4	4	21
% of total workers		
1.0%	0.9%	4.8%

² Ex "temporary labour agency", as per the definition given in Italian Legislative Decree no. 276 of September 10th 2003 concerning new types of employment contracts.

³ Some figures have been updated vs. 2002.

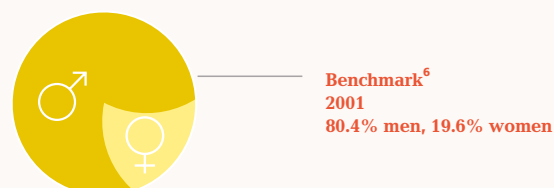
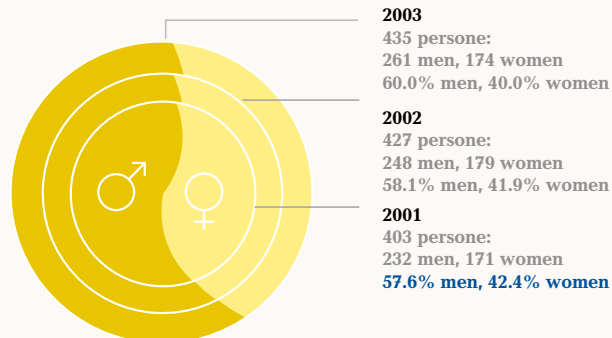
⁴ Research Dept. of FIOM Brescia, Average data of six important Brescia-based metalworking and engineering companies, elaboration of 2001 figures.

⁵ The figure also includes employees, originally from Lumezzane, who have transferred to Ospitaletto or moved into the apartments made available by SABAF.

Sabaf and its staff

Equal opportunities

SABAF is permanently committed to assuring equal opportunities for women staff, who today account for about 40% of the workforce.



The company – compatibly with organisational and production requirements – is sensitive to its staff's family needs. Thus far, all workers' requests for a reduction in working hours have been met. In 2003 SABAF granted a total of 15 part-time contracts (to 1 female white-collar, 12 female blue-collars, and 2 male blue-collars) and 9 periods of unpaid leave of absence (to 1 female white-collar, 6 female blue-collars, and 2 male blue-collars).

In order to aid the professional development of women in the company, in the early months of 2004 SABAF organised a mechanical drawing course specifically for women staff in the production department.

The course, which involved 14 female members of staff for a total of 8 hours per person, was designed to provide participations with the input needed to:

- > Acquire a basic grounding in mechanical drawing, in order to be able to manage the operating process entrusted to them on an autonomous basis
- > Enable them to use the measurement instruments for controlling the quality of the pieces they produce.

Comparison of SABAF'S percent breakdown of employment by gender with the average for Italian metalworking and engineering companies shows that, in its sector, SABAF stands out for the high presence of women staff.

14 disabled people work in SABAF, of which 3 on a part-time basis.

For SABAF annual hiring of people with disabilities is not merely a question of legal compliance, but all the desire to aid their entry of and integration in normal manufacturing processes.

Breakdown of employment by Gender vs. Benchmark

	SABAF 2003				BENCHMARK ⁷	
Contractual categories & grades	Males		Females		Males	Females
Blue-collars	184	55.8 %	146	44.2 %	82.3 %	17.7 %
II	12	36.4 %	21	63.6 %	68.6 %	31.4 %
III	84	45.9 %	99	54.1 %	71.9 %	28.1 %
IV	53	67.9 %	25	32.1 %	88.4 %	11.6 %
V	35	97.2 %	1	2.8 %	97.6 %	2.4 %
White-collars & supervisors	74	72.5 %	28	27.5 %	76.4 %	23.6 %
II	0	0 %	2	100.0 %	38.4 %	61.6 %
III	4	36.4 %	7	63.6 %	46.2 %	53.8 %
IV	12	52.2 %	11	47.8 %	56.8 %	43.2 %
V	18	75.0 %	6	25.0 %	63.5 %	36.5 %
VI	21	95.5 %	1	4.5 %	81.5 %	18.5 %
VII	12	100.0 %	0	0.0 %	86.2 %	13.8 %
VIII	7	87.5 %	1	12.5 %	90.9 %	9.1 %

⁶ FEDERMECCANICA (Italian federation of metalworking companies), *Metalmeccanica in cifre 2003 – Distribuzione dell'occupazione per sesso (2001)* [Breakdown of employment by gender – 2001], www.fedemeccanica.it.

⁷ Same.

Sabaf and its staff

Working hours

Working hours

The maximum working week is set as being 40 hours, spread over 5 working days, from Monday to Friday. If there are changes in working hours or activation of shifts at particular times, the company takes care to inform company trade union representative and the employees involved with the utmost timeliness.

Disciplinary Measures

Disciplinary measures are taken according to the cases envisaged by Article 24 of the national collective labour agreement for the mechanical engineering industry. During 2003 45 cases of contestation (concerning 29 employees) concerning the following types of non-performance:

- Irregularities and inattention
- Non-observance of working hours
- Non-observance of medical sickness regulations
- Unjustified absence of more than 1 day and less than 4
- Unjustified absence of more than 4 days
- Arbitrary absence of more than 4 days.

In these specific cases the company took the following measures: verbal reprimand (6 cases), written reprimand (10 cases), 1-hour fine (20 cases), 2-hour suspension (1 case), 4-hour suspension (4 cases), and a 1-day suspension (3 cases). In one case it was decided to dismiss the employee.

Sabaf's working day is structured in 3 shifts

	1°	2°	3°
Shift	6 am - 2 pm	2 - 10 pm	10 pm - 6 pm
Of which meal/coffee break of 30 minutes			
Normal	8 am - 5 pm		
1h. at employee's request, also 30 minutes			
Part-time	8 - 12 am	8,30 am - 2 pm	2 - 6 pm

Overtime working

	White-collars	Blue-collars
No. of workers	107	360
Total hours	13,720.7	27,225.5
Weekly average	2.5	1.4
No. hours per head	128	76
Benchmark ⁸	79	73

⁸ FEDERMECCANICA, *Metalmeccanica in cifre - Ore pro-capite di lavoro straordinario 2001*, www.fedemeccanica.it.

Hours of absence

	2001	2002	2003
Annual total hours of absence			
	63,382	58,592	66,338
Total hours workable			
	773,160	809,528	855,031
Hours of absence as % of hours workable			
	8.2%	7.2%	7.8%
Average per-head hours of absence			
	165.9	142.6	158.3

Sabaf and its staff

Training

In 2003 236 employees participated in training activities, receiving 7,557 hours of training – to which the 3,070 hours dedicated by internal trainers must be added.

The main training programmes undertaken in 2003 concerned:

> An innovative distance-learning project organised by API Lombardia (the Lombardy branch of the Italian confederation of SMEs) and involving 20 white-collar employees. The courses – followed individually by employees from their PCs (connected via Internet) – concerned office automation, IT security, and in-depth coverage of Italian Law 626 (concerning the workplace environment and occupational health and safety). The application platform, made available by API Lombardia, allowed users to log in during working hours from 8 am to 7 pm. The hours of access, progress status and comprehension of the course – which also envisaged a remote tutor, contactable via e-mail – were recorded for each participant. At the end of the programme each participant received a CD-rom containing the topics addressed.

Generally speaking, participants commented positively on the initiative and proposed improvements for the next distance-learning course such as, for example, the possibility of accessing the course on any day and at any time.

> A course for 23 trainees (i.e. employees hired with training contracts). The course, organised by the API in association with ELFEA (the Lombardy region's training and environment agency) lasted 12 hours for each participant and, besides the contents of the employment contract, addressed the themes of workplace safety and of accident-prevention rules.

> Internal *on-the-job* training for trainee hires concerning: product knowledge, reading of technical drawings, management of software programmes, tooling of machinery, on-the-job safety, product

In SABAF the professional growth of employees is underpinned by a permanent training process. The Human Resources Department, having consulted with the functional managers concerned, devises a projected annual plan of staff's training needs, based on which specific courses are scheduled to be held during the year.

Training hours by contractual category*

	2001	2002	2003
Blue-collars			
n°	81	297	154
Hours	2,535	8,269	5,993
White-collars & supervisors			
n°	79	94	79
Hours	3,513	4,979	4,582
Managers			
n°	3	3	3
Hours	48	26	52
TOTAL			
n°	163	394	236
Hours	6,096	13,274	10,627

*Including the 3,070 hours dedicated by internal trainers

Sabaf and its staff Training

quality, measurement devices, trigonometry, and technology.

> Training in products' technical features. The course, which involved non-technical staff (administrative and commercial white-collars) had the aim of providing basic notions of SABAF and Faringosi-Hinges products and other technical information useful for knowledgeable performance of employees' jobs.

> An English language course for 14 employees

> Training of employees of the labour provision company before their entry into SABAF.

In 2003 the total cost borne for employee training amounted to some € 146,353 (€ 195,000 in 2002).

Training hours by type

	2001	2002	2003
Administration and organisation	943	183	529
English language			412
Other languages	164	109	129
Safety & environment (classroom)	560	146	150
Safety & environment (on the job)			412
Technical drawing and industrial maintenance	2,115	1,168	323
Quality	494	20	51
Information technology	126	124	52
Research & development	154	77	51
ELFEA* course for trainee hires		220	288
Internal training for trainee hires		4,807	4,922
Social responsibility		429	24
Product knowledge			147
Other	59	87	67
	4,614	7,368	7,557
Training hours provided by internal trainers	1,482	5,907	3,070
TOTAL TRAINING HOURS	6,096	13,275	10,627

Sabaf and its staff

Internal communication

Based on a “cascade” training process, production heads and department/shift supervisors are asked to transfer socially responsible types of behaviour to their sphere of operations, with the ultimate objective of involving all employees.

Internal communication plan

In 2001 SABAF started to develop its Internal Communication Plan, a two-way communication process (top-down and bottom-up) seeking to foster the spread of information and analysis of staff needs.

The “Taking Values to Heart” project

Once again in 2003 SABAF decided to invest in improvement of interpersonal relations within the company. A staff focus group had in fact revealed that difficulties of communication between factory workers and department and shift supervisors existed, which inevitably affected the work climate.

The company thus launched the training/action project “Taking Values to Heart”, separately targeting production heads and department/shift supervisors.

The main objectives of this training project are to:

> Share with participants some thought-starters and reflections on the skills, know-how, and capabilities asked of them, also due to the fact that they work in a company oriented towards social responsibility and enhancement of the value of human capital

> Share with them the primary factors of SABAF’S social responsibility approach, in order to assure constantly consistent application of the Charter of Values and make ethical behaviour a cornerstone of company operations

> Provide participants with some methodological tools to aid dialogue in management of work teams

> Supply guidance useful for addressing ethical dilemmas.

With the main aim of reducing the “distance” between employees and employer and of developing an ongoing dialogue between all company levels, since July 2003 SABAF has been publishing a quarterly magazine featuring the main information concerning corporate life.

The magazine is distributed in the company and is intended to be a dynamic and not a one-way medium. It is in fact possible for anyone to send his/her contribution via e-mail to the editorial co-ordinator (at the address cymru@tin.it) or by delivering it directly to the reception desk of the factory (Via dei Carpini 1, Ospitaletto (BS), Italy).

The most important topics addressed by the magazine in 2003 were: ethics in the company; the importance of innovation, quality, and flexibility as sources of competitive advantage; the economic situation; and the advantages of gas as opposed to electrical cooking.

Once again with the aim of improving the circulation of information, notice boards have been set up in various points of the factory. These are used to display periodical communications concerning organisational and trade-union matters and news concerning company performance – but also information on initiatives organised by outside entities (museums, town councils, institutes, and private companies) and on the company’s conventions with retailers, etc.

A corporate portal (intranet network) is currently being created to support company operations and information activities.

Sabaf and its staff

Remuneration and incentive systems

SABAF employees are hired according to the regulations of the national collective labour contract for the mechanical engineering industry, supplemented by local agreements, which includes:

- > An extra allowance over minimum pay by employee grade
- > A productivity bonus by employee grade
- > A fixed performance-related bonus for all employee grades
- > A variable performance-related bonus, the same for all employee grades.

The incentive scheme is the means via which the company promotes, builds the loyalty of, and rewards staff in order to retain them on a stable basis, enhancing the sense of belonging, and also so as to attract the best resources from the market. These objectives have to be supported by principles of external and internal fairness, with the former assuring alignment of pay with the labour market, whilst the latter is achievable via periodical job and remuneration analysis.

Besides economic incentives – i.e. assignment of shares to employees (bonus allocations and stock-option plans), ad-personam merit increases, guarantees issued by the company for employees in the case of mortgages and personal loans, concession of rented apartments at cost price, and company conventions for access to goods and services at special low prices – SABAF'S incentive system also includes:

- > The free transport service from Lumezzane to Ospitaletto (with an average of 150 users in 2002 and 140 in 2003)
- > Participation in training activities
- > Flexible working hours
- > Concession of part-time working and of periods of unpaid leave of absence.

As a result of local collective bargaining, in 1996 a variable annual performance bonus was introduced, linked to **productivity and quality parameters**.

The entity of this bonus has risen from € 116 in 1996 to € 829 in 2003.

Payroll costs

Payroll costs					
Amounts in € '000					
2001		2002		2003	
Wages and salaries					
9,370	71.0%	10,185	72.1%	10,405	71.2%
Social security charges					
3,157	23.9%	3,207	22.7%	3,457	23.6%
Severance indemnities					
669	5.1%	738	5.2%	756	5.2%
Other costs					
4	0.03%	4	0.03%	4	0.03%
TOTAL					
13,200	100.0%	14,134	100.0%	14,622	100.0%

Sabaf and its staff

Employee health and safety

The company is totally committed to safeguarding its employees' health and safety. In production we use only materials fully meeting the requirements of the 2000/53/EC Directive concerning restriction of harmful metals present in finished products, such as lead, mercury, cadmium, and chromium 6.

SABAF considers protection of its employees' health and safety to be of fundamental importance. There is a constant exchange of notes between the company's Prevention & Protection Officer and workers' Safety Officers, designed to solve any type of problem arising.

We are in the process of completing implementation of a system for managing occupational health and safety issues in line with the OHSAS 18001 *standard*. Besides assuring compliance with current laws and regulations (headed by Italian Legislative Decree 626/1994), the system is also intended to achieve ongoing improvement in working conditions.

Number and duration of accidents

2001	2002	2003
On-site accidents		
16	16	14
Off-site accidents in transit		
1	6	1
Average absence for on-site accidents (days)		
9	16	15
Average absence for off-site accidents (days)		
22	60	18
Total hours of absence for accidents		
952	4,624	4,254
Accident hours as % of workable hours		
0.1%	0.6%	0.5%
Benchmark ⁹		
0.5%		

⁹Our elaboration of Federmecanica data: *Metalmeccanica in cifre 2003 - Ore pro-capite di assenza dal lavoro (2001)* [Mechanical engineering in figures, 2003 - Per-head hours of absence from work, 2001], www.federmecanica.it.

Frequency Index

Number of accidents ¹⁰ per 1,000,000 hours worked					
2001	0.0	27.1	40.0	60.0	80.0
2002	0.0	32.3	40.0	60.0	80.0
2003	0.0	22.6	40.0	60.0	80.0

¹⁰Including off-site accidents in transit

Relative accident frequency

'000 accidents/No. of workers				
	Italy	Lombardy region	Brescia	Sabaf
1999/01 ¹¹	73.1	65.4	66.7	45.5
2002	-	-	-	53.5
2003	-	-	-	35.8

¹¹3-year Average INAIL, [State occupational insurance agency] *Frequenze relative d'infortunio per codice di tariffa Inail (metalmeccanica), provincia, regione e tipo di conseguenza*, <http://bancadati.inail.it/prevenzionale/Rischio.htm>

Sabaf and its staff

Employee health and safety

Company top management is therefore committed to achieving the following objectives, i.e. to:

- a. Minimize the risks associated with company activities for workers and all those who have access to the company, in a process aiming for ongoing improvements
- b. Provide the information and knowledge needed to set aside adequate resources for maintaining and improving the system
- c. Involve all employees in a campaign to raise awareness of workplace safety
- d. Ensure understanding, application and maintenance of the system at all levels of the organization
- e. Ensure that employees throughout the organization receive adequate training and have the skills needed to carry out the tasks assigned to them.

The annual rate of absence for illness is 3.4% while the rate for maternity leave is 2.1% (this high latter figure vs. the sector benchmark is aligned with the high percentage of female staff present in SABAF – about 40%).

There were no significant changes in total hours of absence.

Gravity Index

	Days of absence ¹² per 1,000 hours worked				
2001	0.2	20.0	40.0	60.0	80.0
2002	0.5	20.0	40.0	60.0	80.0
2003	0.4	20.0	40.0	60.0	80.0

¹² Including off-site accidents in transit

Relative accident gravity

	Days lost per accident/No. of workers			
	Italy	Lombardy region	Brescia	Sabaf
1999/01 ¹³	6.0	5.4	5.2	0.4
2002	-	-	-	0.8
2003	-	-	-	0.6

¹³ 3-year Average INAIL, *Rapporti di gravità d'infortunio per codice di tariffa Inail (metallmeccanica), provincia, regione e tipo di conseguenza*, <http://bancadati.inail.it/prevenzionale/Rischio.htm>

Absence for illness

	2001	2002	2003
Total annual hours of absence for illness	23,615	28,473	29,036
Total hours workable	773,160	809,528	855,031
Sick leave hours as % of workable hours	3.1 %	3.5 %	3.4 %
Benchmark ¹⁴	3.5 %		

¹⁴ Our elaboration of Federmeccanica data, *Metalmeccanica in cifre 2003 - Ore pro-capite di assenza dal lavoro (2001)*, www.federmeccanica.it

Absence for maternity leave

	2001	2002	2003
Total hours of maternity leave	21,936	13,834	18,388
Total workable hours	773,160	809,528	855,031
Maternity leave hours as % of workable hours	2.8 %	1.7 %	2.2 %
Benchmark ¹⁵	0.8 %		

¹⁵ Our elaboration of Federmeccanica data, *Metalmeccanica in cifre 2003 - Ore pro-capite di assenza dal lavoro (2001)*, www.federmeccanica.it

Sabaf and its staff

Employee health and safety

In accordance with current law, SABAF has prepared and implemented a health-monitoring programme for its employees, with medical check-ups focusing on the specific hazards associated with their occupational activities.

The favourable outcome of environmental surveys conducted in all production departments – which revealed negligible levels of contaminants or levels well below thresholds – along with the outcome of medical check-ups on employees, has enabled SABAF to obtain authorisation from the local health authorities to halve the frequency of check-ups for employees covered by the controls required under Italian Presidential Decree 303/1956.

Below we summarise the medical services provided by the company in the last 3 years:

Workplace environment

In addition to its heavy commitment to worker safety, SABAF also seeks to ensure satisfactory workplace conditions for its entire staff.

Major investments were made in 2003 (see Chapter 05, section on “Environmental Investments”) to improve the workplace environment. Specifically, work was done to improve the accessibility and privacy of washroom and toilet facilities, enhance the lighting of certain departments, minimise the entry of cold draughts of air during the winter (by creating sections in some apertures) and to cool air in production departments in summer months via installation of specific air cooling devices.

Health monitoring programme

	2001	2002	2003
Pre-hire medical check-ups	44	47	22
Periodical medical check-ups	282	343	322
Hearing tests	203	175	172
Respiratory tests	224	258	203
Blood tests	15	18	15
X-rays	70	72	22
Electrocardiograms	76	47	29
Medical examinations by consultants	2	6	3
Blood tests for those at risk	10	12	26
Functional sight tests	8	48	-

Sabaf and its staff

Labour relations

Three trade unions are represented internally at SABAF: FIOM, FIM and UILM. As at December 2003, 128 employees were card-carrying members, i.e. 28% of total employees.

The company's relationships with union representatives are stable, featuring a mutual desire to solve problems in an objective and open manner. During the year there were some 20 meetings with internal trade-union representatives. The main issues addressed were: the company calendar, the canteen service, collective employee transports, agreements to make up for collective late arrivals at work, definition of monthly payments on account and of the variable performance bonus, hiring of temporary workers, introduction of the 3rd shift, and workplace conditions. A particularly significant agreement was the one reached with internal union representatives concerning use of temporary workers. This agreement in fact allowed the company to exceed the temporary-worker threshold equivalent of 8% of permanent employees in each 4-month period of the year, taking it up to 15%. In exchange, local union representatives received an undertaking from SABAF to hire a given percentage of the temporary-labour company's personnel, with both fixed-term and permanent contracts).

The hours of participation in trade-union activities occurring during 2003 were equivalent to 1.7% of total theoretical workable hours. For the most part they related to the dispute concerning renewal of the national collective labour contract for the metalworking and mechanical engineering industry as a whole. No strikes were called for problems relating specifically to the company.

Participation in trade-union activities

	2001	2002	2003
Union meetings			
Hours	2,039	1,998	2,355
Per-head hours	5.3	4.9	5.6
% of working hours	0.3	0.2	0.3
Union LoA			
Hours	660	857	726
Per-head hours	1.7	2.1	1.7
% of working hours	0.8	0.1	0.1
Strikes			
Hours	5,200	8,803	11,577
Per-head hours	13.6	21.4	27.6
% of working hours	0.7	1.1	1.4
TOTAL			
Hours	7,899	11,658	14,658
Per-head hours	20.7	28.4	35.0
% of working hours	1.8	1.4	1.7
BENCHMARK Strike Hours ¹⁶			
Per-head hours	7.4	-	-
% of working hours	0.4	-	-

¹⁶ Our elaboration of Federmeccanica data, *Metalmeccanica in cifre 2003 - Ore pro-capite di assenza dal lavoro (2001)*, www.federmeccanica.it

Sabaf and its staff

Labour relations

Strike hours in 2003

	No. of hours	Reasons
January	0	-
February	8	Amendments to Article 18 of Workers' Statute
March	2.5	Amendments to Article 18 of Workers' Statute; war in Iraq.
April	0	-
May	16	Renewal of national collective labour contract for mechanical engineering industry.
June	4	Same (under aegis of FIOM) ¹⁷ .
July	14	Same (under aegis of FIOM); demand for greater occupational safety in Brescia-based companies
August	0	-
September	8	Same (under aegis of FIOM); demand for greater occupational safety in Brescia-based companies
October	4	Reform of pension and welfare system
November	8	Reform of pension and welfare system
December	8	Renewal of national collective labour contract (under aegis of FIOM)
TOTAL	72.5	

¹⁷ In May 2003 the other two union organisations – FIM and UILM – signed renewal of the national collective labour contract for the metalworking and mechanical engineering industry. FIOM instead rejected the terms of the contract and continued the protest.

Sabaf and its staff

Social activities and benefits

- SABAF has signed conventions with two banks for the granting of mortgage loans and consumer credit facilities at particularly good terms, providing surety. As at 31/12/2003 12 mortgage loans and 10 consumer loans had been issued.
- During 2003, following achievement of the objectives set by incentive schemes, assignment of bonus shares to employees was completed
- As at 31/12/2003 19 apartments close to the Ospitaletto location had been rented to SABAF employees. In 2002 the company spent a total of € 1,615,575 to acquire 12 apartments, 2 of which were sold to employees in 2003. In the early months of 2004 the company purchased 9 apartments, previously held on a rented basis, at a cost of € 813,000.
- Free transport service from Lumezzane to Ospitaletto, at times linked to individual shifts, and used by an average of 137 people. The cost borne by SABAF in 2003 to maintain this service was € 191,000.
- Company canteen service, with a total cost for SABAF in 2003 of € 303,000.

Company canteen service

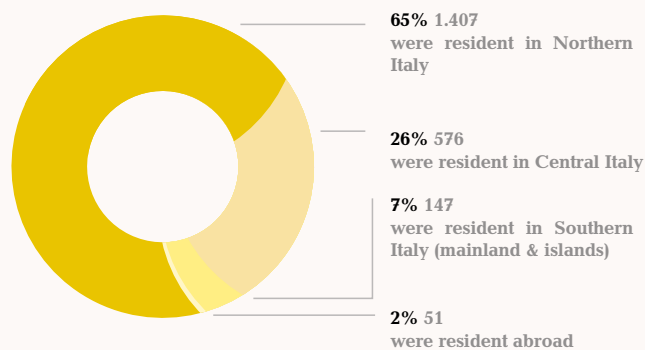
	2003
Total meals served	73,343
Cost of meal for employee	0.44 euro
Average per-meal cost for company	3.38 euro

- Various conventions with retail and commercial businesses for the purchase of products and services at special low prices.

There are no legal disputes with staff.



Sabaf and its shareholders



Commitments to shareholders

> To enhance the value of shareholders' investments by ensuring the company's sustainable growth over time.

> To announce strategies and policies in a timely, clear and transparent manner, and to ensure equality of disclosure, particularly between majority and minority shareholders.

> To guarantee integrity in running the business.

> To comply with Italy's Self-Governance Code (Codice di Autodisciplina) for Listed Companies.

> To adopt best *corporate governance* practices in order to maximize the company's value and reduce business risks.

> To give fair consideration to shareholders' different interests in the company.

> To encourage dialogue between the shareholders and the Board of Directors.

> To ensure correctness, transparency and the company's best interests in conducting transactions with related parties.

> To ensure the utmost transparency in relations with the independent auditors and with the surveillance authorities.

> To adopt appropriate procedures for the handling of confidential data, particularly *price sensitive* information. *Price-sensitive* information is all information about important events or circumstances that is not in the public domain and that may, if disclosed, have a substantial influence on the price of SABAF shares in the stock market.

Right from the time of its market listing (1998), the company has considered financial communication to be strategically important. Our Investor Relations function actively endeavours to aid a serious and transparent dialogue with private shareholders and institutional investors to assure through and continuous study by financial analysts.

Shareholder structure

As at April 30th 2004, SABAF'S leading shareholders were:

Giuseppe Saleri SpA	53.70%
Nazionale Fiduciaria SpA	3.97%
Lehman Brothers International Europe UK	3.52%
Cassa Nazionale Previdenza e Assistenza	
Ragionieri e Periti Commerciali	3.17%
Nextra Investment <i>Management</i> SGR	2.01%

As at April 30th 2004, 2,181 shareholders were listed in the shareholders' register. Of these:

- 1,893 owned up to 1,000 shares
- 198 owned from 1,001 to 5,000 shares
- 90 owned over 5,000 shares

Investor communication

SABAF'S financial communications policy is based on the principles of integrity, transparency and continuity, in the belief that this approach allows investors to assess the company properly.

To this end, every year SABAF provides the market with guidance on its forecasts for the current year. It periodically confirms these forecasts when it publishes its quarterly results or updates them promptly in the event of any changes in projections. In addition, in order to provide a complete and exhaustive picture of its situation, SABAF presents its strategies and plans not only in the Social Responsibility Report but also in its annual reports and presentations to analysts and investors during the course of the year.

Sabaf and its shareholders

The *brokers* who prepare studies and equity research documents concerning SABAF on a continuous basis are currently: Abaxbank, Banca Akros, Centrosim, Citigroup, ING, Kepler, and Rasbank.

In 2003 SABAF *management* had some 100 meetings with analysts and *fund managers* in various European financial centres, i.e. Milan, London (on five occasions), Paris, and Lyons. The company also took part, in Milan and London, in the presentation of annual and interim results of companies listed in the STAR (quality small/mid cap segment).

In March 2004, for the very first time SABAF undertook a *road show* in the USA. US small-caps investors showed great interest in SABAF'S entrepreneurial and business model, the quality of its results, and its past and projected growth rates.

Sustainable growth in the core business

SABAF'S strategies focus on sustainable growth in its elective sector in order to create medium- and long-term value, while also benefiting from its technological and market *leadership*. The company's development plans do not contemplate growth by diversification of its core *business* into sectors where it is not possible to exploit major synergies or apply the company's particular expertise.

SABAF'S operations are geared to creating medium/long-term value and in fact the returns on investments made in the past five years will mainly come through in the next few years. Consistently with this, the variable component of *management's* remuneration is linked to a *stock option* plan – decided upon in 2003 – linked to operating *performance* (EBITDA and EBIT performance) and share price trends in 2005.

Requisites for admission to the STAR segment of the Italian Bourse

SIZE

- > Ordinary capitalisation of less than € 800 mn.

LIQUIDITY

- > Ordinary floating capital of at least 35% for newly listed companies and of at least 20% for companies already listed.
- > Appointment of a specialist who undertakes to support the stock's liquidity.

TRANSPARENCY

- > Publication of quarterly results within 45 days after quarter end.
- > Electronic transmission of financial statements to the Italian
- > Stock Exchange (Borsa Italiana SpA) as per standard templates
- > Disclosure of all company information on a company web site.
- > Publication of company information in English and Italian
- > Appointment of an investor relator
- > Commitment of the specialist to ensuring adequate visibility for the company
- > Positive opinion of independent auditors
- > Absence of breaches of information obligations.

CORPORATE GOVERNANCE

- > The Board of Directors must include non-executive, independent directors (at least 2 up to an 8-member BoD, at least 3 for 9-14 members, and at least 4 for BoDs with more than 14 members)
- > An internal control & audit committee must be appointed
- > Incentive schemes for top management must be introduced, linked to achievement of objectives and/or the company's financial results.

GROUP STRUCTURE

- > Balance-sheet assets and operating revenues must not be accounted for mainly by investment or by the results of investment in a listed company.

Sabaf and its shareholders



Code of conduct for internal dealing

In December 2002 the Board of Directors of SABAF SpA approved the code of conduct for internal dealing.

The code of conduct, which came into force on January 1st 2003, requires that SABAF informs the market of financial transactions carried out by people defined as "Important Persons"¹⁸ within the SABAF Group every quarter for transactions amounting to at least € 25,000, also on a cumulative basis, and informs the market immediately for transactions amounting to over € 100,000. Such notifications also refer to the exercise of stock options and option rights.

The code prohibits execution of any transaction by such persons on the days between the date of summoning of meetings of the Boards of Directors of SABAF SpA or its principal subsidiaries to approve actual business and financial results or forecasts and the date when these meetings are actually held. The Board of Directors also has the power to apply additional prohibitions or limitations in given periods.

During 2003 the company received 4 notifications from important persons of internal dealing transactions requiring periodical disclosure and 10 notifications of transactions requiring immediate disclosure. These notifications were disclosed to the public as per the procedure envisaged by the Italian Stock Exchange Regulation.

Transactions with related parties

Transactions with related parties are the sole prerogative of the Board of Directors, with no limits on amount. An internal procedure is in place that establishes the methods for ongoing updating of the list of related parties and controlling the transactions undertaken. Except for dealings with subsidiary and associated companies, which are disclosed in the report on operations accompanying the annual

statutory financial statements, there were no dealings with related parties during 2003.

Handling of confidential information

In May 2001 the Board of Directors approved an internal procedure for the handling of confidential information. This procedure identifies the Chief Executive Officer as the person responsible for the management of confidential information and for the publication of *price-sensitive* news.

Shareholder remuneration and stock performance

SABAF'S dividend policy seeks to ensure sound remuneration for shareholders in the form of the annual dividend and – compatibly with results achieved and with investment plans – via ongoing growth. The dividend paid on May 21st 2004 was € 0.40 per share, compared with € 0.37 in 2002, € 0.34 in 2001, and € 0.31 in 2000. This means that the 2003 dividend generated a yield of 2.81% relative to the stock's average price that year (€ 14.21). During 2003 SABAF stock hit a maximum official price of € 14.998 on January 2nd and a minimum official price of € 13.632 on March 11th. On December 30th 2003 the stock's official price was € 13.697. The average trading volume was around 10,583 shares per day, corresponding to an average value of € 150,000.

¹⁸ Relevant Persons of the SABAF Group for the purposes of the Code are defined as being (a) the directors, standing statutory auditors and general manager (if appointed) of SABAF SpA, together with the company's CFO, commercial director, investor relator, and (b) the directors and general managers (if appointed) of the principal subsidiaries.

Sabaf and its shareholders

SABAF passed by ETHIBEL

In May 2004 SABAF successfully passed Ethibel's screening process concerning social responsibility. It was therefore included in the list of companies in which ethical fund managers, who follow the Ethibel evaluation (for example the Italian Etica SGR fund manager), can invest.

Special items of excellence noted by Ethibel were SABAF'S CSR Report and its supplier policies. SABAF in any case achieved high scores in all the areas analyses.

To date, Ethibel has passed six Italian companies.

No disputes are underway between shareholders and the company.

Consultation of institutional investor stakeholders on the importance of CSR in investment choices

In February 2003 Avanzi SRI Research performed a survey for UniCredito Italiano with the aim of assessing whether and to what extent Italian institutional investments take corporate social responsibility aspects into account in the definition and implementation of investment policies. 10 companies – accounting for 51% of total assets managed in Italy - agreed to take part in the survey.

Socially responsibility investments, although still marginal in Italy, are seen as growing and SABAF **was one of the companies spontaneously mentioned by interviewees as being “CSR champions” in all sections of the survey** (corporate governance, environmental protection, and relationships with the community/territory, customers, employees, and suppliers).

Web site

<http://www.unicredito.it/ita/ambsoc/oscar/>

Ethibel profile

Originally set up in Brussels as a non-profit organisation, Ethibel originated from a series of NGOs active in socially responsible finance, ethical stock investments, co-operation for development, and equitable commerce.

Ethibel screens the ethicality of companies, public institutions, and entire nations to provide banks, fund managers, and institutional and private investors with the input necessary to construct a socially responsible investment strategy.

The Swedish foundation Mistra has rated the Ethibel approach as being best practice in the ethical consulting sector in Europe. Ethibel's approach stands out for involvement, during research, of companies' stakeholders. Research workers do not content themselves with the information given to them by the companies themselves, but directly contact trade unions, environmental associations, and consumer associations.



Sabaf and its customers

Our commitments to customers

- > To act with transparency, integrity and fairness.
- > To communicate information on products and services in a clear and transparent manner.
- > To behave morally, professionally and helpfully in dealings with customers.
- > To guarantee high standards of quality for the products offered
- > To assure ongoing technological research in order to offer innovative products.
- > To work with customer companies to assure end-users the utmost safety when utilising products
- > To encourage socially responsible actions throughout the production chains
- > To listen to customers' requirements via constant monitoring of customer satisfaction and of any complaints
- > To inform customers of all risks associated with use of the products and of their environmental impact.

SABAF has strengthened its relations with customers over the years, focusing on a relationship based on close co-operation, so as to assure high standards of quality, durability and reliability for its products.

The high degree of specialisation achieved by SABAF in the design and production of components for the gas cooking appliances sector is a significant competitive advantage, thanks to the company's ability to adapt its various production processes to the specific needs of customers, who mostly consist of domestic cooking appliance manufacturers.

In 2003 the SABAF group issued invoices (> € 1,000) to 49 new customers, for a total of € 4.4 mn, whilst 42 customers active in 2002 did not buy in 2003, for a total of some € 1 mn.

Countries and customers

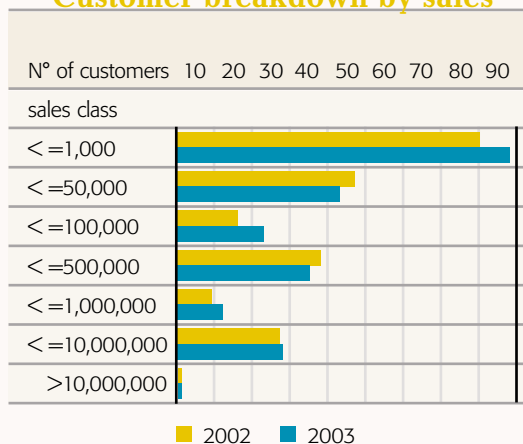
(SABAF Group)

2001								
Countries	39	50	100	150	200	250	300	
Customers	0	50	100	150	226	250	300	
2002								
Countries	0	50	100	150	200	250	300	
Customers	0	50	100	150	200	277	300	
2003								
Countries	0	52	100	150	200	250	300	
Customers	0	50	100	150	200	286	300	

Sabaf and its customers

Customers with annual sales for us of more than € 1 mn progressed from 28 in 2002 to 29 in 2003. The breakdown by sales class was as follows:

Customer breakdown by sales



A point to note is that the increase in the € 1 mn/10 mn class included one Korean and one Iranian customer, neither of whom was active in 2002 and therefore completely new.

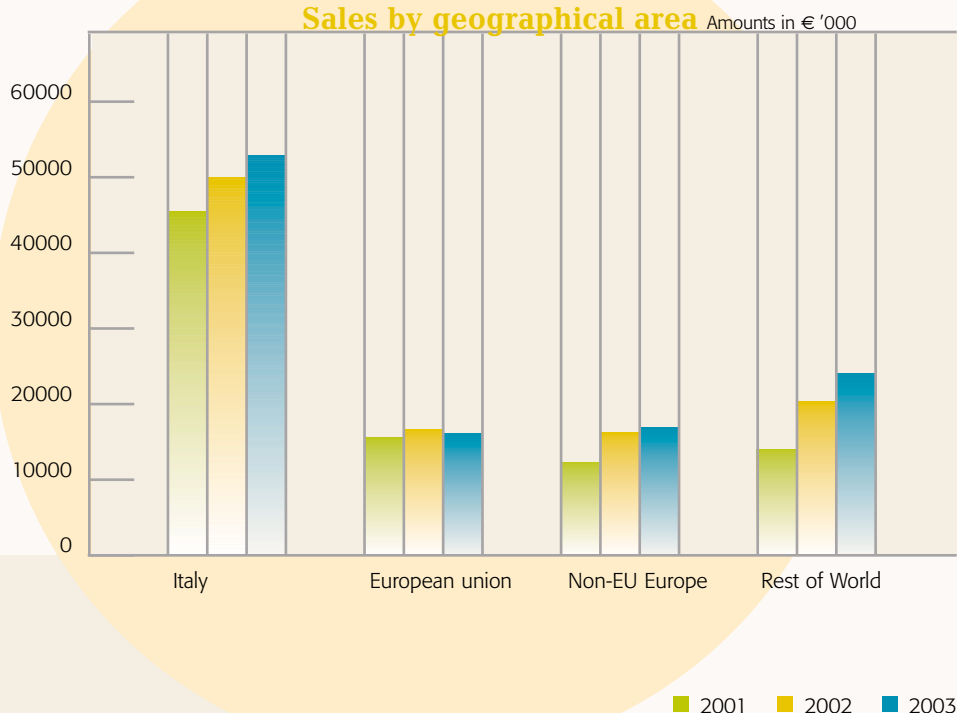
The Sales Department at the Ospitaletto HQ consists of 4 Area Managers, forming the Front Office and a 7-head Back Office team, who are co-ordinated by the Sales & Marketing Director.

In 2003 SABAF extended its foreign sales presence with the inauguration of a new sales office in Mexico and appointment of a new agent for Syria and Jordan, thus reaching a total of **19 agencies**, plus a delegation office in the People's Republic of China (with a manager and three assistants), a sales office in Mexico (handled by a consultant), and a consolidated distribution arrangement in Australia and New Zealand with a company very well established in those markets.

During the year we also worked in depth on contacts with various candidates with the aim of achieving a US presence assuring commercial assistance for customers as soon as possible.

Our SABAF do Brasil subsidiary handles distribution in Brazil of SABAF products imported from Italy.

Sales by geographical area



Sabaf and its customers

Sales by Country (SABAF Group)

Amounts in € '000						
Country	2001		2002		2003	
Italy	45,428	52.0%	49,930	48.4%	52,835	48.0%
Poland	9,898	11.3%	12,699	12.3%	13,088	11.9%
South Korea	3,637	4.2%	7,086	6.9%	7,709	7.0%
Spain	6,132	7.0%	7,325	7.1%	7,604	6.9%
UK	4,441	5.1%	4,644	4.5%	4,686	4.3%
Turkey	1,965	2.2%	2,428	2.4%	4,480	4.1%
Brazil	1,363	1.6%	2,255	2.2%	2,583	2.3%
France	2,232	2.6%	2,292	2.2%	1,775	1.6%
Iran	415	0.5%	455	0.4%	1,546	1.4%
Others	11,852	13.6%	14,109	13.7%	13,713	12.5%
Total	87,363	100.0%	103,223	100.0%	110,019	100.0%

Partnership

SABAF normally shares the benefits generated by higher volume and productivity increases stemming from investments in automation with its customers, based on a *partnership* approach intended to assure the best possible market conditions possible, and always better as the range of products purchased expands. To those customers buying 100% of their requirements for all product lines from SABAF, the company seeks offer (a) top service and the best terms of purchase, (b) priority in technical and laboratory assistance, and also (c) priority in the presentation of projects for innovative products, in order to optimise co-ordination of SABAF/customer product development.

For those product lines for which it is possible to hedge against the risk of changes in the price of commodities used as raw materials, SABAF guarantees the customer fixed prices for the whole calendar year. For products using iron this is not possible, due to the absence of hedging instruments, and prices are therefore renegotiated if iron prices exceed a maximum variation threshold.

Provision of special products, exclusively for a given customer, is always undertaken against conclusion of a specific supply contract.

Interaction Processes

In order to facilitate relations with the customer community, a series of on-line services is operational:

> EDI: Electronic Data Interchange

For some years now EDI relations have been in place for the receipt and dispatch of documents concerning sales processes. EDI increases the speed and accuracy of commercial communication and reduces its costs. We currently have EDI relations in place with 5 customers.

> Sales orders in digital format

As an alternative of EDI there is also a mechanism for dispatch by customers of digital files concerning orders. The vehicle used is e-mail. Our Front Office team is promoting this service amongst the clientele and today 3 customers make use of it.

The application has been created in compliance with fundamental confidentiality rules.

> Sales invoices

Sales invoices for nearly all customers are dispatched in digital format (.pdf). Dispatch takes place automatically, via e-mail, immediately after the document has been printed.

Once again, this application has been created in compliance with fundamental confidentiality rules.

Sabaf and its customers

Information and Communication

With the aim of enhancing SABAF *brand awareness*, also by extending use of advertising from technical sector magazines to specialised consumer magazines (mainly “Ambiente Cucina”), in 2003 SABAF signed a contract for company product communication with the Milan-based company Ghenos, which works with a number of leading companies in the fields of furnishing and production of domestic appliances.

In May 2003 the first event organised by Ghenos took place, i.e. official presentation of our new “Dual” burner. The presentation to the press and specialised operators took place within the Component Show @ Intel 2003, a specialised sector trade fair.

Following this, Ghenos handled promotion of editorials on the “Dual” product to sector and other magazines, achieving excellent results in terms of visibility. For the first time a SABAF burner – a component – was published in a magazine dedicated to new-generation technological products.

In any case, for SABAF the main medium of communication with customers continues to be the *one-to-one* meeting, i.e. periodical meetings during which all aspects concerning product supply and/or related services are addressed.

During 2003 we made increasing use of videoconferencing for this purpose, more effective than plain teleconferencing.

At present SABAF does not have relations with consumer defence associations, even although some ideas for an approach in this respect have been mapped out and will probably lead to developments during 2004. In particular, SABAF would like to meet consumer associations to inform them of the lower impact of gas vs. electric cooking.

Contractual terms

During 2003 terms of sale were renewed with all customers with whom a specific supply agreement is not in place, with dealings usually based on specific negotiations.

The updated terms reflect longstanding practices and align some features (guarantees, for example) to the most recent legal requirements.

General terms of sales are supplemented annually by price agreements, the result of negotiations with customers that normally start in October. These negotiations obviously take a variety of parameters into account, including:

- > Volume purchased by the customer by individual product line and in total
- > Customer's scheduling ability and the linearity of delivery flows
- > Customer's membership of a multinational group for which master agreements or more general supply interests exist
- > Punctuality of payments and the customer's short-, medium-, and long-term solvency
- > Considerations of the customer's strategic market positioning and its consistency with SABAF'S positioning.

Based on these general evaluations, proposals for changes in list prices are the considered, taking into account:

- > Changes occurring in costs in the previous year (headed by raw materials and productivity)
- > Changes projected in product cost for the coming year
- > Customer's stated budget volume for the coming year
- > Respect of previous year's *budget*.

Sabaf and its customers

Leader in safety

SABAF champions - and has also lobbied the various institutions in this respect - the introduction of regulations imposing compulsory use of products with thermoelectric safety devices.

SABAF'S strong sensitivity to safety has always been a feature of its entire production process and is one of the key factors for success in its *business* sector. In the last three years this commitment has led to growth of some 40% in the range of gas valves with safety devices, with a corresponding decrease in simple valves. This further underlines the trend towards a gradual replacement of valves without safety devices with products providing higher *standards* of quality and reliability.

Sales by product line

Amounts in € '000

2001						
Simple valves	7,952	10,000	20,000	30,000	40,000	50,000
Valves with safety devices	0	16,671	20,000	30,000	40,000	50,000
Thermostats	9,612	10,000	20,000	30,000	40,000	50,000
Burners	0	10,000	28,570	30,000	40,000	50,000
Hinges	8,289	10,000	20,000	30,000	40,000	50,000
Accessories and other components	0	16,269	20,000	30,000	40,000	50,000
2002						
Simple valves	7,344	10,000	20,000	30,000	40,000	50,000
Valves with safety devices	0	19,849	20,000	30,000	40,000	50,000
Thermostats	0	12,256	20,000	30,000	40,000	50,000
Burners	0	10,000	20,000	35,447	40,000	50,000
Hinges	8,685	10,000	20,000	30,000	40,000	50,000
Accessories and other components	0	19,372	20,000	30,000	40,000	50,000
2003						
Simple valves	7,149	10,000	20,000	30,000	40,000	50,000
Valves with safety devices	0	10,000	23,305	30,000	40,000	50,000
Thermostats	0	12,661	20,000	30,000	40,000	50,000
Burners	0	10,000	20,000	30,000	46,587	50,000
Hinges	9,836	10,000	20,000	30,000	40,000	50,000
Accessories and other components	0	10,481	20,000	30,000	40,000	50,000

Sabaf and its customers

The quality system

Top management has developed a system for managing quality designed to consolidate and strengthen SABAF'S marketplace position

This system, which complies with the ISO 9001:2000 standard ("Vision 2000"), is integrated with the systems of environmental management and workplace safety, and is intended to permit achievement of the following objectives, i.e. to:

- a. Increase customers' satisfaction by understanding and responding to their present and future needs
- b. Continuously improve processes and products, with special attention to environmental protection and employee safety
- c. Involve *partners* and suppliers in the process of constant improvement, encouraging a co-makership approach
- d. Enhance the value of human resources
- e. Improve *business performance*.

Consistently with the above principles, the company believes that management of the following processes is critically important:

- > Identification of customer needs and expectations
- > Monitoring of *customer satisfaction*
- > Analysis of complaints and implementation of the necessary remedial/preventive measures
- > Process-based management, aiming to measure and improve performance
- > Process and product innovation, according to the advancement of technical knowledge in the sector
- > Staff training, heightening staff's awareness of the impact and importance of their activities and of how they contribute to achievement of corporate objectives
- > Periodic controls by independent outside entities of the compliance and effectiveness of the quality management system.

Quality system expenditure

Amount in €		
2001	2002	2003
Product certification		
19,083	20,233	51,815
Quality system certification		
2,766	1,437	418
Purchase of measuring equipment		
4,751	7,635	27,481
Calibration of measuring equipment		
4,194	17,810	15,857
Technical regulations, software, and magazines		
5,168	6,334	7,409
Trials and tests by independent laboratories		
661	-	1,903
Total		
36,623	53,449	104,883

The considerable increase in product-certification costs was due to EC and CSA (Canadian Standards Association) certification of new products developed by SABAF, i.e. aluminium valves, thermostats with pilot flames, and dual manifolded valves.

Quality system expenditure

Amount in €		
2001	2002	2003
Purchase of measuring equipment		
147,588	7,583	62,680
Software		
19,824	-	-
Total		
167,412	7,583	62,680

Sabaf and its customers

The quality system

Certifications

The core of SABAF'S production system has always featured special attention to the achievement of high standards of quality. SABAF'S Quality System has been ISO 9001 certified since 1993 and in September 2002 it upgraded to meet the requirements of the ISO 9001:2000 ("Vision 2000") standard. SABAF'S valves and thermostats have been awarded the EC certificate of conformity by the IMQ (the Italian Institute for Quality Seals). The CSA (*Canadian Standards Association*) also completed its certification of these products in 2001, attesting their conformity with current North American technical standards. SABAF'S valves and thermostats have also been certified by the AGA (*Australian Gas Association*) in compliance with current technical standards in Australia. SABAF'S flexible hose connectors have obtained product certification by the IMQ and by the NF, the French standards entity. Lastly, as highlighted earlier, it is important to note that all SABAF'S products fully satisfy the requirements of the 2000/53/EC Directive concerning their heavy-metal content, i.e. lead, mercury, cadmium and chromium 6.

Quality costs as % of sales

2001	2002	2003
0.40 %	0.42%	0.47 %



certification of conformity with the ISO 9001: 2000 standard, issued by the CSQ Division of the IMQ (the Italian Institute for Quality Seals).
CSQ Certificate no. 9155 SAB3

Sabaf and its customers

Customer satisfaction

For SABAF satisfaction of customer needs, by continuously improving product and service quality, is a strategic goal

In the first half of 2004 SABAF – in order to better understand and meet customer needs and to verify customer perception of SABAF'S modus operandi – performed a second customer satisfaction survey (the first survey took place in 2002). The survey was performed by sending customers accounting for 80% of SABAF'S sales a 5-part questionnaire, i.e.

1. Product rating
2. Rating of design/technical assistance
3. Service rating
4. Rating of commercial assistance
5. Degree of awareness of the CSR Report.

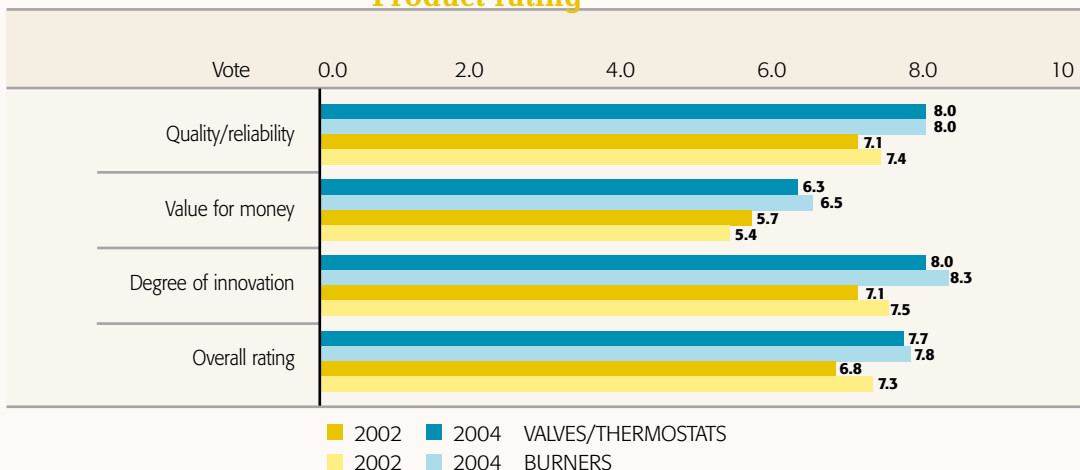
67% of customers contacted answered the questionnaire.

As compared with the customer satisfaction questionnaire prepared for the 2002 survey, this

year's version featured (a) addition of two questionnaires concerning the company's capacity/promptness in settling complaints/solving problems, (b) inclusion of rating of service provided to customers, and (c) the request not only to give a score for each question but also to rate the importance for the customer of the specific topic analysed.

As regards the **product rating**¹⁹, the survey outcome highlighted that both quality (on which respondents set most importance) and the degree of innovation are considered to be SABAF product strengths. Conversely, there is room for improvement as regards the price/quality ratio (value for money), which in any case – as is true of all product-related aspects – was assessed more positively than two years ago.

Product rating

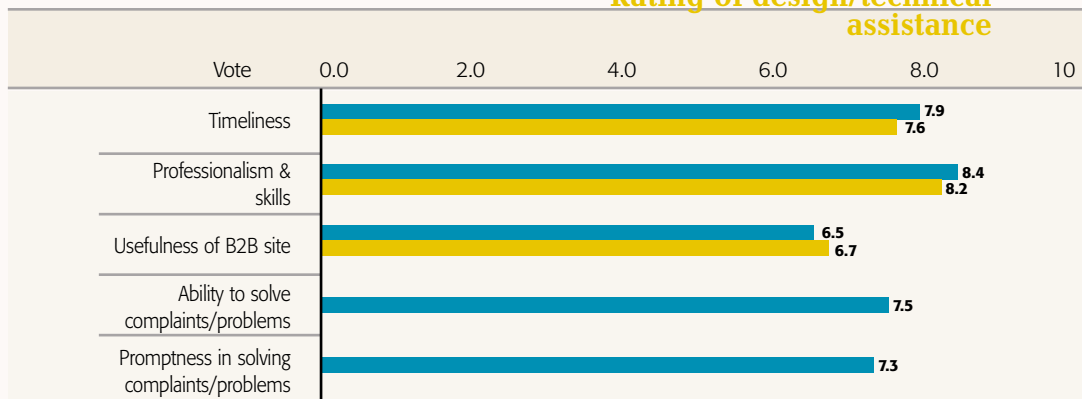


¹⁹ The graphs show the arithmetical average of ratings received based on the following scale:
Excellent: 10 9 Good: 8 7 Acceptable: 6 5 Mediocre: 4 3 Poor: 2 1

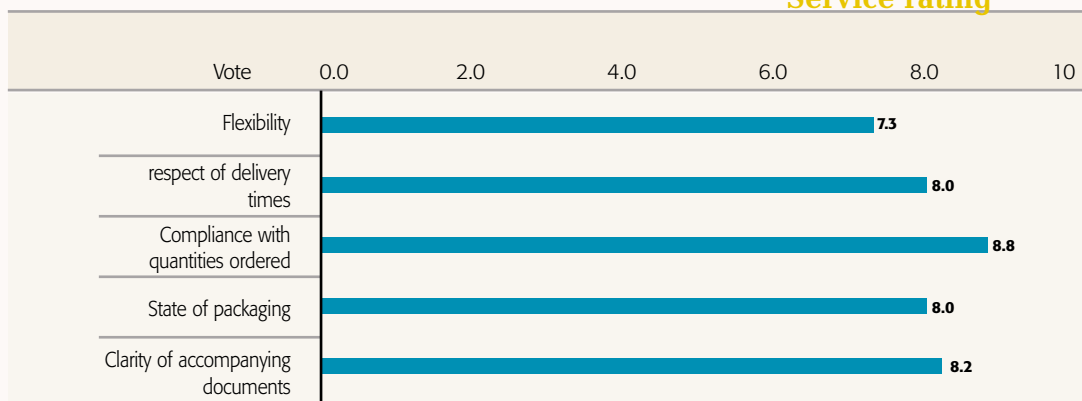
Sabaf and its customers

Customer satisfaction

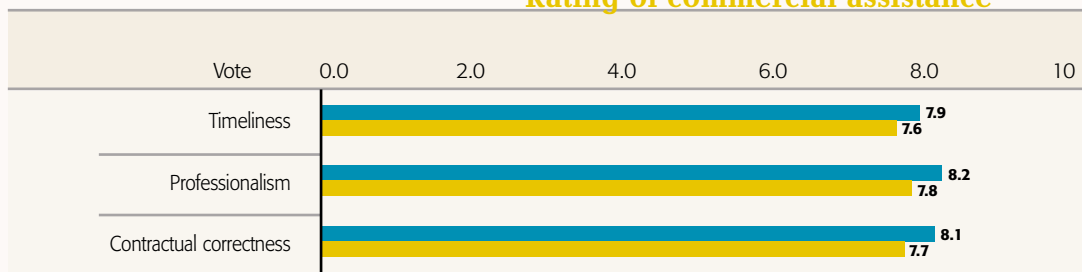
Rating of design/technical assistance



Service rating



Rating of commercial assistance



■ 2002 ■ 2004

Sabaf and its customers

Customer satisfaction

As regards the **rating of design/technical assistance**, the professionalism and skill of SABAF employees emerged as being two characteristics highly appreciated by customers, together with the timeliness of action. Only the usefulness of the B2B site was rate worse than in 2002 – but the score assigned is aligned with the importance attributed by customers to this communication channel, which is still in experimental mode. As regards ability/promptness in solving complaints/problems – features that customers consider to be of prime importance – the rating achieved is good, but undoubtedly with room for improvement over time.

The **service rating** – included for the first time in this year's survey – featured good scores for all items. Customers set greater importance on respect of delivery times, to which the company will therefore dedicate special attention.

Customers also rated positively the professionalism and contractual correctness of SABAF staff in providing **commercial assistance** to customers and the assessments reflect the degree of importance attributed by customers to these characteristics.

Customers' answers concerning the clarity, completeness and importance of the SABAF Corporate Social Responsibility Report are analysed in Chapter 6 – "Stakeholder Feedback System".

Improvement objectives

SABAF'S future commercial objectives envisage continuation of the double-digit growth characterising the last 10 years, whilst maintaining the company's present high levels of profitability. The enhanced value of gas cooking appliances, expansion of the product range offered, with growing added value (triple-crown burners, dish washer hinges), and growth in size with consequent economies of scale will make this possible. Achievement of these objectives will also require investments in automation and in commercial, logistics, and manufacturing facilities in those markets potentially very attractive in terms of size, but with standards that today are not aligned with those of Europe (for example: Brazil, India, and China).

Legal controversies

The lawsuit initiated by SABAF in the UK in 2001 for infringement of our patent for the radial Venturi burner has continued. During 2003 the appeal hearing took place at the London Patents Court. Whilst in the case of first instance the judge had substantially denied the validity of the SABAF patent, motivating this ruling with the non-existence of the prerequisites of inventiveness due to alleged practical obviousness, at the appeal hearing the three judges of the court instead overturned this ruling, considering our patent to be valid. Both SABAF and the counterpart have lodged appeals with the Law Lords and the hearing is scheduled to take place in July 2004.

Sabaf and its suppliers

Our commitments to suppliers

> To act with transparency, correctness, integrity and contractual fairness.

> To treat quality certification, capacity for innovation and benefits for the community as key criteria for the selection of suppliers.

> To prefer suppliers who respect the environment, take a socially responsible approach to business, and enjoy a good reputation.

> To encourage the sharing of common values and report on the development of SABAF'S strategies.

> To promote the sharing of knowledge and foster long-term partnerships

> To encourage suppliers to adopt good social responsibility practices

> To ensure the impartial selection of suppliers, offering all potential suppliers possessing the requisites envisaged the chance to compete for SABAF'S business

> To pay suppliers when and as agreed

> To reject gifts from suppliers that exceed the normal standards of courtesy and that may influence the objective appraisal of the product or service.

> To refuse to do business with suppliers that employ child labour or violate basic human rights.

> To require suppliers operating in countries that systematically violate workers' rights to provide appropriate guarantees that they comply with the SA 8000 standard's principles in terms of child labour, forced labour, occupational health and safety, freedom of association and the right to collective bargaining, discrimination, disciplinary procedures, working hours, and compensation policies.

SABAF is committed to getting its socially responsible management applied also by its suppliers, so that the entire production chain is controlled and safe.

Our relations with suppliers aim for long-term partnerships and are based on contractual correctness, integrity and fairness, and on shared growth strategies. SABAF guarantees total impartiality in supplier selection and undertakes to assure rigorous respect of agreed terms of payment (to date, saving rare exceptions, all contracts have been paid as per agreements).

Each year SABAF gives a significant boost to the process of acquiring new supplier companies that demonstrate that they meet and assure the qualitative and economic standards sought by SABAF.

The SA 8000 standard and suppliers

SABAF'S commitment for 2004 is to obtain certification of conformity with the requirements of the SA8000 (Social Accountability 8000) standard. The company therefore requires its suppliers to respect – in all their activities – the standard's principles as the minimum prerequisite for establishment of a long-lasting relationship based on principles of social responsibility.

Supply contracts – revised during 2003 - include an ethically based clause based on the SA8000 standard. This clause puts suppliers under obligation to assure the respect of human and social rights. More specifically, suppliers undertake to avoid using in their production processes persons below the legal minimum age in the country concerned, to guarantee their workers a safe workplace, to protect trade-union freedom, to comply with legislation on working hours, and to ensure that workers are paid the legal minimum wage.

In 2004 the company has also started to send all suppliers the text of the standard itself, in order to achieve more knowledgeable adherence to the standard, thus fostering the effective application of ethical conduct.

Sabaf and its suppliers

Between 2003 and the early months of 2004, the SA8000 standard was sent to 179 suppliers. To date 131 have returned it duly signed for acceptance. Any non-acceptance of SA8000 principles may lead to discontinuation of the supply relationship.

The significant decrease in supplier sales to us in 2003 (about 15% less than in 2002) was due to limitation of investment levels, following the two previous years when construction of the new Ospitaletto site led to investment peaks.

SABAF aims to aid development of the territory where it operates and therefore, in selecting suppliers, it gives preference to local companies. The incidence of local supplier sales increased vs. 2002 (reaching a level of 51% in the province of Brescia and 15.6 in the Lombardy region).

167% of non-EU supplier sales come from Switzerland and concern the purchase of machinery and equipment. Among the remaining suppliers based in non-EU countries only one is located in China. This supplier sold us components for € 212,000 in 2003 (0.34% of the total) and has signed its agreement to respect SA8000 principles.

Geographical distribution

Amounts in € '000		of suppliers			
2001		2002		2003	
Sales to SABAF	% Sales to SABAF		%Sales to SABAF		%
37,351	54.3	33,264	45.8	31,446	51.0
9,031	13.1	11,013	15.2	9,637	15.6
14,639	21.3	17,141	23.6	12,863	20.9
5,909	8.5	6,783	9.3	6,927	11.2
1,932	2.8	4,438	6.1	805	1.3
68,862	100.0	72,639	100.0	61,678	100.0

* (Switzerland, China, and the USA)

The SA8000 Standard

> It is an international standard - devised in 1997 by the US organisation SAI (*Social Accountability International*) – that lists **nine key requisites** for ethical correct conduct of companies and of the production chain vis-à-vis workers.

> It is a voluntary *standard* for certification of respect of workers' rights that is based on the principles of 11 conventions issued by the International Labour Organisation (ILO), the Universal Declaration of Human Rights (1948) and by the UN Convention for Children's Rights (1959).

> Conformity with the *standard's* requirements is assured by INDEPENDENT, 3RD-PARTY certification, issued by ACCREDITED ENTITIES.

> Besides behaviour and conduct, the standard requires that the SYSTEM'S OPERATION be made publicly manifest.

The social requisites indicated by the standard concern:

- > Child labour
- > Forced labour
- > Health and safety
- > Freedom of association and collective representation
- > Discrimination
- > Disciplinary practices
- > Working hours
- > Pay

The ninth requisite concerns the system for managing the standard and requires that policies, procedures, and documentation demonstrate constant conformity with the *standard*.

Sabaf and its suppliers

In line with its mission, SABAF requires its suppliers to be capable of renewing their technology over time, in order to be constantly able to offer the best value for money (price/quality ratio). It gives preference to suppliers who have obtained or are in the process of obtaining certification of their quality systems. For some years now the percentage of certified suppliers' sales to us has tended to stabilise.

Among the initiatives we have taken to aid suppliers a key point to note is that, in 2003, SABAF established an agreement of co-operation with a premier banking organisation (Unicredit Factoring S.p.A.), to which it has provided various names of suppliers to which a specific credit line could be granted for possible monetisation of amounts receivable from SABAF. This agreement has obviously not caused any change in the contractual conditions in place with suppliers and, in particular, has not changed terms of payment.

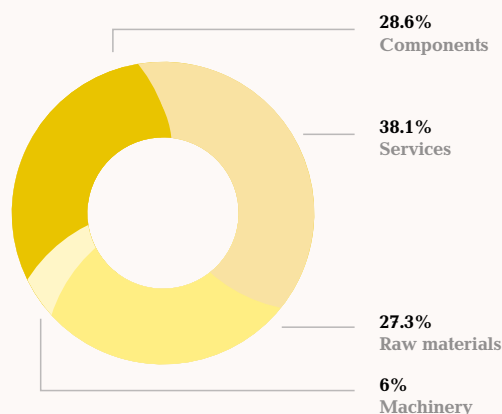
For less structured, artisan suppliers we grant very short payment terms (mainly 30 days from invoice date).

Improvement objectives

In order to aid sharing with suppliers of the values underlying its business model, SABAF is committed to assuring full distribution to them of the Charter of Values and of the "SABAF Magazine" during 2004.

There are no disputes with suppliers.

Breakdown of suppliers by type of service



Sales to SABAF of suppliers with ISO9000 certification

Amounts in € '000					
2001		2002		2003	
Sales to SABAF	%	Sales to SABAF	%	Sales to SABAF	%
34,641	50.3	35,286	48.6	29,086	47.2

Main suppliers

by procurement category

Raw materials 27.3%
Traf. C. Gnutti(*)- Raffinerie Metalli Capra(*)- Vedani Carlo Metalli(*)- Fover Casting - Sacal(*)
Components 28.6%
Orkli(*)- Flli Barazza - SIT la Precisa(*)- Marloc(*) - Blasi
Machinery 6%
Camas - Sala - Mikron(*) - El.mec - Botta Engineering
Services 38.1%
Adecco (Temporary labour) - MZ Pressofusioni (Pressure die-casting) - Essegemme (Enamelling) - B&B (Mechanical processing) - Smalti Modena (Enamelling).

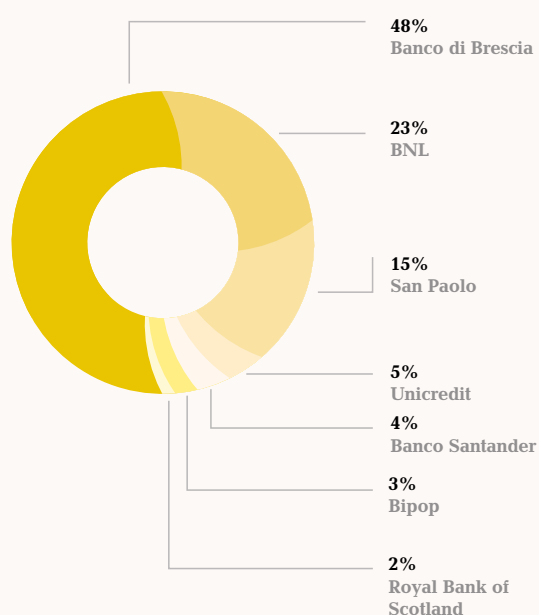
* Supplier with ISO 9001:2000 certification

Sabaf and its financiers

Our commitments to financiers

- > To communicate the company's strategies and policies in a timely, complete, clear, and transparent manner, assuring total consistency of disclosure
- > To assure continuity of the company as a business concern.

Breakdown of total transactions by bank as a % of total



In keeping with its yardstick values of transparency and correctness, SABAF has always co-operated with the banking sector, providing prompt and complete information required for a comprehensive financial analysis of the business (year-end financial statements, quarterly and half-yearly reports, and notification of the more significant transactions).

Relationships with banks are handled personally by the finance director for matters of an extraordinary nature, whilst the treasurer looks after day-to-day matters.

Dealings with Italian banks cover the following types of movement: payments to Italian and foreign suppliers using bank orders or transfers; collections from Italian and foreign customers using bills or bank transfers; payment of wages, salaries and social security charges, and payments by cheque. Relations with the two foreign banks used by the group are limited to collection of transfers from foreign customers and payment of foreign suppliers.

As in the past, SABAF rarely made use of short-term bank credit in 2003. Instead, it funded short-term financial commitments with its substantial free cash flow. In 2003 financial charges as a percentage of sales amounted to 0.92% (0.79% in 2002).

The original credit facility opened for € 12 mn and now open for € 10 mn, in place with Banco di Brescia and used to fund the acquisition of Faringosi-Hinges, has been transformed into a 4-year loan featuring straight-line repayment with instalments consisting of a progressively smaller interest portion and larger principal portion. An assisted loan of € 229,000 from Simest [an Italian state-backed company aiding Italian business development abroad] is in place, secured by a bank guarantee, to finance SABAF'S commercial penetration in the People's Republic of China.

Sabaf and its financiers

The company also has a number of floating-rate property leasing arrangements in place. The value of outstanding instalments as at 2003 year-end was € 1.2 mn.

SABAF Immobiliare, the group company responsible for managing property investments, has floating-rate mortgage loans in place, with debt outstanding as at December 31st 2003 of € 13.4 mn.

There are no disputes with financiers.



Short-term credit facilities

Amounts in € '000							
Banks	Current Account	Subject to collection	Medium term	Import	Financial needs	Sureties	Total
BANCO DI BRESCIA	300	-	10,000	-	5,900	806	17,006
BIPOP	100	1,500	-	-	3,000	-	4,600
S. PAOLO IMI	100	3,900	-	-	-	-	4,000
BNL	300	1,000	-	600	2,600	-	4,500
UNICREDIT	775	1,291	-	-	-	-	2,066
TOTAL	1,575	7,691	10,000	600	11,500	806	32,172

Sabaf and its competitors

Our commitments to competitors

- > To act transparently and correctly
- > To assure integrity in management of the business
- > To champion social responsibility actions in our sector
- > To communicate in a timely, complete, clear, and transparent manner.

SABAF holds a market *leadership* position in the international arena. Its ongoing product innovation and diversified customer base enable SABAF to defend the quality of its results even in the face of downward selling-price pressures. Thanks to its exclusive manufacturing processes, economies of scale, and strong vertical integration, SABAF also enjoys cost *leadership* in the sector. In this scenario SABAF is highly competitive both in the premium part of the range – where it is able to offer on an ongoing basis high-performance products – and in the mass market.

In Italy and Europe SABAF estimates that it has a market share of over 40% in each product segment. It is the only company providing the full range of gas cooking components, whereas its competitors produce only part of the product range.

SABAF'S three main competitors in the international market are Copreci, Burner System International, and Harper Wyman:

Copreci is a co-operative based in Spain in the Basque region and, after SABAF, is the main valve and thermostat manufacturer in Europe

Burner Systems International (BSI) is a US company that has recently acquired control of the French producer Sourdillon, a longstanding competitor of SABAF

Harper Wyman is the most important manufacturer of gas cooking components for the North American market.

Main Italian and international competitors

		Valves	Thermostats	Burners	Hinges
SABAF		•	•	•	•
Burner Systems International	(U.S.A)	X	X	X	
CMI	(Italy)				X
Copreci	(Spain)	X	X		
Harper Wyman	(U.S.A)	X	X	X	
Imit	(Italy)	X	X		
La Micromeccanica	(Italy)	X			
Nuova Star	(Italy)				X
Off Mecc Defendi	(Italy)			X	
Siral	(Italy)	X			
Somipress	(Italy)			X	

Sabaf and the Public Administration

Our commitments to the Public Administration

- > To communicate in a clear, prompt, complete and transparent manner.
- > To guarantee total compliance with laws and regulations.
- > To collaborate with institutions to ensure the development of safer products in our sector.
- > To share technical expertise with institutions engaged in studies and research regarding our sector and corporate social responsibility
- > To comply with antitrust legislation and with the regulations of the various Antitrust Authorities.
- > To not finance political parties in the countries where SABAF does business.

In line with its policies, SABAF'S relationships with the public administration and tax authorities are geared towards the utmost transparency and correctness.

At local level, SABAF has sought to establish an open dialogue with the various authorities to create harmonious industrial development. For this reason, SABAF systematically provides the Ospitaletto town authorities with copies of the analyses relating to emissions released into the atmosphere by its factories as a result of production.

In 2003 the group paid over € 7,1 mn in taxes to the State, representing 19,1% of the Value Added produced (vs. € 5,8 mn in 2002, corresponding to 16,6% of Value Added).

2003 unfortunately marked the end of the benefits of the so-called "Tremonti 2" law [providing tax relief on certain types of incremental capital investments], which in 2002 had generated tax savings of some € 1 mn.

SABAF appreciates legislative measures aiming to reduce the tax burdens that invest on a continuous basis and/or hire staff. It is noted that SABAF has never received government grants or any particular government aid to support its business.

Sabaf and the Public Administration

Although it has no commercial dealings with the public administration, SABAF has assessed the alignment of its organisational and control models with the requirements of Italian Legislative Decree 231/2001 concerning offences against the Public Administration and offences by companies as legal entities.

Respect of privacy

In the second half of 2003 SABAF – in order to align itself with relevant current regulations in Italy – started verification of its processes as regards performance of the obligations imposed by Italian Legislative Decree 196/2003 concerning protection of personal data. The minimum security measures to be applied within the organisation consist of a combination of technological and organisational instruments (policies, procedures, organisational flows, etc.) able to prevent any loss, alteration or unauthorised disclosure of data.

SABAF will draw up its official Security Operating Plan [Documento Programmatico di Sicurezza] - which will “photograph” the security measures that the company takes to protect and safeguard personal and sensitive data held in electronic format – by the end of September 2004.

There are no significant disputes underway with the tax authorities or with other public institutions.

Taxes paid - Sabaf SpA

Amounts in €			
	2001	2002	2003
Indirect taxes			
	134	78	93
Direct taxes			
Corporate income tax (IRPEG)			
	1,944	3,430	4,415
Regional business tax (IRAP)			
	1,115	1,205	1,281
Deferred taxes			
	1,177	1,109	1,335
Total direct taxes			
	4,236	5,744	7,031
Total taxes			
	4,370	5,822	7,124

Sabaf and the community

Non-profit initiatives

Our commitments to the community

- > To operate within local communities in a socially responsible manner, i.e. as a "good citizen".
- > To help improve the quality of life in the communities where the company does business, through actions in the social, cultural, educational and sports areas.
- > To encourage the utmost respect for human rights in the communities where the company operates.
- > To donate to and sponsor non-profit associations consistently with the policies established by the Board of Directors.
- > To contribute to young people's education by working with schools and universities.
- > To promote the wider distribution of products with safety systems in order to safeguard public health.
- > To foster fair competition that respects patent and trademark rights.

The attention that SABAF dedicates to the community as a whole does not take the form merely of cash donations to humanitarian, sporting, and cultural associations present in the area but also, and above all, of constant activity to disseminate good corporate business practices, so that the socially responsible management model is commonly appreciated and emulated.

Distance adoptions

In December 2003 SABAF proposed to its suppliers replacement of conventional Christmas presents with something more useful and meaningful, i.e. donations to the Associazione Volontari per il Servizio Internazionale (AVSI – association of volunteers for international service), an Italian non-profit NGO working on international projects to aid development. The donations were specifically earmarked for long-distance support of 8 children living in various countries in the world.

Symbolic sale of obsolete IT equipment to non-profit associations

In 2003 SABAF sold, at the token price of € 1 each, 21 personal computers and 10 computer display screens to the officially recognised non-profit organisation Accoglienza e Fratellanza. The various items, obsolete for SABAF but in perfect working order, were used to help set up a computer lab in a russian secondary school.

Donations in 2003

Amounts in € '000

	OSPITALETTO	LUMEZZANE	BRESCIA	MILAN	OTHER	TOTAL
Associations Humanitarian	-	500	10,500	-	5,800	16,800
Associations sport	5,200	2,283	5,000	-	-	12,483
Associations cultural	-	516	2,500	11,200	2,700	16,916
Total	5,200	3,299	18,000	11,200	8,500	46,199

Sabaf and the community

Communicating social responsibility

Meetings with entrepreneurs

During 2003 SABAF hosted delegations of entrepreneurs from Brescia, Vicenza and Modena. These visits to the company offered the opportunity to illustrate to entrepreneurs – typical at the head of small companies – the core role of social responsibility in defining SABAF'S elective entrepreneurial model. The meetings also triggered useful debate of the soundness and sustainability of strategies focusing on social responsibility – in a particularly challenging and competitive macroeconomic environment – and on the tenability of such strategies also when companies are in crisis.

Meetings with students

Every year SABAF organises visits to the company by groups of students. In 2003 30 students from the IPSIA (state professional craft and industrial college) of Rovato and 51 students from the state secondary school of Ospitaletto visited the Ospitaletto factory. Other meetings specifically concerning the theme of corporate social responsibility and the CSR report involved some classes of students from the ITC (state technical and commercial colleges) of Orzinuovi and Sarezzo (both in the province of Brescia) and from the "Rosselli" ITC of Genoa.

Conference participation

During 2003 SABAF was invited to contribute its testimony of CSR best practice at major conferences held in various Italian cities. Of these the most important were organised by:

- AIESEC - Brescia
- Pontifical Athenaeum "Regina Apostolorum" Rome
- Macerata Chamber of Commerce - Macerata
- CISL [the second largest confederation of trade unions in Italy] - Mestre
- Welfare Ministry - Rome
- SDA Bocconi [business school] - Milan
- Università Bocconi [university] - Milan
- Università degli Studi di Bergamo [university] Bergamo
- Università degli Studi di Bologna [university] – MISP [master's course in international studies in philanthropy]- Bologna.



Sabaf and the community

The REBUS project

SABAF was one of the companies analysed as part of REBUS (*Relationship between Business & Society*), a project funded by the European Union, and run in Italy by ISTUD (Istituto Studi Direzionali or Institute of Management Studies). This project involves analysing European businesses that have distinguished themselves in the area of social responsibility. The project's objective is to identify and exchange best practices that help managers of European firms to adopt socially responsible *management* policies. The research ended in 2003 with the publication of a document containing the various case studies examined.

Relations with universities

Since 2002 SABAF has been collaborating with the AIESEC (International Association of Students in Economic and Business Sciences) – the world's largest undergraduate organisation and that in recent years has been particularly active in the study of corporate social responsibility.

SABAF provided support for creation of a local AIESEC committee at Brescia University and has taken part in many educational programmes for undergraduates and in projects promoting corporate social responsibility.

In addition, as already done for several years now, during SABAF assisted numerous undergraduates of various Italian universities in the preparation of their final degree dissertations, which mostly centred round the theme of social reporting and CSR.

The preferential channel of communication with the entire community is our institutional Web site (www.sabaf.it), which contains all information concerning SABAF and documentation of financial and social interest. Tools are active for the dispatch of e-mails and forms in order to assure the possibility of interaction between site visitors and SABAF staff. A new institutional site is currently being prepared.

Further initiatives started in 2004

By way of confirmation of its involvement in initiatives heightening awareness of and disseminating the corporate social responsibility approach, in early 2004 joined – as a supporting member – **OSIF (Osservatorio sulla Sostenibilità dell'Impresa e della Finanza)**. This is a consortium - whose name means "Observatory of Sustainability in Business and Finance" - promoted by SAM [Sustainable Asset Management – a Swiss organisation], the LUISS university of Rome, the Forum Permanente del Terzo Settore [an organisation comprising a vast range of volunteer groups, non-profit organisations, associations and solidarity groups in Italy], and SRI SpA [a firm active in the social responsibility field]. Its aim is to monitor Italian businesses' social responsibility models and test correlations with *performance* in the financial market.





07

06

05 Environmental
performance >

04

03

02

01



05



— 05 Environmental
performance >

Sabaf and the environment

Environmental policy

Our commitments to the environment

- > To manage manufacturing activities in a way that minimises direct and indirect environmental impact.
- > To apply a precautionary approach as regards environmental impact.
- > To promote the development and use of environmentally friendly technologies and products.
- > To define specific environmental objectives and improvement programmes aimed at minimising significant environmental impact.
- > To train staff so that they are aware of the environmental impact of their environmental aspects and impact connected with their jobs and committed to working in a way that respects the environment, thus helping to achieve corporate goals.
- > To provide the local authority with all information needed to understand any environmental risks associated with SABAF'S operations.

SABAF has always shown particular care for the environment, constantly seeking to reduce any impact caused by its industrial operations

The company's strong awareness of the importance of respecting environmental balances is reflected in various decisions taken over the years - which not only respect legal requirements but also seek constant progress in the company's environmental performance.

SABAF'S attention to environmental issues is also demonstrated in some of the innovative solutions adopted at the Ospitaletto plant. During its design and subsequent construction, SABAF strove to reduce environmental impact as far as possible and to create a more comfortable workplace environment.

Environmental protection and defending natural resources is a strategic commitment for SABAF. This is why it has decided to implement and maintain an Environmental Management System, in compliance with ISO 14001 standards. Together with the systems for managing quality and occupational health and safety, this is an effective way of seeking constant reduction in the environmental impact resulting from company processes and products and of achieving the following objectives:

1. Prevention of pollution combined with ongoing improvements to products/processes to assure environmental friendliness
2. Compliance with current laws and regulations, viewed as a minimum and imperative requisite, as well as with any other requirements established by the company
3. Periodic review of the company's situation, by identifying the environmental aspects and impact resulting from its activities, and definition of specific environmental objectives and plans for improvement, aimed at minimising significant environmental impact
4. Document, implement, maintain, and inform all staff about, the environmental policy, so that each staff member is aware of the environmental aspects and impact associated with his/her activities and undertakes to work respecting the environment, thereby helping achieve the company's objectives
5. Transparent and proactive communication with employees, local communities, governmental authorities, surveillance bodies and other interested parties.

Sabaf and the environment

Environmental policy

SABAF received attestation of conformity with the ISO 14001 standard on 27/11/2003.

Gas cooking systems: economical and environmentally friendly

SABAF has long been working to disseminate information on the lower environmental impact generated by the use of gas as opposed to electric cooking. There are many official sources and scientific studies on this issue. Taking as our yardstick the UK – one of the countries for which specific studies on the matter exist – it emerges that the intensive of carbon per kWh used is 0.12 kg/kWh for electricity and 0.05 kWh for natural gas. It should be noted that in the last 20 years electricity's carbon intensity has decreased by 24% due both to the elimination of the old coal-fired power stations in favour of gas-fired plants and to the introduction of nuclear power stations, which, however, lead to the notorious problems of nuclear waste disposal¹.

Another study² clarifies that, for cooking, it would be preferable to have just one energy label for ovens, indication carbon emissions, regardless of the type of energy used. To date an energy label has been introduced just for electric ovens, giving users the false impression that these equipment items pollute less than gas ovens, which today are still not labelled. But the real situation is very different: if just one label were to be introduced for gas and electric ovens, the split in classes – according to the tests performed during the study in question – would be as shown in the following table:

**Potential single label
for gas and electric ovens in the EU**

Indirect CO2 emissions	Efficiency class	Electric ovens	Gas ovens	Total
<200	A	0	0	0
200-299	B	0	9	9
300-399	C	3	4	7
400-499	D	8	0	8
500-599	E	47	0	47
600-699	F	12	0	12
700-799	G	3	0	3
TOTAL		73	13	86

As can be seen, the large majority of electric ovens would come into efficiency class "E" (indirect CO2 emissions of between 500 g and 599 g per set cooking cycle), with another 12 in class "F" and "3" in class "G" (over 799 g of CO2 emitted per cooking cycle), whereas gas ovens would have a "B" label (9 out of 13) or a "C" label (4 out of 13).

The use of electricity seems even more inadvisable for the following reasons:

a) In Europe generation of electricity is increasingly unlikely to keep pace with demand, mainly because of the growing need caused by the use of other appliances (dish washers, air conditioners, etc.)

b) Electricity consumption for cooking is typically peak, at around meal times, and this type of consumption is in conflict with the generation of electricity, which cannot be stored. Conversely gas is a storable energy resource that is available *on demand*.

c) Throughout the world the cooking market increasingly requires high power and numerous cooking points (plates/burners) to cook meals fast. In Europe hobs increasingly feature a fifth central burner of the 3-ring 3.8 KW type, which, together with the other four, take the total power available in a gas hob up to 11.3 kW.

In Italy an electrically fuelled hob always has to come within the limit imposed by the meter, which in the majority of cases is 3.3 KW, with only some connections featuring 4.5 KW or 6 KW of maximum power.

In Germany and in other countries the limit is even as high as 15 KW, due indeed to the need to fuel cooking appliances featuring high electricity consumption. Doing the same in Italy would make it necessary to build new conventional thermoelectric power stations (since nuclear power generation is banned by law) – difficult to accommodate in a territory that has already exceeded saturation point in terms of installations.

¹ "Carbon Futures for European Households, Environmental Change Institute, University of Oxford, study financed by the European Community (DG XVII) as part of the SAVE II programme (www.eci.ox.ac.uk/lowercf/naples/NAPLES2000-TF.pdf).

² "Labelling Domestic Ovens", Kevin Lane, Environmental Change Institute, University of Oxford, (SAVE II STUDY 4.1031/D/97-047)

Sabaf and the environment

Environmental impact

Materials used and product recyclability

SABAF'S main product lines – valves, thermostats and burners for domestic gas cooking appliances – feature high energy yields and the optimal use of natural resources. In fact, the use of combustible gas to produce heat in fact permits much higher yields than those achievable with electric cooking appliances.

SABAF products are also easily recyclable, as they are made almost entirely of brass, aluminium alloys, copper and steel.

The significant increase in the quantity of aluminium alloys and steel used is due to the growth in burner production and to full-scale operation of the blanking department, forming part of the burner lid production shop. The significant increase in the quantity of brass used is instead due to the increase in the production of valves and thermostats.

The European Community has recently issued the **RoHS Directive**. This directive restricts the use of certain hazardous substances in electrical and electronic equipment. This equipment category includes all domestic appliances, including gas cooking appliances (which are equipped with electronic ignition devices). SABAF has already checked that its products come well within the limits imposed by the directive.

In addition, SABAF products fully meet the requirements of the **2000/53/EC (ELV – end-of-life vehicles)** directive, i.e. their heavy-metal content (lead, mercury, cadmium, and chromium 6) is lower than the limits set by the directive.

Energy consumption

The increase in energy consumption was due to the following factors:

- Full-scale operation at the Ospitaletto site of the centralised extractor system for removal of oil fogs produced by the mechanical processing department and of the plant for recovering and separating brass chips from processing oil – with the latter also

permitting re-utilisation of processing oil. The introduction of these two systems (not present at the Lumezzane factory) has made it possible to improve the workplace environment and reduce the environmental impact of the mechanical processing department's activities. We estimate that the two systems' electricity consumption accounts for 5.4% of total electricity consumption

- Increased production of burner lids.

Materials used

Kg	2001	2002	2003
Brass			
	3,605,000	3,849,250	4,470,685*
Aluminium alloys			
	3,600,000*	4,785,550*	4,951,586*
Zamak			
	85,500	53,660	81,000
Steel			
	56,400	121,610	2,095,221
*Including outside suppliers			

Electricity consumption

KWh	2001	2002	2003
Via Rango (Lumezzane)			
	3,455,600	798,310	32,530
Via Tito Speri (Lumezzane)			
	332,550	86,400	-
Ospitaletto			
	6,314,250	12,986,713	15,950,873
Villa Carcina			
	194,600	83,500	-
Total			
	10,297,000	13,954,923	15,983,403

Sabaf and the environment

Environmental impact

Natural gas consumption

The decrease in natural gas consumption vs. 2002, despite the increase in burner production, reflects (a) optimisation of consumption achieved in the pressure die-casting department and (b) the benefits of transfer to just one location of all production and administration departments (in 2002 we completed transfer of production departments from the Lumezzane and Villa Carcina factories to the Ospitaletto site).

Water consumption

The drastic reduction in total water consumption has been achieved thanks to use at the Ospitaletto site of a cooling system for superfinishing machines based on a totally closed circuit – contrary to the Lumezzane system which required discharge into drains of part of the water used.

The increase in the consumption of well water at the Ospitaletto site was basically due to start-up, as from the latter months of 2002, of the lid enamelling plant.

Waste

Chips and waste resulting from the manufacturing process are identified and collected separately, for subsequent recycling or disposal. Chips from brass, aluminium and steel processing and leftovers from die-casting of aluminium are directly reutilised in processing.

Waste for disposal and recycling are summarised below.

The decrease in urban-type waste vs. 2002 was a consequence of the transfer to just one location of all production and administrative departments.

The rise in non-hazardous waste for disposal was partly due to periodical cleaning of the septic tanks and rain-water separating vats. The increase in non-hazardous waste for recycling was instead largely due to activation of the lid-blanking department.

Natural gas consumption

(m ³)	2001	2002	2003
Via Rango (Lumezzane)			
	112,596	72,387	5,526
Via Tito Speri (Lumezzane)			
	34,353	21,956	-
Ospitaletto			
	1,261,211	2,156,336	2,158,977
Villa Carcina			
	33,618	16,682	-
Total			
	1,441,778	2,267,361	2,164,503

Water consumption

(m ³)	2001	2002	2003
Via Rango (Lumezzane)			
Mains water	2,626	763	16
Well water	111,588	47,780	269
Via Tito Speri (Lumezzane)			
Mains water	523	238	-
Ospitaletto			
Mains water	2,735	11,325	14,011
Well water	11,673	17,863	18,522
Villa Carcina			
Mains water	203	130	-
Sub-total	6,087	12,456	14,027
Sub-total	123,261	65,643	18,791
Total	129,348	78,099	32,818

Sabaf and the environment

Environmental impact

The increase in hazardous waste was in part caused by the increase in burner production and in part by full-scale operation of the lid enamelling plant.

As part of its 2003 environmental programme, SABAF defined some environmental performance indicators, selecting those considered to be most meaningful, for which it has set itself specific objectives.

As far as waste is concerned we have calculated the **hazardous waste prevalence index**, based on the ratio of hazardous waste produced in the year to total waste (H/total). SABAF'S objective is to keep the annual quantity of hazardous waste at less than 70% of total waste (hazardous + non-hazardous) produced.

Cartridge recycling

In May 2004 SABAF jointed the "HP Planet Partners" programme for collection and recycling of HP Laserjet and ink jet printing cartridges, which involves all offices in the company.

A special bin called Eco-box HP has been placed at the Ospitaletto site to which all the various offices' used cartridges go, thus avoiding dispersion of a considerable volume of waste in landfills.

Hewlett Packard collects the material gathered and sends the HP Laserjet cartridges to a recycling unit based in France, where over 95% of material is subsequently recycled and re-used. The ink jet cartridges are sent to a unit in Germany where, depending on the model, they are broken down into their individual components and then recycled up to 70% of the weight of each cartridge.

The metals and plastics coming from the material recovered are used to produce a vast range of new products, while parts that are not reusable undergo disposal according to environmentally friendly criteria. For the collection and recycling of non-HP fax, photocopier and printer cartridges, since 2002 SABAF has already been using a paid service managed by Canon.

Waste

amounts in Kg		
2001	2002	2003
Urban-type waste		
148,200	207,230	176,490
Non-hazardous (for disposal)		
2,607	172,840	688,935
Non-hazardous (for recycling)		
414,611	577,617	1,347,048
Total non-hazardous waste		
417,218	750,457	2,035,983
Hazardous (for disposal)		
1,448,572	2,413,069	3,786,733
Hazardous (for recycling)		
22,030	8,240	-
Total hazardous waste		
1,470,602	2,421,309	3,786,733

Waste prevalence index Hazardous/non

Environmental Item	Waste
Actual or potential impact	Pollution caused by waste
Origin of impact	Entire site
Index level for specific impact	H/total = 63.1
date level recorded	2003
Objective	H/total = < 70

Sabaf and the environment

Environmental impact

Atmospheric emissions

Most of the atmospheric emissions released by SABAF derive from activities defined as producing "negligible pollution". The efficiency of purification systems is assured by their regular maintenance and periodic monitoring of all emissions, which have so far shown themselves to be well within legal limits.

The following table summarises the results of analysis of the main emissions and shows the objects that SABAF has set itself for atmospheric emissions.

CO₂ missions caused by combustion of natural gas*

2001	2002	2003
Tonnes of CO ₂		
3,066	4,822	4,603

* Calculations performed according to the guidelines given in "Revised 1996 IPCC guidelines for National Gas Inventories".

The lessening in CO₂ emissions in 2003, regarding 2002, is in line with the smaller consumption of natural gas thanks to optimisation of consumption achieved in the pressure die-casting department and the benefits of transfer to just one location of all production and administration departments. The use of natural gas to power the smelting furnaces leads to the emission of NOX (nitrogen oxides) and SOX (sulphur oxides) into the atmosphere but in insignificant quantities.

The use of a relatively clean fuel such as natural gas in combustion processes, enables SABAF to contribute only marginally to national emissions of greenhouse gases. In fact, annually an average of over 500 million tonnes of CO₂ equivalent have been emitted in Italy (source: ANPA).

There are no emissions of the so-called greenhouse gases CH₄ (methane), N₂O (nitrogen dioxide), HFCs (hydrofluorocarbons), and SF₆ (sulphur hexafluoride).

Sabaf and the environment

Environmental impact

ENVIRONMENTAL ITEM	ACTUAL OR POTENTIAL IMPACT	
Atmospheric emissions	Air pollution	
ORIGIN OF IMPACT	INDEX LEVEL for specific impact and DATE level recorded	OBJECTIVE
Unit . A: extractor for pressure die-casting islands	iE _E ³ = 16.1 (02/2003)	Remain 50% below legal limits and therefore maintain iE _{En} < 50
Unit . A: extractor for smelting furnace	iE _E = 17.0 (02/2003)	
Unit . A: sand blaster	iE _E = 20.5 (02/2003)	
Unit . A: extractor for bar-processing lathes	iE _E = 0.2 (02/2003)	
Unit . A: extractor for furnace scorification	iE _E = 3.3 (02/2003)	
Unit . A: metal parts washing machine	iE _E = 7.1 (02/2003)	Remain 80% below legal limits and therefore maintain iE _{En} < 80
Unit . B: extractor for transfer machines/lathes	iE _E = 4.8 (07/2002)	Maintain iE _{En} < 50
Unit . B: metal parts washing machine	iE _E = 32.3 (07/2002)	Maintain iE _{En} < 80
Unit . B: extractor for welding fumes	iE _E = 2.2 (07/2003)	Maintain iE _{En} < 50
Unit . B: electrical discharge machining eqpt.	iE _E = 20.0 (07/2002)	
Unit . B: extractor for grinders	iE _E = 9.3 (07/2002)	
Unit . C: sand blaster	iE _E = 8.7 (05/2003)	Maintain iE _{En} < 50
Unit . C: enamel firing furnace	iE _E = 21.0 (05/2003)	Maintain iE _{En} < 80
Unit . C: enamel application cabin	iE _E = 55.7 (05/2003)	
Unit . C: enamel drying furnace	iE _E = 35.7 (05/2003)	
Unit . C: hook drying furnace	iE _E = 75.7 (05/2003)	

³ Emission index, given by the ratio between the average emission level recorded and the legal limit.

Sabaf and the environment

Environmental investments

Spending and investments

The big increase in safety investments was due both to work done (a) to improve the workplace environment (installation of air coolers in production departments, modification of washroom and toilet facilities, enhancement of the lighting of certain departments, and division of some apertures to minimise the entry of cold draughts of air during the winter) and (b) to improve workers' safety conditions and health protection (installation of new guards on machinery and improvement of those already in place, purchase of equipment for handling loads, and improvement of general safety conditions in departments).

The significant environmental investment was instead due to installation of new extractor and treatment systems for oil fogs in a shed owned by SABAF and rented to two suppliers, and to the creation of specific areas for temporary storage of waste duly waterproofed and equipped with systems for the collection and treatment of waste matter in the case of accidental spillage.

Plant for transportation and treatment of chips and oil-based cooling lubricant

Thanks to the transportation and treatment system for metal chips and oil-based cooling lubricants, it is possible to guarantee **a working environment that is more comfortable** (the system avoids dispersion of oil and chips on the floor) **and safer** (it eliminates the movement of trolleys containing chips and lubricants). The system consists of four dredging conveyor channels 45 metres long, which flow into a single 75 metre-long dredging conveyor, which in turn collects and transports lubricant and chips to the treatment area. At the end of the conveyor, the oil is fed into decanting and filtering tanks, while the chips are transported to the centrifugation plant, from which oil comes out that returns to the decanting and filtration tanks (with a maximum oil residue of 1.5%), and "dry" chips. The dry chips are transported to storage silos, from where they are sent for recycling into brass bars. The oil is redirected to the machine tools by means of a pumping station that has a flow

Environmental and occupational health & safety spending

Amounts in €		
2001	2002	2003
Safety-related plant, equipment and materials		
2,734	8,327	12,930
Environment-related plant, equipment and materials		
1,136	-	2,384
Personal protective equipment (PPE)		
20,970	36,942	40,826
Outside training		
3,331	3,742	-
Management of safety/environment system (outside consultants)		
13,587	13,587	18,977
Analyses of workplace environment		
-	5,894	3,110
Analyses of emissions		
16,062	9,741	13,300
Medical check-ups (including pre-hire check-ups)		
16,724	16,104	14,393
Waste disposal		
129,473	231,110	313,558
Software and database		
1,007	178	640
TOTAL		
205,024	325,625	420,116

Environmental and occupational health & safety capital investments

Amounts in €		
2001	2002	2003
Safety-related plant, equipment and materials		
-	25,010	201,970
Environment-related plant, equipment and materials		
-	233,954	82,500
TOTAL		
-	258,964	284,470

Sabaf and the environment

Environmental investments

capacity of 8,000 litres/minute and a filtering capacity of 50 microns. This system helps improve machinery's performance (the oil arrives at the machines cooler and cleaner), whilst eliminating the burdensome task of cleaning the machines' vats, which was previously done manually on a weekly basis.

Extractor system

All SABAF'S machines have been equipped with an extractor system that, after passing through the filtering assembly, draws in the air and routes it to the outside. Once again this investment permits **significant improvement in the quality of the workplace environment**. The extractor system is split into two branches. One is devoted to the multi-spindled machines and is equipped with a centralised filtering group placed at the end of the extraction duct. It has a maximum capacity of 24,000 cubic metres/hour. The other is devoted to the transfer machines and draws in the downstream emissions of the machines' purification systems, expelling them to the outside. It has a maximum capacity of 80,000 cubic metres/hour.

The plant is controlled by a PLC system, which, depending on the number of machines in use, regulates the power provided to motors, thereby reducing energy consumption to the bare minimum necessary.





07

06 Stakeholder
feedback
system >

05

04

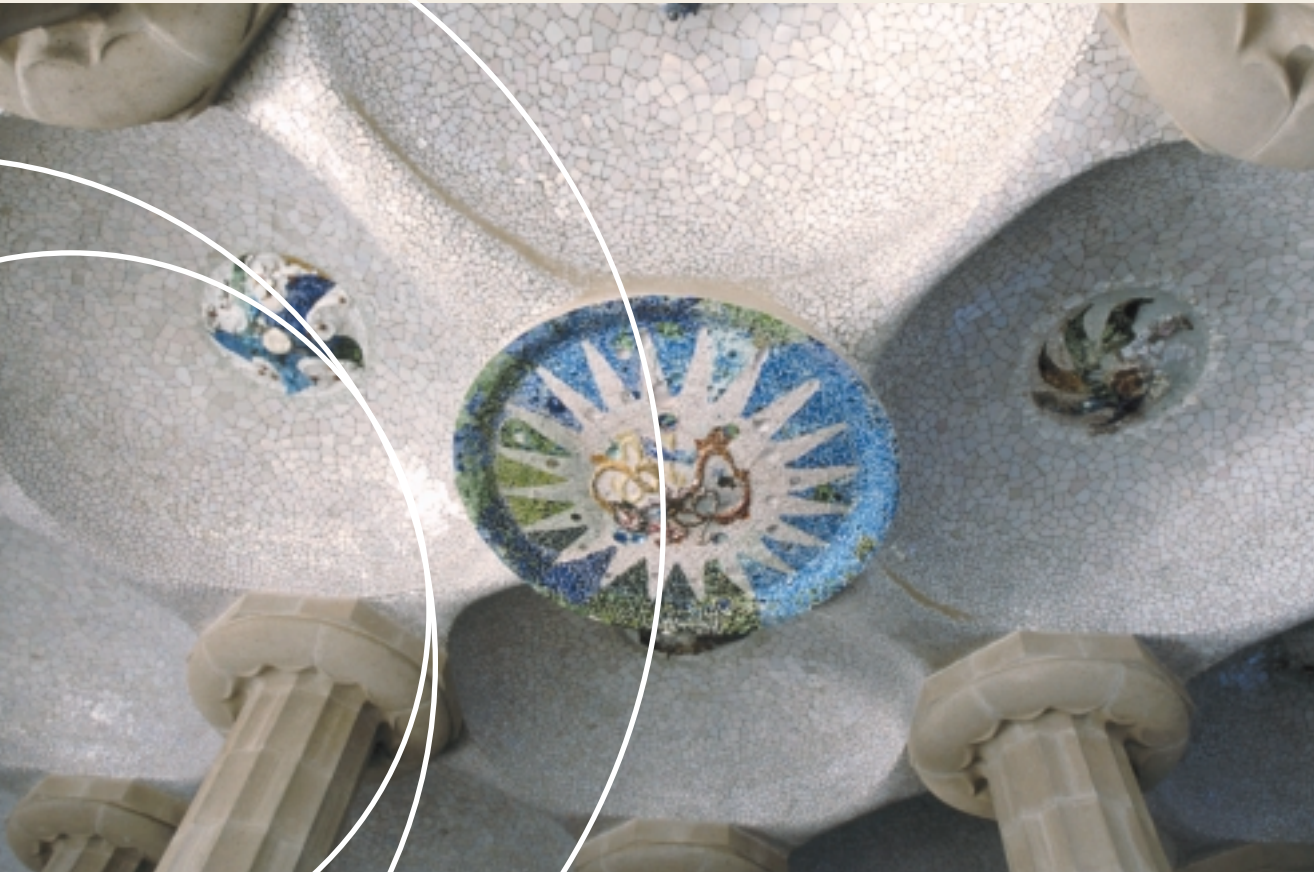
03

02

01



06



— **06** Stakeholder
Feedback
System



Stakeholder feedback system

An enterprise model incorporating CSR cannot be “self-certifying” but must necessarily open its doors to assessment by stakeholders and work on its commitment to them.

Well aware of the strategic importance of the stakeholder feedback system, once again this year Sabaf has decided to submit the company’s conduct vis-à-vis stakeholders and the CSR report for evaluation by the various stakeholders themselves.

Feedback methods

In the first half of 2004 Sabaf performed a customer satisfaction survey using a questionnaire. In addition, the company organised two discussion panels in June 2003 with outside staff and suppliers¹, followed by a further two discussion panels in September 2004, one with internal and external trade union representatives and the other with various categories of stakeholders.

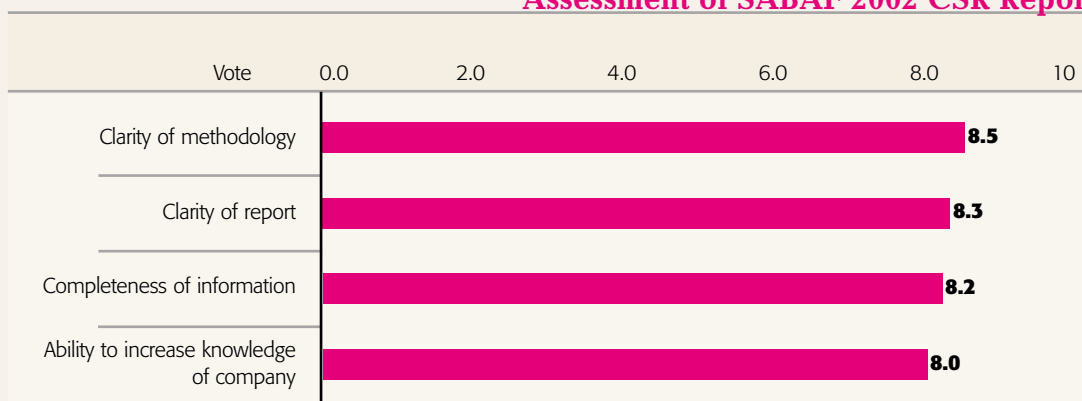
Customer feedback

As reported in the section on “Sabaf and its customers” (page 91), Sabaf performed a second customer satisfaction survey, sending an assessment questionnaire to 21 customers – accounting for 80% of Sabaf sales.

The last section of the questionnaire focused on the “Degree of awareness of Sabaf’s CSR report and of Sabaf’s commitment in socially responsible activities”.

43% of participants stated that they had read the 2002 CSR Report and the average rating² of the items analysed was as follows:

Assessment of SABAF 2002 CSR Report



¹ The results of these meetings were shown in the 2002 CSR Report.

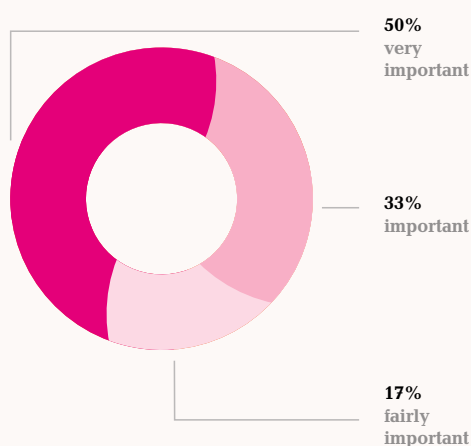
² The chart shows the arithmetical average of the assessments received based on the following scale: Excellent: 10 and 9; Good: 8 and 7; Fair: 6 and 5; Mediocre: 4 and 3, Poor: 2 and 1.

Stakeholder feedback system



As regards the question investigating the importance set by customers on the fact that a company behaves in a socially responsible manner, this was answered by the 43% of those completing the questionnaire and led to the following assessment:

Value set on social responsibility



No customer judged corporate social responsibility to be not very important or unimportant.

Lastly, 50% of the customers answering the questionnaire responded to the question concerning the existence of possible advantages of working with a socially responsible supplier – and in all cases the

answer was positive. Some advantages highlighted referred to the possibility of the customer company being encouraged to embark on a socially responsible course, others highlighted the fact that social responsibility increased supplier reliability and, consequently, customer satisfaction, and other benefits referred to the possibility – given by the CSR Report – of sharing information.

Trade-union representatives' panel

In September 2004 Sabaf invited the provincial and company representatives of the CISL-FIM, CGIL - FIOM, and UIL – UILM trade unions to take part in a panel to discuss the draft of the 2003 CSR Report.

All participants (four outside and four internal trade-union representatives) had received the draft document beforehand. The main purposes of the meeting were to:

- > Analyse the clarify, completeness and usefulness of the CSR Report, with special reference to the section "Sabaf and its staff"
- > Assess the company's commitment and the results achieved in the last four years;
- > Verify the degree of the report's response to workers' legitimate expectations;
- > Involve stakeholders in a participatory manner in the improvement process;

Sabaf's aim, in organising this meeting, was to understand staff's perception of the steps being taken by the company along the path of socially responsible management and to gather all observations able to ensure an increasingly close match between company choices plus the CSR Report and staff's needs.

The meeting revealed trade union representatives' interest in and appreciation of Sabaf's initiatives in the last few years and trade unions' desire to be more deeply involved in order to spread, together with management, the social responsibility culture in the territorial area concerned and to foster greater staff participation.

The internal trade union representatives proposed performance of a new analysis of company climate to

Stakeholder feedback system

help the company understand any symptoms of staff discomfort and/or dissatisfaction, and also proposed increasing the number of meetings between the company's Prevention & Protection Officer and the workers' Safety Officers.

As regards the contents of the draft 2003 CSR report, participants expressed a positive opinion, appreciating the company's effort to make the report increasingly detailed year after year. They asked for the section concerning labour relations to be further enriched by including more information on company/trade-union meetings).

During the panel discussion participants made precise observations concerning the benchmark data and methods used to calculate some indicators in the sub-section on "Employee health and safety". These observations made it possible to fine-tune the report before its publication.

External stakeholders – the Milan panel

Sabaf also sent the draft of its 2003 CSR Report to a highly qualified representative selection of its main external stakeholders, then inviting them to take part in a discussion panel held in September at the Milan Bourse (Borsa Valori di Milano).

The panel featured the participation of 35 stakes belonging to the following categories: customers, consumers, universities, financial community, media, the community, and non-profit organisations (see table later on).

Panel participants showed keen interest in the issue of social responsibility and expressed highly positive opinions on the contents of the Sabaf CSR Report, as regards its clarity, completeness and consistency over the years. The report was defined as being one of the best examples in the field.

Participants considered the approach adopted by the company to be a sound benchmark also for other companies, and several of them indicated the need to increasingly encourage Italian companies to adopt similar social-responsibility processes.

The items for which clarification was requested from, or on which observations were made to, company management were:

the relationship between company management and owners; the R&D policy; the staff hiring and promotion policy; the reason for the high rate of hours of absence compared with the sector average; the possibility of including figures more strictly of a business and financial type in the section concerning "Sabaf and its competitors"; the way in which social responsibility is disseminated in the territorial area concerned; the possibility of measuring progress over time of achievement of improvement objectives; examples of the ethical dilemmas experienced by company management to be included in the CSR report; the future intention of developing a group CSR report; the possibility of reducing the gap, in terms of timing, between publication of the Annual Report and of the CSR Report.

All features of the CSR Report on which stakeholders expressed perplexity were subsequently reviewed by our Corporate Social Responsibility Task Force.



Stakeholder feedback system

Participants of Milan discussion panel

AIAF (Italian Association of Financial Analysts)
Aiesec (International Association of Students in Economics and Business Sciences)
Ambiente Cucina magazine
Apparecchi elettrodomestici magazine
Banca d'Italia (company managing Milan Bourse)
Borsa Italiana
Cittadinanzattiva (active citizenship movement)
Commerzbank
Etica Sgr
Eticare
ICM Advisors
IR Top
Merloni elettrodomestici
OSIF (Osservatorio sulla Sostenibilità dell'Impresa e della Finanza)
Rasbank
Saf Adl
SANPAOLO IMI
SDA Bocconi (business school)
Sodalitas
UBS (Italia) S.p.A.
Università degli Studi di Brescia – Economics & Business Faculty
Editoriale Vita

Consistently with the socially responsible management process undertaken by Sabaf, some of the ideas for improvement emerging from the discussion panel meetings have been included in Chapter 07 "Proposal for Improvement", whilst others are being reviewed by the Corporate Social Responsibility Task Force.

06

05

04

03

02

01





— 07 Proposal for improvements >

Proposal for improvement

The process for socially responsible management (PROGRESS)

With ProGReSS©, Sabaf will continue its practical pursuit of excellence consistently with its corporate mission.

More specifically, for 2004/2005 Sabaf intends to achieve the following improvements in its operating systems:

Action on occupational safety and workplace environment

Sabaf is committed to taking further action to improve the workplace environment. Specifically, it will install new cooler devices in the departments for valve sanding, enamelling, processing, fine-finishing and assembly, and new air conditioners in the burner assembly area.

The company intends to make the flow of information between the company's Prevention & Protection Officer and the workers' Safety Officers more effective.

Maintenance of the environmental management system complying with the ISO14001 standard

The company will continue to seek maximum staff involvement in the improvement of environmental performance, with special reference to the separate of waste to aid disposal or recycling. In addition, Sabaf intends to invest in a plant for recovery of foundry and enamelling water used into processing in order to reduce water consumption and the quantity of waste produced..

Training and communication

Sabaf undertakes to assure maintenance of high qualitative and quantitative standards of training and to continue projects designed to aid internal communication ("Taking Values to Heart" project and quarterly publication of the Sabaf Magazine). The company aims to equip itself with an intranet

network to support operating and corporate information activities.

SA8000 certification

Sabaf intends to complete the process (internal self-assessment, preparation of missing procedures, and evaluation by the certification organisation) necessary to obtain certification of compliance with the requirements of the SA8000 standard.

Analysis of company climate

The company will perform a new survey of the internal company climate identifying the standard of quality of Sabaf's organisational environment, in the belief that staff satisfaction is an asset to be monitored and safeguarded to ensure the company's wellbeing. The results of the survey will be published in the new CSR report.

Performance indicators

Sabaf will continue its project analysing intellectual capital, refining the indicators identified thus far. The company intends to define specific targets for indicators, in order to measure progress in achieving improvement objectives.



Proposal for improvement

2004 Corporate Social Responsibility Report

Sabaf will continue to seek to meet the best international practices when preparing its CSR report. Furthermore, as a result of the suggestions emerging from the stakeholder discussion panels, in the 2004 CSR Report the company will include:

- > Greater information on other companies in the Sabaf Group;
- > In the section on "Sabaf and its staff", a more detailed report on labour relations and on the issues discussed by management and trade union representatives;
- > After having ascertained whether they exist, further data comparing Sabaf and its competitors.

Attestation of procedural compliance



Revisione e organizzazione contabile

KPMG S.p.A.
Piazzale della Repubblica, 4
24122 BERGAMO BG

Telefono 035 240218
Telefax 035 240220
e-mail: it-fmauditaly@kpmg.it

(Translation from the Italian original which remains the definitive version)

Report of the auditors on the social report Attestation

To the board of directors of
SABAF S.p.A.

- 1 We have carried out the compliance procedures and analyses on the social report of the SABAF S.p.A. at 31 December 2003, described in paragraph 2 of this report.

The aim of the procedures was to evaluate the board of directors' statement, included in the paragraph entitled "Methodology" of social report of SABAF S.p.A. at 31 December 2003, that such report was prepared in compliance with the guidelines established by GRI – Global Reporting Initiative – with the guidelines established by the Study Group on Social Accounting – Italian format for the preparation of social reports – and the principles promulgated by AA1000 – Accountability 1000. The preparation of the social report in line with such principles is the responsibility of the SABAF management.

- 2 Our engagement was performed in accordance with the International Auditing Standards issued by the International Federation of Accountants (IFAC) applicable to these engagement and the standards issued by AA 1000 Assurance Standard. These standards require that we plan and perform our procedures so as to be in a position to evaluate the board of directors' statement referred to in paragraph 1.

The procedures we performed were the following:

- verifying that the financial figures and information included in the social report are consistent with those included in the financial statements of SABAF S.p.A. and in the consolidated financial statements of SABAF Group as at and for the year ended 31 December 2003, approved by the board of directors and audited by another audit company.
- analysing how the processes underlying the generation, recording and management of quantitative data operate. In particular:
 - interviews and discussions with management delegates and personnel of the company, to obtain an overview of the company's activity, to gather information on the IT, accounting and reporting system used in preparing the social report;
 - sample-based analysis of supporting documentation used in preparing the social report to confirm the reliability of the interview-derived information, as well as the effectiveness of processes and their adequacy in relation to business objectives, and that the internal control system correctly manages data and information;



KPMG S.p.A., an Italian limited liability share-capital company,
is a member firm of KPMG International, a Swiss incorporation.

Milano Ancona Bari Bergamo Bologna Bolzano
Brescia Catania Cuneo Firenze Foggia Genova Lecce
Livorno Padova Palermo Perugia Pescara
Pescara Roma Torino Trieste Udine Venezia Verona

Società per azioni
Capitale sociale Euro 6.000.000.000,00
Registro Imprese Milano e Codice Fiscale
N. 02108001518
R.E.A. Milano N. 122867
P.I. N. 02108001518
Sede legale: Via Vittor Pisani, 25 - 20124 Milano MI



Sabaf S.p.A.
Attestation
31 December 2003

- analysing the completeness of the qualitative information included in the social report and its consistency throughout. This activity was carried out in line with the previously-mentioned guidelines;
 - verifying the stakeholders' involvement process, in terms of the methods used and analysis of the minutes summarising the salient features arising from meetings held with them and comparing them with the information disclosed in the social report;
 - obtaining the representation letter signed by SABAF S.p.A.'s legal representative on the reliability and completeness of the social report and on the information and data contained therein.
- 3 Based on the procedures listed in paragraph 2, we believe that the social report of the SABAF S.p.A. at 31 December 2003 complies with the preparation guidelines described in the paragraph 1. Moreover, the financial figures and information contained in the social report are consistent with the documentation we were provided with, and meet the content requirements established by the guidelines governing social report preparation.

Bergamo, 30 September 2004

KPMG S.p.A.

(Signed on the original)

Stefano Azzolari
Director of Audit

Table of contents according to the GRI, GBS and Italian Welfare Ministry guidelines

		GRI	GBS	IWM	SABAF
GRI Code	INDICATOR	Guidelines			Section of 2003 CSR Report
1. VISION AND STRATEGY					
1.1	Statement of the organisation's vision and strategy concerning its contribution to sustainable development	●	●		Corporate identity
1.2	Letter from the CEO (or equivalent manager) on key elements of the report	●			Letter from the CEO
2. PROFILE					
Organisational Profile					
2.1	Organisation's name	●	●	●	Corporate identity
2.2	Main products and/or services	●	●	●	Corporate identity
2.3	Operating structure	●	●		Corporate identity
2.4	Description of main divisions, operating companies, subsidiaries, and joint ventures	●	●	●	Corporate identity
2.5	Countries where activities are located	●	●	●	SABAF and its customers
2.6	Ownership structure, legal-entity type	●	●	●	Corporate identity
2.7	Nature of markets served	●	●	●	Corporate identity
2.8	Size of organisation	●	●	●	SABAF and its staff; Economic performance; SABAF and its staff
2.9	List of stakeholders: main characteristics of each and relationship with company	●	●	●	Social performance
Scope of Report					
2.10	Contacts and addresses to obtain information on CSR report (e-mail address, Web site)	●			Inside cover ^a
2.11	Reporting period for information supplied	●			Corporate identity
2.12	Date of publication	●			Introduction
2.13	Consolidation area	●			Methodology preface
2.14	Significant changes occurring in size, structure, ownership or in products/services since preparation of the previous report	●			n.ap.
2.15	Unusual factors that may have significantly affected comparability between periods and/or organisations	●			n.ap.
2.16	Explanation of the nature and effects of each adjustment to information provided in the previous report, plus the reasons for such adjustments	●			n.ap.
Report Profile					
2.17	Decision not to apply GRI principles or protocols in preparing the report.	●			n.ap.
2.18	Criteria and definitions used in all accounts concerning environmental and social costs and benefits	●			n.a.
2.19	Significant changes in data measurement methods	●			n.ap.
2.20	Internal policies and practices for improvement and review as regards the report's accuracy, thoroughness, and reliability	●			Sustainability governance
2.21	Current policies and practices concerning provision of external auditing for the entire report.	●	●		Attestation of procedural compliance
2.22	Other sources of information on economic, social, and environmental aspects of organisation's business	●			Annual and interim reports; Web site
ADDITIONAL GBS INDICATORS					
Institutional set-up			●		Corporate identity/Sustainability governance

(*) : Italian Welfare Ministry

n.ap.: indicator not applicable because it is not relevant for SABAF or because the figure requested is zero.

n.a.: information not available.

Table of contents according to the GRI, GBS and Italian Welfare Ministry guidelines

2003 social
report

		GRI	GBS	IWM*	SABAF
GRI Code	INDICATOR	Guidelines			Section of 2003 CSR Report
Key values			●		Corporate identity
Mission			●		Corporate identity
3. GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS					
Structure and Governance					
3.1	Structure of organisation's governance	●		●	Sustainability governance
3.2	Percentage of BoD members that are independent, non-executive managers	●			Sustainability governance
3.3	Process for determining competence required by BoD members to guide strategic management of organisation	●			Sustainability governance
3.4	Processes at Board level control identification and management by the company of environmental and social risks and opportunities	●			Sustainability governance
3.5	Link between management compensation and achievement of the organisation's financial and non-financial objectives	●			Sustainability governance
3.6	Organisational structure and key people for control, implementation, and auditing of related economic, environmental and social policies	●			Sustainability governance
3.7	Commitments concerning mission and stated values, plus progress status	●			Introduction
3.8	Mechanisms available to shareholders to make recommendations or give directions to the BoD	●			SABAF and its shareholders
Stakeholder Involvement					
3.9	Principles for identifying and selecting the main stakeholders	●	●		Social performance
3.10	Approaches for stakeholder consultation	●	●	●	Feedback System
3.11	Types of information emerging from consultations with stakeholders	●	●		Feedback system
3.12	Use of information generated by stakeholder involvement	●			Improvement objectives
Management Policies and Operating Systems					
3.13	Explanation of whether or how the precautionary principle or approach is handled by the company	●			Corporate identity
3.14	Externally developed voluntary codes of conduct concerning environmental, economic and social performance, and sets of principles or other initiatives that the organisation supports or applies	●		●	Corporate identity – Sustainability governance
3.15	Main industry and business associations to which company belongs, and/or key national/international lobby groups	●			Corporate identity
3.16	Policies and/or systems for management or upward and/or downward impact	●			SABAF and its suppliers; Environmental performance
3.17	Organisation's approach to management of the indirect economic, environmental and social impact of its business	●			Environmental performance
3.18	Decisions taken during the reporting period concerning localisation or changes in localisation of activities	●			Corporate identity
3.19	Objectives, programmes and procedures concerning economic, environmental and social performance	●	●		Proposal for improvement
3.20	Status of certification concerning environmental, economic and social management systems	●		●	SABAF and its customers; Environmental performance
ECONOMIC PERFORMANCE INDICATORS					
Direct economic impacts					
Customers					
EC1 Core	Net sales	●	●	●	Economic performance
EC2 Core	Geographical breakdown of markets	●			SABAF and its customers

Table of contents according to the GRI, GBS and Italian Welfare Ministry guidelines

		GRI	GBS	IWM	SABAF*
GRI Code	INDICATOR	Guidelines			Section of 2003 CSR Report
Suppliers					
EC3 Core	Cost of all goods, raw materials, and services purchased	●			Economic performance
EC4 Core	Percentage of contracts paid within agreed terms, with exclusion of agreed compensation	●			SABAF and its suppliers
EC11 Additional	Detail of supplies by organisation and country	●			SABAF and its suppliers
Staff					
EC5 Core	Total remuneration and benefits	●			SABAF and its staff
Financiers					
EC6 Core	Remuneration of suppliers of capital	●			Economic performance
EC7 Core	Increase/decrease in retained earnings at end of period	●			Economic performance
Public Sector					
EC8 Core	Total taxes paid, split by country	●	●		SABAF and PA
EC9 Core	Subsidies received by country or region	●	●	●	n.ap.
EC10 Core	Donations to community, civil society and other groups	●	●	●	SABAF and the community
EC12 Additional	Total expenditure borne for the development of infrastructures not linked to the core business	●			n.ap.
Indirect Economic Impact					
EC13 Additional	Organisation's indirect economic impact	●			Environmental performance
ADDITIONAL GBS INDICATORS					
Algebraic equivalence and squaring with general accounts			●		Economic performance
Statement of value-added calculation			●		Economic performance
Statement of value-added allocation to stakeholders			●		Economic performance
ENVIRONMENTAL PERFORMANCE INDICATORS					
Raw Materials					
EN1 Core	Total raw materials used, water excluded, by type.	●	●	●	Environmental performance
EN2 Core	Percentage of total materials used consisting of waste (processed or otherwise) or third-party organisations	●		●	n.a.
Energy					
EN3 Core	Direct energy utilisation	●	●	●	Environmental performance
EN4 Core	Indirect energy utilisation	●		●	Environmental performance
EN17 Additional	Initiatives for utilisation of renewable energy sources and to increase energy efficiency	●		●	n.a.
EN18 Additional	Energy consumption profile of main products	●			Environmental performance
EN19 Additional	Other indirect uses of energy and various implications	●			n.ap.
Water					
EN5 Core	Total water utilisation	●	●	●	Environmental performance
EN20 Additional	Sources of water and related ecosystems/habitats significantly involved in water utilisation	●			Environmental performance
EN21 Additional	Annual procurement of underground and surface water as a percentage of the total annual renewable quantity available from sources	●			n.ap.
EN22 Additional	Water recycling and total re-utilisation	●			n.ap.

(*) : Italian Welfare Ministry
n.ap.: indicator not applicable because it is not relevant for SABAF or because the figure requested is zero.
n.a.: information not available.

Table of contents according to the GRI, GBS and Italian Welfare Ministry guidelines

2003 social
report

		GRI	GBS	IWM	SABAF
GRI Code	INDICATOR	Guidelines			Section of 2003 CSR Report
Biodiversity					
EN6 Core	Location and size of any land owned, rented or managed in habitats rich in biodiversity	●			n.ap.
EN7 Core	Description of the main effects on biodiversity related to activities and/or to products and services in onshore, fresh-water, and sea-water environments	●			n.ap.
EN23 Additional	Total amount of land owned or managed for production or mining activities	●			n.ap.
EN24 Additional	Amount of impermeable areas as a percentage of land owned or rented	●			n.ap.
EN25 Additional	Impact of plant and activities on protected and sensitive areas	●			n.ap.
EN26 Additional	Changes in natural habitats caused by activities and plant and percentage of habitats protected or restored	●			n.ap.
EN27 Additional	Objectives, programmes and targets to protect and restore ecosystems and native species in degraded areas	●			n.ap.
EN28 Additional	Number of species listed in the IUCN (World Conservation Union) Red List with habitats in areas with plant involvement	●			n.ap.
EN29 Additional	Company units currently operational or activities planned in/or around protected or sensitive areas	●			n.ap.
Emissions, Effluent, and Waste					
EN8 Core	Greenhouse gas emissions	●		●	Environmental performance
EN9 Core	Use and emissions of substances that erode ozone layer	●		●	n.ap.
EN10 Core	NOx, SOx and other significant atmospheric emissions, by type	●		●	Environmental performance
EN11 Core	Total amount of waste by type and destination	●		●	Environmental performance
EN12 Core	Significant discharges into water by type	●		●	n.ap.
EN13 Core	Significant spills of chemicals, oils and fuels in terms of total number or volume	●			n.ap.
EN30 Additional	Other significant greenhouse gas emissions	●			n.ap.
EN31 Additional	All production, transportation or import of all waste identified as "hazardous" by the terms of the Basle Convention	●		●	Environmental performance
EN32 Additional	Sources of water and related ecosystems/habitats significantly involved in water discharges and run-offs	●		●	n.ap.
Suppliers					
EN33 Additional	Suppliers' performance concerning the environmental components of programmes and procedures described in Section 3.16.	●			n.a.
Products and Services					
EN14 Core	Environmental impact of the main products and services	●			Environmental performance
EN15 Core	Percentage of weight of goods sold that is reclaimable at the end of the product's useful life and percentage currently reclaimed	●			n.ap.
Compliance					
EN16 Core	Accidents or fines for non-compliance with all applicable international declarations/conventions/treaties and national, regional and local regulations associated with environmental issues	●	●	●	n.ap.
Transportation					
EN 34 Additional	Significant environmental impact of transportation used for logistical purposes	●			n.ap.

Table of contents according to the GRI, GBS and Italian Welfare Ministry guidelines

		GRI	GBS	IWM*	SABAF
GRI Code	INDICATOR	Guidelines			Section of 2003 CSR Report
General					
EN35 Additional	General environmental expenditure by type	●			Environmental performance
ADDITIONAL GBS INDICATORS					
Community					
Environmental interests					
	Environmental and risk-management systems	●			Environmental performance
	Training and education	●			SABAF and its staff
ADDITIONAL INDICATORS OF ITALIAN WELFARE MINISTRY					
ENVIRONMENT					
	Environmental strategies and relationships with community			●	Environmental performance
SOCIAL PERFORMANCE INDICATORS					
LABOUR PRACTICES AND DECENT WORK					
Employment					
LA1 Core	Breakdown of workforce by:				
	Region/country	●	●	●	SABAF and its staff
	Status	●	●	●	SABAF and its staff
	Employment type (full-time, part-time)	●	●	●	SABAF and its staff
	Contract type (fixed-term, indefinite, temporary via agencies)	●	●	●	SABAF and its staff
LA2 Core	Net job creation and average staff turnover segmented by region/country	●	●	●	SABAF and its staff
LA12 Additional	Employee benefits besides those established by law	●		●	SABAF and its staff
Labour Relations					
LA3 Core	Percentage of employees who are card-carrying members of confederate trade-union organisations and of bona-fide independent organisations authorised to take part in bargaining	●	●	●	SABAF and its staff
LA4 Core	Policies and procedures for information and consultation of and negotiations with workers concerning changes in the organisation's activity	●	●		SABAF and its staff
LA13 Additional	Provisions for formal worker representation in the decision-making or management system, including corporate governance	●			n.ap.
Health and Safety					
LA5 Core	Practices for recording and notification of on-the-job accidents, and their match with the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases	●		●	SABAF and its staff
LA6 Core	Description of formal joint safety & health committees including management and worker representatives and the percentage of workforce covered by such committees	●			n.a.
LA7 Core	Standard injury, lost-time and absenteeism rates, and number of on-the-job accidents (including tasks contracted out)	●			SABAF and its staff
LA8 Core	Description of policies or programmes (both in and outside the workplace) concerning HIV/AIDS	●			n.ap.
LA14 Additional	Proof of substantial compliance with ILO Guidelines for Occupational Health Management Systems	●			SABAF and its staff
LA15 Additional	Description of formal agreements with trade unions and other bona-fide worker representatives to safeguard occupational health and safety	●			SABAF and its staff
Training and Development					
LA9 Core	Average annual training hours by worker category	●	●	●	SABAF and its staff
LA16 Additional	Description of programmes for ongoing worker training	●	●	●	SABAF and its staff
LA17 Additional	Policies and specific programme to manage skills and continuous learning	●		●	SABAF and its staff

(*): Italian Welfare Ministry

n.ap.: indicator not applicable because it is not relevant for SABAF or because the figure requested is zero.

n.a.: information not available.

Table of contents according to the GRI, GBS and Italian Welfare Ministry guidelines

2003 social
report

		GRI	GBS	IWM*	SABAF
GRI Code	INDICATOR	Guidelines			Section of 2003 CSR Report
Diversity and Equal Opportunities					
LA10 Core	Description of equal opportunity policies and programmes and also of monitoring systems to assure application, plus the results of monitoring	●	●	●	SABAF and its staff
LA11 Core	Composition of managers and of governance bodies (including BoD), including male/female ratio and other culturally appropriate diversity indicators.	●			SABAF and its staff
Human rights					
Strategy and Management					
HR1 Core	Description of policies, guidelines, corporate organisation and procedures concerning of respect of human rights relevant to the company business	●			Sustainability governance - SA8000
HR2 Core	Evidence of consideration of human-rights impact as part of investment and procurement decisions, including supplier selection.	●			SABAF and its suppliers
HR3 Core	Description of the policies and procedures for assessing and address human-rights performance in the supply chain	●			SABAF and its suppliers
HR8 Additional	Training of workers in the policies and practices concerning all aspects of human rights relevant to the organisation's business	●			Sustainability governance - SA8000
Non-discrimination					
HR4 Core	Description of global policies and procedures/programmes to prevent all forms of discrimination in operations	●			Sustainability governance - SA8000
Freedom of Association					
HR5 Core	Description of freedom of association and of to what extent this policy is universally applied also regardless of local legislation	●			Sustainability governance - SA8000
Child Labour					
HR6 Core	Description of the policies that exclude child labour, as described by ILO Convention 138 and of the extent to which this policy is visibly applied	●		●	Sustainability governance - SA8000
Forced or Compulsory Labour					
HR7 Core	Description of policies for the prevention of forced labour and indication of the extent to which this policy is visibly applied	●		●	Sustainability governance - SA8000
Disciplinary Practices					
HR9 Additional	Description of appeal practices including, but not limited to, human rights issues	●		●	SABAF and its staff
HR10 Additional	Description of non-retaliation policies and of effective, confidential employee grievance system	●			n.ap.
Security Practices					
HR11 Additional	Human-rights training for security personnel	●			SABAF and its staff
Rights of Indigenous People					
HR12 Additional	Description of policies, guidelines, and procedures to address indigenous people's needs	●			n.ap.
HR13 Additional	Description of jointly managed community grievance mechanisms/authority	●			n.ap.
HR14 Additional	Percentages of operating income from the area of operations redistributed to the local community	●			Economic performance
Society					
Community					
SO1 Core	Description of policies to manage impacts on communities in areas affected by activities, as well as of procedures / programmes to address this issue.	●			n.ap.
SO4 Additional	Awards received for the organisation's social, ethical and environmental performance	●			n.ap.

Table of contents according to the GRI, GBS and Italian Welfare Ministry guidelines

		GRI	GBS	IWM	SABAF
GRI Code	INDICATOR	Guidelines			Section of 2003 CSR Report
Corruption					
SO2 Core	Description of the policies, procedures, management systems, and response mechanisms for the organisation and staff as regards corruption	●			Sustainability governance – Charter of Values
Political Contributions					
SO3 Core	Description of the policy, procedures, management systems, and compliance mechanisms to manage political lobbying and contributions	●			n.ap.
SO5 Additional	Amount of money paid to political parties and institutions whose prime function is to fund political parties or their candidates.	●			n.ap.
Competition and Prices					
SO6 Additional	Court decisions regarding cases pertaining to infringements of antitrust and monopoly regulations	●			n.ap.
SO7 Additional	Description of policy, procedures, management systems, and compliance mechanisms for preventing anti-competitive behaviour.	●			n.ap.
Product responsibility					
Consumer Health and Safety					
PR1 Core	Description of policy for preserving consumer health and safety during use of products and services	●			Corporate identity - SABAF and its customers
PR4 Additional	Number and type of instances of non-compliance with regulations concerning consumers health and safety, including the penalties and fines assessed for these breaches	●	●	●	n.ap.
PR5 Additional	Number of complaints upheld by regulatory or similar official bodies that oversee or regulate the health and safety of products and services	●		●	n.ap.
PR6 Additional	Compliance with voluntary codes, product labels, or awards with respect to social/environmental responsibility that the company is qualified to use or has received	●		●	Sustainability governance
Products and Services					
PR2 Core	Description of policy, procedures, management systems, and compliance mechanisms related to product information and labelling	●			SABAF and its customers
PR7 Additional	Number and type of instances of non-compliance with regulations concerning product information and labelling, including any penalties assessed for these breaches.	●			n.ap.
PR8 Additional	Description of policy, procedures, management systems, and compliance mechanisms related to customer satisfaction, including results of surveys measuring customer satisfaction	●	●	●	SABAF and its customers
Advertising					
PR9 Additional	Description of policy, procedures, management systems, and compliance mechanisms for adherence to standards and voluntary codes related to advertising	●		●	n.ap.
PR10 Additional	Number and type of breaches of advertising and marketing regulations	●		●	n.ap.
Respect of Privacy					
PR3 Core	Description of policy, procedures, management systems, and compliance mechanisms for protection of consumer privacy	●		●	SABAF and PA
PR11 Additional	Number of substantiated complaints regarding breaches of consumer privacy	●			n.ap.
ADDITIONAL GBS INDICATORS					
Staff					
Policies and expected results consistent with benchmark values and mission			●	●	SABAF and its staff
Entity by age, gender, status, function and tenure			●	●	SABAF and its staff
Work organisation			●	●	Corporate identity
Social activities			●	●	SABAF and its staff
Remuneration and incentive system			●	●	SABAF and its staff
Information and communication			●	●	SABAF and its staff
Legal disputes and conflictuality			●	●	SABAF and its staff

(*): Italian Welfare Ministry

n.ap.: indicator not applicable because it is not relevant for SABAF or because the figure requested is zero.

n.a.: information not available.

Table of contents according to the GRI, GBS and Italian Welfare Ministry guidelines

2003 social
report

		GRI	GBS	IWM	SABAF*
GRI Code	INDICATOR	Guidelines			Section of 2003 CSR Report
Shareholders					
	Policies and expected results consistent with benchmark values and mission	●	●		SABAF and its shareholders
	Percent breakdown of equity among shareholders, split by legal type and nationality	●	●		SABAF and its shareholders
	Special benefits for shareholders	●	●		SABAF and its shareholders
	Return on capital employed	●	●		SABAF and its shareholders
	Shareholder participation in corporate governance and protection of minority interests	●	●		Sustainability governance
	Investor relations	●	●		SABAF and its shareholders
	Information and communication		●		SABAF and its shareholders
	Legal disputes and conflictuality	●			SABAF and its shareholders
Financiers					
	Policies and expected results consistent with benchmark values and mission	●	●		SABAF and its financiers
	Composition, type, and characteristics of financiers and financing	●	●		SABAF and its financiers
	Banking relationships	●	●		SABAF and its financiers
	Investor relations.	●			SABAF and its shareholders
	Information and communication	●			SABAF and its financiers
	Legal disputes and conflictuality	●			SABAF and its financiers
Customers					
	Policies and expected results consistent with benchmark values and mission	●	●		SABAF and its customers
	Characteristics and analysis of customer base and markets served	●	●		SABAF and its customers – Corporate identity (relevant context)
	Quality systems	●			SABAF and its customers
	Evaluation of customer satisfaction	●	●		SABAF and its customers
	Contractual terms	●			SABAF and its customers
	Information and communication	●			SABAF and its customers
	Legal disputes and conflictuality	●			SABAF and its customers
Suppliers					
	Policies and expected results consistent with benchmark values and mission	●	●		SABAF and its suppliers
	Supplier characteristics and analysis	●	●		SABAF and its suppliers
	Quality systems	●			SABAF and its suppliers
	Contractual terms	●			SABAF and its suppliers
	Impact on territory	●			SABAF and its suppliers
	.Respect of uniform standards in supply chain	●			SABAF and its suppliers
	Information and communication	●	●		SABAF and its suppliers
	Legal disputes and conflictuality	●			SABAF and its suppliers
Public Administration					
	Policies and expected results consistent with benchmark values and mission	●	●		SABAF and PA
	Differentiated tariffs	●			n.ap.
	Contractual relationships with the public administration	●	●		n.ap.
	Internal rules and control systems designed to assure legal compliance	●	●		SABAF and PA
	Information and communication	●			SABAF and PA
	Legal disputes and conflictuality	●			SABAF and PA

Table of contents according to the GRI, GBS and Italian Welfare Ministry guidelines

		GRI	GBS	IWM*	SABAF
GRI Code	INDICATOR	Guidelines			Section of 2003 CSR Report
Community					
Social interests					
	Policies and expected results consistent with benchmark values and mission	●	●		SABAF and the community
	Description of direct contribution to society in terms of enhancement of the quality of life in various areas, i.e. education, sport, health, culture, research, and social solidarity.	●	●		SABAF and the community
	Relations with associations and institutions	●	●		SABAF and the community
ADDITIONAL INDICATORS OF ITALIAN WELFARE MINISTRY					
Human resources					
	Ratio between pay for men and women		●		n.a.
	Policy towards disabled persons and minorities in general		●		SABAF and its staff
	Internships		●		SABAF and its staff
	Working hours by contractual category		●		SABAF and its staff
	Career paths		●		n.a.
	Absenteeism		●		SABAF and its staff
	Special projects for safety		●		n.a.
	Employee satisfaction, internal employee satisfaction surveys, and projects		●		n.ap.
Shareholders and financial community					
	Stock price trends		●		SABAF and its shareholders
	Rating		●		n.ap.
	Presence of minority shareholders on BoD		●		Sustainability governance
	Frequency of BoD meetings		●		Sustainability governance
Customers					
	Market development		●		SABAF and its customers
	New products/services		●		n.ap.
Financial partners					
	Relations with insurance companies		●		n.ap.
	Relations with financial service companies (leasing companies)		●		n.ap.
Community					
	Media relations		●		Sustainability governance SABAF and its customers
	Virtual community		●		n.ap.

(*) : Italian Welfare Ministry

n.ap.: indicator not applicable because it is not relevant for SABAF or because the figure requested is zero.

n.a.: information not available.



Glossary

- > **AA 1000 (AccountAbility 1000):** a standard developed by ISEA (Institute of Social and Ethical Accountability) to encourage the adoption of principles of corporate social responsibility, providing guarantees to stakeholders on the quality of accounting, auditing and social and ethical reporting by the organizations concerned.
- > **Benchmark:** an objective parameter of reference
- > **CO₂:** carbon dioxide, a gas produced by all processes of combustion, breathing, decomposition of organic materials, through complete oxidization of carbon.
- > **Co-makership:** a strategy for managing suppliers aiming to turn them into partners with whom to work on the basis of open collaboration, stipulating long-term contracts, and strengthening the relationship. Joint work can relate to the product, service and process, with the aim of achieving improvement generated by relationship synergy.
- > **Corporate governance:** the set of principles and processes of governing a business aimed at safeguarding the creation of value over time for shareholders and other stakeholders. Corporate governance activities specifically seek to monitor the achievement of objectives and the transparency of the company's business.
- > **Eco-efficiency:** an activity pursued by providing goods and services at competitive prices to satisfy human needs and improve the quality of life, while gradually reducing the environmental impact and intensity of resources during their life cycle to a level that is more easily sustained by the Earth. This term was coined for the first time by the WBCSD – World Business Council for Sustainable Development.
- > **EMAS (Eco-Management and Audit Scheme):** Council of Europe regulation 761/2001 on the voluntary adherence of industrial and service companies to a community eco-management and audit scheme
- > **Environmental impact:** any alteration to the environment, whether positive or negative, total or partial, resulting from an organization's activities, products or services.
- > **Environmental Management System (EMS):** the part of the general management system that comprises the organizational structure, planning activities, responsibilities, practices, procedures and resources to develop, implement, achieve, review and maintain an active environmental policy.
- > **GBS (Gruppo di Studio per la Statuizione dei principi di redazione del Bilancio Sociale):** the group, which creates and studies principles for the preparation of CSR reports, officially came into being in 1998, with the support of KPMG, SMAER and SEAN, to meet the growing information requirements expressed by both academics and companies as regards social reporting
- > **Global Reporting Initiative (GRI):** is the structure created in 1997 by UNEP and CERES (Coalition for Environmentally Responsible Economies) with the purpose of developing a system of voluntary "sustainability reporting" on the business's performance in the economic, environmental and social spheres
- > **IBS:** the European Institute of Social Accounting, founded in 1996, was one of the first organizations in Italy to carry out scientific and applied research on the social report and the implementation of socially responsible management by businesses.
- > **Index of frequency:** an indicator of occupational health and safety that, with reference to a given time span, expresses the ratio between the number of accidents occurring and the number of hours worked.
- > **Index of gravity (or severity):** with reference to a given time span, it expresses the ratio between the number of days of temporary disability associated with accidents occurring and the number of hours worked.
- > **Legislative Decree 626/94:** an Italian law that regulates activities concerning occupational health and safety
- > **Mission:** this represents the strategy for achieving the underlying macro-objectives, which express each company's *raison d'être*. In keeping with a company's stated values, the mission combines sector-specific goals with the aim of making a contribution to society, in terms of improving well-being, quality of life, and social integration.

Glossary

- > **Off-site accident in transit:** This term defines an accident experienced by a worker during the journey to and from his/her home and place of work
- > **OHSAS 18001 (Occupational Health and Safety Assessment Series):** in November 1998 the BSI (British Standards Institution) set up a panel comprising the principal certification bodies, the national regulatory organizations and specialist consultants, with the purpose of drawing up an international standard to help businesses formulate objectives and policies on worker health and safety in accordance with the provisions of existing regulations and on the basis of the dangers and risks potentially present in the workplace
- > **Partnership:** the term indicates the relationship of close collaboration within which two organisations share given purposes and make their respective operating resources available to achieve them. Partnership fosters dialogue and the exchange of ideas – all important factors for proper assessment and management of environmental and social risks
- > **SA8000 (Social Accountability):** an international certification standard concerning labour rights, which attests companies' efforts and makes it possible to improve working conditions and workplace environment, reduce the risks of accidents, and to improve the company's market reputation
- > **Social responsibility:** all the corporate strategies aimed at increasing economic value whilst respecting the environment and taking into account the interests and rightful needs of stakeholders.
- > **Stakeholder:** in the strict sense of the term, stakeholders are all the clearly identifiable individuals and groups on which the company depends for its survival, i.e. shareholders, employees, customers, suppliers, and key government agencies. In the wider sense, however, a stakeholder is every clearly identifiable individual or entity who can influence or be influenced by the organisation in terms of products, policies, and operating processes. In this wider definition groups of public interest, protest movements, local communities, government organisations, business associations, competitors, trade unions and the press are all considered to be stakeholders (R.E. Freeman, Strategic Management: A Stakeholder Approach, Pitman, Boston, 1994).
- > **Stock options:** contracts for options to buy the company's shares issued via dedicated capital increases, which grant the right to purchase the shares at a given time and at a previously established price. They are used as a form of supplementary remuneration providing an incentive for and building the loyalty of individual employees, specific groups of employees, or all employees.
- > **Sustainable development:** represents the ability to assure development, while respecting the values shared by "man" and the "environment" – a definition that extends the traditional one given in the Bruntland Report: "development capable of satisfying the requirements of the current generation without compromising the chances for future generations of satisfying their own needs".
- > **Presetting:** automatic presetting of a tool outside machine. It helps to simplify tooling procedures and the replacement of complex worn tools.
- > **UNI EN ISO 9001:** a standard that certifies the quality system achieved by the business, attesting to the compliance of the entire manufacturing process, from design and development, to procurement and production, testing and installation, right up to after-sales assistance.
- > **UNI EN ISO 14001:** the ISO 14001 approach forms part of the international "14000" standards, which are a voluntary instrument for improving management of the environmental variable within a company or any other organisation. ISO 14001 "Environmental management systems – key requirements for utilisation" is the only "must-do" standard, whereas the others are simple guides. It provides the requirements for an EMS in such a way as to enable a company to develop a policy and set objectives, taking into account legislative requirements and information requirements concerning significant environmental impact.
- > **Vision:** For a company it is the image of a future that it considers to be imminent and in which it believes - the framework and scenario in which it wants to operate and that enables it to understand what its objectives are and the means of achieving them.

Useful Web links

concerning social accountability and responsibility

www.accountability.org.uk

www.aiesec.org

www.bilanciosociale.it

www.ceepa.org

www.csreurope.org

www.ebbf.it

www.ethibel.com

www.eticare.it

www.eticasgr.it

www.europa.eu.int/comm/

www.finanze-etica.org

www.finanzasostenibile.it

www.globalreporting.org

www.gruppobilanciosociale.org

www.isvi.org

www.orsadata.it

www.sean.it

www.sodalitas.it

www.unglobalcompact.org

www.wbcsd.org

www.welfare.gov.it



Printed on recycled paper Freelife Cento Fedrigoni



This edition
is also available on our site
www.sabaf.it

and can also be requested from:

SABAF SpA

Social Responsibility Task Force

Via dei Carpini 1
25035 Ospitaletto (BS) – Italy
Tel. +39 030 6843001
Fax +39 030 6843250
E-mail: info@sabaf.it

