



**Report on Corporate Governance  
and on degree of compliance with the  
Self-Governance Code for Listed Companies**

The purpose of this report, prepared according to the guidelines issued by Borsa Italiana SpA (the company managing the Italian stock exchange) in February 2003 and to the Guide for the preparation of corporate governance reports written by Assonime (the Italian association of joint-stock companies) and Emittenti Titoli SpA in February 2004, is to provide a detailed illustration of company choices concerning corporate governance.

## The corporate governance system

### The basic framework and philosophy

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 rationale 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, as at December 31st 2005, owned 54.62% 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. To this end Sabaf has created and published a Charter of Values, which is considered to be the governance tool via which the Board of Directors renders explicit the company's values, standards of conduct, and commitments vis-à-vis all stakeholders – shareholders, employees, customers, suppliers, financiers, the public administration, the community, and the environment.

### Information on implementation of the Self-Governance Code

#### 1 Level of implementation

Sabaf has fully incorporated the provisions of the Self-Governance Code for Listed Italian Companies issued by Borsa Italiana SpA, as revised in July 2002, in its corporate governance system. The purpose of this report - prepared as per the guidelines issued by Borsa Italiana SpA in February 2003 and the Guide to Preparation of Corporate Governance Reports published by Assonime (association of Italian joint-stock companies) and Emittenti Titoli SpA (a company created by issuers that owns a stake in Borsa Italiana SpA) in February 2004 - is to provide a detailed illustration of the company's corporate governance choices.

#### 2 Board of Directors

##### 2.1 Membership of the Board of Directors

The Annual General Meeting of shareholders held on May 6th 2003 appointed the Board of Directors that holds office until shareholders' approval of the FY2005 annual report and accounts.

The size of Board membership was increased to 9 members, of which the majority (5) are non-executive independent directors. The Chairman Giuseppe Saleri and the Deputy Chairman Gianbattista Saleri, the Chief Executive Officer Angelo Bettinzoli, and the company's CFO Alberto Bartoli were confirmed in office. Also confirmed in office were the independent directors Leonardo Cossu (a self-employed corporate professional) and Franco Papa (a self-employed professional and past president of the AIAF – the Italian association of financial analysts), whilst new appointments to the Board were Elio Borgonovi (full professor at Milan's Università Bocconi, where he also co-ordinates Corporate Social Responsibility initiatives), Raffaele Ghedini (professor at Rome's LUISS Guido Carli university in Rome), and Flavio Pasotti (entrepreneur and president of Apindustria Brescia – the association of SMEs in the city and province of Brescia).

Directors' professional resumés are available on our Website [www.sabaf.it](http://www.sabaf.it) in the Corporate Governance.

Consistently with the company's business model, a Board of Directors the majority of whose members are high-profile independent directors is a tangible indication of the attention paid to minority shareholders' interests and, at the same time, is a further step forward in assuring the sustainability of Sabaf's long-term growth.

### **Other offices held by directors**

Below we disclose the offices held by Sabaf directors as directors or statutory auditors of other listed companies, in financial, banking and/or insurance companies, and/or in large companies:

- Giuseppe Saleri is Chairman of the Board of Directors of Giuseppe Saleri SapA, the financial company that controls Sabaf SpA
- Angelo Bettinzoli is a director of Giuseppe Saleri SapA, a non-executive independent director of Gefran SpA, a company listed on the Milan Bourse, and of SIEI SpA, a subsidiary of Gefran SpA
- Leonardo Cossu is a director of Leonessa Fiduciaria Srl, President of the Board of Statutory Auditors of Guido Berlucchi & C. SpA, and a standing statutory auditor of Banca Valori SpA, Bossini SpA, Brawo SpA, Finber SpA, and Infracom Italia SpA
- Franco Carlo Papa is a standing statutory auditor of Gecofin SpA.

## **2.2 Powers of the Board of Directors**

The Board of Directors is the central body of Sabaf's corporate governance system.

The Board of Directors is vested with the widest possible powers of ordinary and extraordinary management. It thus has full faculties for accomplishment of the corporate purpose, excluding only those that, by law, are strictly the prerogative of shareholders' meetings.

The Board is responsible for defining the strategic guidelines for operations and development of the company and group. In addition, the Board of Directors ascertains the adequacy of the company's organisational and administrative set-up and watches over general business progress, paying special attention to situations featuring potential conflict of interests. To this end it specifically takes into account information received from the Chief Executive Officer and from the Internal Audit & Control Committee. The Board of Directors is also responsible for defining implementation criteria for corporate social responsibility.

Based on the decision taken by the Board of Directors on May 6th 2003, besides the matters laid down in Article 2381 of the Italian Civil Code the Board also has the exclusive power to decide on the purchase and sale of equity investments, property assets and own shares, the hiring of managers or promotion of others to that status, approval of the corporate budget, the taking out of loans and opening of lines of banking credit, giving guarantees, and on related-party transactions – except from routine commercial and financial transactions with subsidiary and associate companies - as well as on those transactions that are individually over the limits set in the mandates given to individual directors.

No minimum number of Board meetings is statutorily established, but the Board at meets at least once a quarter to approve relevant periodical financial statements. During FY2005 the Board met 8 times.

It is company practice that, when Board meetings take place, members of the board and statutory auditors are provided beforehand with the documentation and information necessary to enable them to express a knowledgeable opinion on the matters that they are called upon to examine.

As envisaged by the Articles of Association, directors report to the statutory auditors in a timely manner, either at Board meetings or directly, verbally or in writing, and in any case at least quarterly, with regard to their activities and the main economic, financial and capital transactions carried out by the company or by its subsidiaries; particularly with regard to any transactions featuring a potential conflict of interests.

### **2.3 The Chief Executive Officer**

The Chief Executive Officer (CEO) is responsible for running the company according to the strategic guidelines defined by the Board of Directors. The CEO co-ordinates all corporate functions, assuring a swift decision-making process, together with efficient and transparent management. The CEO is vested with ample delegated powers concerning all operational areas of the company, with separate powers of signature, within the limit of €1 million per individual transaction.

The CEO reports to the Board at least on a quarterly basis on activities performed and provides a qualitative and quantitative description of any atypical, unusual, or related-party transactions.

### **2.4 The Chairman and Deputy Chairman**

The Chairman calls meetings of the Board, co-ordinates Board activity and guides proceedings in its meetings. In the case of his impediment, the Deputy Chairman performs his functions.

The Chairman and Deputy Chairman are vested with ample delegated powers within the limit of € 500,000 per individual transaction. These powers have been delegated to the Chairman and Deputy Chairman to assure more streamlined management and are specifically designed to ensure that there are never any management "hiatuses" if the CEO is unable to exercise his functions.

### **2.5 Non-executive independent directors**

The majority Board representation of non-executive independent directors - to whom a major role is attributed both within the Board of Directors and within the Committees set up within the Board – is designed to assure supremacy of the overall corporate interest in all decisions, aiding the match with the interests both of all shareholders and of all other stakeholders.

As regards evaluation of independence, Sabaf bases its approach on the Self-Governance Code and on the objective criteria laid down by Borsa Italiana SpA in the Stock Market Regulation (Regolamento di Borsa) and related Instructions for companies listed in the STAR (high-quality small/medium caps) segment.

This means that directors rated as independent are those who:

- a) Do not have – either directly, indirectly or on behalf of third parties – nor have they recently had business dealings with the company, its subsidiaries, executive directors or with the company's controlling shareholder of an entity such as to impair their independence of judgement
- b) Are not owners – either directly, indirectly, or on behalf of third parties – of equity investments of an entity such as to enable them to exercise control or considerable influence over the company, nor are they members of shareholders' pacts for control of the company
- c) Are not immediate relations of the company's executive directors or of subjects in the situations indicated under letters a) and b) above.

For the purposes of evaluating independence, this means that transactions taken into consideration are also those between: (a) on the one hand, the director, his immediate family, professional partnerships in which the director is

a partner, companies controlled – even if indirectly – by the director or his immediate family, and companies in which such subjects are directors or managers and (b) on the other hand, Sabaf SpA, the shareholders who, even if indirectly, control it, and its executive directors or the companies controlled, even if indirectly, by such subjects.

Significant transactions, in the context concerned, do not include those settled at going market rates and that are not such as to affect directors' independence of judgement. Transactions in any case deemed to be significant are:

- a) Transactions of a commercial nature completed in the current and previous year that exceed 5% of the supplier or beneficiary company's sales
- b) Professional services rendered in the current and previous year that exceed 5% of the director's income or € 200,000
- c) Employment relationships and executive directorships occurring in the three previous financial years, regardless of the remuneration received.

"Immediate family" is considered to consist of the spouse not legally separated, blood relations and relations by marriage within the second degree.

When nominations are lodged for directorship appointments, each candidate's personal and professional resumé is accompanied by an indication of his/her eligibility to be considered independent.

Every six months, when interim and year-end financial statements are approved, each director defined as independent provides the Board of Directors with a written declaration confirming, or otherwise, continued existence of the requisites for independence.

Based on the information supplied by those concerned, the Board of Directors collectively assesses each director's independence, ascertains any changes occurring, and promptly discloses them to the market.

## **2.6 Appointment of directors**

The list voting system for the appointment of directors has not been adopted.  
At present no Directors' Nominations Committee exists within the Board of Directors.

## **2.7 Directors' remuneration**

Directors' overall remuneration has been decided on a fixed basis by the Shareholders' Meeting. The way in which it is split has been decided upon by the Board of Directors and is detailed in the explanatory notes to year-end financial statements.

A significant part of the remuneration received by the CEO Angelo Bettinzoli, the executive director Alberto Bartoli, and by other members of top management is linked to a stock option plan. Stock options have been awarded to the directors Elio Borghonovi, Leonardo Cossu, and Franco Carlo Papa. The details of the stock option plan are described in Part B. Information on Operations. An attachment to the statutory year-end financial statements details by name the number of options awarded to each director.

## **Compensation Committee**

The Compensation Committee makes proposals to the Board of Directors as regards the CEO's compensation and, based on the CEO's input, proposals regarding the criteria for the compensation of the Company's management team.

In particular, the Compensation Committee drew up the guidelines for the stock option plan currently in place and approved its Regulation. During 2005 the Committee met 4 times.

## **3 Corporate functions and procedures**

### **3.1 The 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 oversees 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.

The Board of Directors is of the opinion 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 position of the company and of the group.

#### **Role of the CEO**

The CEO is responsible for 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, the results presented in the report and in any recommendation letter.

During 2005 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 2005 the Internal Control & Audit Committee met 3 times and, in particular, worked in depth on the following aspects:

- Review of the accounting and organisational impact stemming from adoption of international accounting and financial reporting standards
- Procedures for managing risks of variations in commodity prices, exchange rates, and interest rates, and documentation of hedging transactions executed by the Group making use of financial derivatives
- Updating of the procedure concerning related-party transactions, mapping of related parties, and recording of related-party transactions
- Public disclosures relating to implementation of the Internal Dealing Code
- Alignment with the Italian Consolidated Privacy Act

The President of the Board of Statutory Auditors attends committee 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 to the Statutory Auditors' Committee.

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

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.

### **Employees' role**

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.

## **3.2 Related-party transactions**

Transactions with related parties are the sole prerogative of the Board of Directors, with no limits on amount.

Sabaf makes reference to the accounting standard IAS 24 (Related-Party Disclosures) to define related parties and related-party transactions. Related parties are thus considered to be:

- a) The parties that, directly or indirectly, via one or more intermediaries:
  - i) Control Sabaf SpA, are controlled by, or are under common control with the same
  - ii) Own an interest in Sabaf SpA that enables it to exercise significant influence over the same

- iii) Jointly control Sabaf SpA
- b) Sabaf SpA's associate companies
- c) Joint ventures in which Sabaf SpA is a venturer
- d) Managers with strategic responsibilities of Sabaf SpA or of its parent entity
- e) Close relations of the parties indicated in points a) or d)
- f) Companies controlled, jointly controlled, or subject to significant influence by one of the parties indicated in points d) or e), or in which such parties own, directly or indirectly a significant share of voting rights
- g) Pension funds for employees of Sabaf SpA of a related party of the latter.

An internal procedure is in place – updated during 2005 - that establishes the operational methods for ongoing updating of the list of related parties and for control of transactions undertaken.

It is the Internal Auditor's responsibility to co-ordinate collection of the information needed to identify and update the list of related parties.

The Internal Auditor checks the material and procedural correctness of related-party transactions.

In addition, the Internal Auditor, in concert with the CEO and Administrative & Financial Director of Sabaf SpA, assesses whether transactions with related parties come into the category of those governed by Article 71/2 of the CONSOB Regulation for Issuers (Regolamento Emittenti) (i.e. transactions that, by virtue of their subject matter, entity, approach and completion timing, might affect protection of corporate assets or the completeness and accuracy of information, including that of an accounting nature). If the outcome of such evaluation is affirmative, the Internal Auditor makes arrangements for public disclosure as required by current rules and regulations.

Related-party transactions are described in the Explanatory Notes to the company's statutory year-end financial statements.

### **3.3 Treatment of confidential information**

An internal procedure is in place for the treatment of confidential information. This procedure identifies the CEO as the person responsible for managing confidential information and for disclosure of price-sensitive news.

In brief, this procedure requires that:

- Directors and statutory auditors of Group companies maintain the confidentiality of information and documents acquired during the course of their duties
- Employees who become aware of confidential information do not communicate it to others, except for professional or job-related purposes. Any communication has to state that the information being transmitted is "confidential", also requiring that the recipient to maintain such confidentiality
- Special attention be paid to the circulation of confidential documents inside and outside the company to avoid harm to the Company and improper disclosure of information. Documents containing confidential information have to be classified as such, marked "confidential", and in cases of particular sensitivity, the copies have to be numbered
- Transmission of documents by email has to be protected by passwords communicated only to those who need to know them for work reasons.

The procedure also defines the ways in which price-sensitive news is to be divulged, i.e. via press releases in compliance with relevant legal and regulatory requirements

### **Internal Dealing Code**

In December 2002 the Board of Directors of Sabaf SpA approved the group's Code of Conduct for Internal Dealing. The code has been in force since January 1st 2003. The Code is currently being amended to adapt to the contents of Italian Law no. 62/2005 (the so-called "2004 Community Law") concerning market abuse.

The Code of Conduct envisages that Sabaf SpA advise the market of financial transactions concerning the shares of Sabaf SpA completed by the people defined as "Important Persons" of the Sabaf Group (a) on a quarterly basis for transactions the entity of which, even if cumulative, amounts to at least € 25,000 and (b) on an immediate basis for transactions the entity of which exceeds € 100,000. Such filings must also concern exercising of stock options or of option rights.

The Code prohibits execution of any transaction by such persons on the days between the date when meetings are convened of the Boards of Directors of Sabaf SpA and/or of its main subsidiaries to approve actual P&L and balance-sheet results and/or budgets and plans and the date when such meetings are actually held. The Board of Directors has also reserved the faculty of applying further prohibitions or limitations in given periods.

For the purposes of this Code, Important Persons for the Sabaf Group mean:

- The directors, standing statutory auditors and general manager (if appointed) of Sabaf SpA
- The administrative & finance manager, the commercial manager, and the investor relator of Sabaf SpA
- The directors and general managers (if appointed) of the main subsidiaries of Sabaf SpA. The Main Subsidiaries of Sabaf SpA are controlled companies consolidated on a line-by-line basis and that, based on the last approved year-end financial statements, meet at least two of the following criteria:
  - Total assets in excess of € 7.5 million
  - Equity in excess of € 7.5 million
  - Total revenues in excess of € 15 million.

The Board of Directors of Sabaf SpA can in any case decide, giving reasons for its decision, to include and/or exclude given subsidiaries from the list of the main subsidiaries, regardless of the existence or otherwise of the requisites indicated above.

The company received 6 notifications from important persons of internal dealing transactions executed during 2005 for which periodical notification is envisaged and 8 notifications of transactions for which immediate notification is required. These notifications were disclosed to the public in the ways established by the Italian Bourse Regulation.

### **3.4 The investor relations function**

A specific function has been set up to deal with investor relations. The function's task is to (a) actively foster dialogue with private shareholders and institutional investors and (b) encourage ample and ongoing coverage of Sabaf by financial analysts.

During 2005 Sabaf met analysts and fund managers in London, Paris, Frankfurt, and Milan. A total of over 100 meetings took place. The company also took part in presentation of annual and midyear interim results by STAR (high-quality small/medium caps) companies in Milan and London.

Sabaf's financial communication policy adheres to the standards set in the Guide to Market Disclosure of Information (Guida per l'Informazione al Mercato) published by the Ref. Forum on corporate information in June 2002.

## **4 Shareholders' meetings**

Shareholders' meetings are also an occasion to communicate company information to shareholders. Because of this the company encourages and desires strong participation by shareholders at shareholders' meetings.

At the Annual General Meeting of shares on April 26th 2005 9 shareholders and 56.1% of share capital were represented. During the AGM our directors illustrated the Group's 2004 performance to shareholders and provided information concerning developments underway for products and manufacturing processes.

The Company has a Regulation for Shareholders' Meetings, which is intended to assure orderly proceedings at shareholders' meetings. The meeting regulation can be consulted at the company's Website.

## **5 Statutory auditors**

The Articles of Association envisage that the Board of Statutory Auditors be appointed on the basis of lists presented by shareholders. Lists can be presented by shareholders who collectively hold shares representing at least 3% of share capital with voting rights at ordinary general meetings. The lists presented have to be lodged at the Company's head office at least ten days prior to the date of the meeting on first call. It is shareholders' practice to submit these lists together with each candidate's curriculum vitae. Candidates who already hold office as statutory auditors in another five listed companies – excluding Sabaf SpA's parent or subsidiary companies – or who do not possess the requisites established by applicable regulations cannot be included in the lists. Outgoing statutory auditors can be re-elected.

The Board of Statutory Auditors appointed by the Shareholders' Meeting on May 6th 2003 and holding office for the 3-year period 2003-2005 is detailed in Attachment 2.

## **6 Auditing of accounts**

The company's accounts are audited by an independent auditing firm meeting legal requirements. The independent auditing assignment, after having consulted with the Board of Statutory Auditors, is awarded for three financial years by the Ordinary Shareholders' Meeting, which also determines fees for the assignment. For FYs 2003, 2004, and 2005 shareholders awarded the assignment to AGN Serca.

## **7 Share capital and major shareholders**

Sabaf SpA's share capital consists of 11,333,500 ordinary shares with a par value of € 1.00 each.

As at December 31st, 2005 the following shareholders owned equity interests in excess of 2%:

Giuseppe Saleri SapA	54.62%
Nazionale Fiduciaria SpA	3.97%
Cassa Nazionale Previdenza e Assistenza Ragionieri e Periti Commerciali	3.17%
Columbia Wanger Asset Management LP	2.37%
DWS Investment GmbH	2.01%

The company Giuseppe SapA, which controls Sabaf SapA, does not perform activities of direction and co-ordination of the latter pursuant to Articles 2497 et seq. of the Italian Civil Code.

Attachment 1

**Structure of Board of Directors and internal committees**

Board of Directors							Internal Audit Committee		Compensation Committee	
Office	Members	Executive	Non-executive	Independent	****	No. of other offices**	***	****	***	****
Chairman	Giuseppe Saleri	x			100%	1				
Deputy Chairman	Gianbattista Saleri	x			100%	0			x	100%
CEO	Angelo Bettinzoli	x			100%	3				
Director	Alberto Bartoli	x			88%	0				
Director	Leonardo Cossu			x	88%	7	x	100%	x	100%
Director	Franco Carlo Papa			x	63%	1	x	67%		
Director	Elio Borgonovi			x	75%	0	x	67%		
Director	Raffaele Ghedini			x	100%	0			x	100%
Director	Flavio Pasotti			x	100%	0			x	75%

\* An asterisk beside the name indicates that the director was designated via lists submitted by minority shareholders.

\*\* This column shows the number of offices held by the person concerned as director or statutory auditor in other companies listed in regulated Italian and international markets; in financial, insurance or banking companies; or in companies of major size.

\*\*\* In this column an "x" indicates the director's committee membership.

\*\*\*\* This column shows directors' percent attendance of meetings.

Attachment 2

**Board of Statutory Auditors**

Office	Members	Percent attendance of BoSA meetings	No. of other offices**
President	Alberto Nobolo	100%	0
Statutory auditor	Sergio Ghisoni	100%	0
Statutory auditor	Angelo Cisotto*	80%	0
Substitute statutory auditor	Paolo Guidetti	-	0
Substitute statutory auditor	Marco Mattei*	-	0

Number of meetings held in period: 5

\* The asterisk shows that the statutory auditor was designated via lists submitted by minority shareholders.

\*\* This column shows the number of offices held by the person concerned in other companies listed in Italian regulated markets.

## Attachment 3

## Other provisions of Self-Governance Code

	YES	NO	Reasons for any departure from Code recommendations
<b>Power delegation and related-party transaction system</b>			
Has the BoD delegated powers defining their:			
a) Limits?	X		
b) Method of exercise?	X		
c) Frequency of reporting?	X		
Has the BoD reserved as its prerogative the review and approval of transactions particularly important in business, capital and financial terms (including related-party transactions)?	X		
Has the BoD defined guidelines and criteria for identification of "significant" transactions?	X		
Are the above guidelines and criteria described in the report?	X		
Has the BoD defined specific procedures for review and approval of transactions with related parties?	X		
Are the procedures for approval of transactions with related parties described in the report?	X		
<b>Procedures for most recent appointment of directors and statutory auditors</b>			
Were candidacies for directorship lodged at least 10 days beforehand?	X		
Were candidacies for directorship accompanied by exhaustive information?	X		
Were candidacies for directorship accompanied by an indication of eligibility for classification as independent directors?	X		
Were candidacies for the office of statutory auditor lodged at least 10 days beforehand?	X		
Were candidacies for the office of statutory auditor accompanied by exhaustive information?	X		
<b>Shareholders' meetings</b>			
Has the company approved a Regulation for Shareholders' Meeting?	X		
Is the Regulation attached to the report (or is it indicated where it can be obtained/downloaded)?	X		
<b>Internal audit &amp; control</b>			
Has the company appointed internal auditors?	X		
Are the internal auditors free of hierarchical relationships with the heads of operating areas?	X		
Organisational unit responsible for internal audit & control (as per Art. 9.3 of the Code)	Internal Auditing		
<b>Investor Relations</b>			
Has the company appointed an investor relations manager?	X		
Organisational unit and contact details (address/telephone/fax/e-mail) of investor relations manager	Gianluca Beschi Investor Relations Department Sabaf SpA Via dei Carpini 1 - Ospitaletto (BS) - Italy Tel. +39 030 6843236 – Fax +39 030 6843250 gianluca.beschi@sabaf.it		