

SEVES



Annual Sustainability Review

April 1 2008 - March 31 2009



Vision and Strategy

This report presents the economic, social and environmental performance of the Seves Group and gives a statement of its business values and ethics. Seves' goal is to manufacture and sell products using designs, processes, materials, employment policies and business ethics that minimize environmental impact, benefit society, reduce costs and make the company more competitive.

Our ongoing successes in 2008-9 include:

- Installing a new, state-of-the-art, low emission kiln into our German operation. It includes a heat exchanger to pre-heat combustion air to 450C. We also linked one of the existing kilns to the new heat exchanger, thereby reducing emissions overall by pre-heating both kilns.
- Increasing the number of electric kilns in Sweden; because we use hydro-electric power this gives us zero emissions.
- Installing new thermal insulation to the spray dryer in Slovakia to reduce emissions from the heating process.
- Starting a project to change completely the manufacturing processes at our Brazilian plants. The process is being changed from a 'dry turn' process to a 'wet turn'. The wet turn process requires less energy for drying and turning, thus reducing emissions. The wet process is also a healthier process for our employees as it eliminates potentially dangerous ceramic dust from the manufacturing process. At the same time the company has installed a new (organic flocculate) method for waste water treatment.
- Refocussing to make products right first time, which has had a significant impact at our



Slovakian and Thai factories, dramatically reducing use of materials and energy and, therefore, emissions.

- Building the new factory in Wuxi, China, with a focus on sustainability. The products manufactured are porcelain long rod insulators, which are an environmentally attractive product. In addition, processes in Wuxi combine many of the latest material efficiency initiatives and low emission equipment in key areas.
- Refurbishing the kiln in the Turin plant, thus achieving a 10% reduction in emissions.
- Starting the construction of a waste gas treatment plant at Vitrablok with the goal of removing dust emissions by 80%.
- Partially substituting synthetic raw materials in glass insulators with minerals, which further reduced the company's impact on the environment.
- Realising a further overall improvement in material efficiency at manufacturing locations, thereby reducing extraction of non-renewable minerals from the ground.
- Continuing the project to reduce the natural wood necessary for the safe packaging of glass insulators.
- Commencing the process for approval of ISO1400 in Tianjin next year.

I am delighted that our employees have embraced the concepts and goals of sustainability. We look forward to the future support of all our stakeholders in order to ensure that Seves' sustainability efforts continue to be highly successful.

Vincenzo Giori
Executive Chairman
30 September 2009

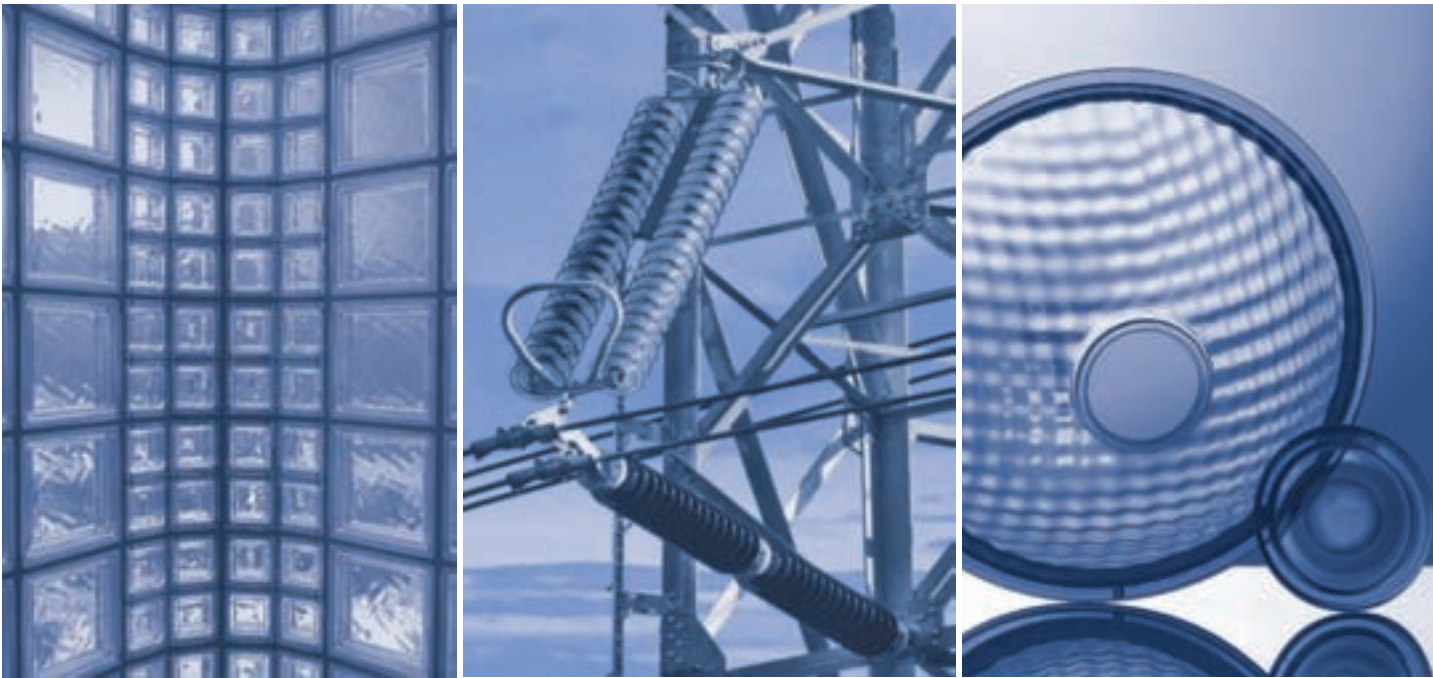
Introduction

Seves has adopted a sustainability culture in order to increase its focus on its business activities both internally and externally and particularly where the environment is impacted. It is through this culture and our continued focus on people's working conditions in our own company and our suppliers' companies that Seves' responsibility to society will be fulfilled. We have used the Global Reporting Initiative (GRI) guidelines as the foundation for structuring and reporting on this work. This report is the second produced by Seves and we intend to continue to report the progress of our total group on a regular basis.



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Profile

2.1 Name of reporting organisation.

Seves S.p.A. Seves was created in 1997, following the management buy-out of Vetroarredo. Over a period of 10 years it progressively integrated Vetrerie Lodi, Vitrablok, Dielve, Sediver, Solaris, PPC Insulators and Isoladores Santana, all of them renowned worldwide for their history and leadership.

2.2 Primary products and services.

Seves is the world's leading manufacturer in two niche markets: power insulators for electrical generation, transmission and distribution, and glass blocks for construction and interior design.

Seves also produces glass light fixtures, glass containers for the advertising industry and technical ceramics for the automotive, chemical and pharmaceutical industries

2.3 Operational structure.

Seves supplies high quality products and services

to customers in the building, power and processing industries. It has:

- A total composite insulators production capacity of 1,000,000 pieces per annum.
- A total ceramic insulators production capacity of 54,000 tons per annum and glass insulators 60,000 tons per annum, providing the broadest insulator portfolio in the world.
- A total capacity for the delivery of 44 million glass blocks in more than 120 countries.
- More than 100 years' experience.

Seves' headquarters is in Firenze, Italy, and the company operates through the network of manufacturing plants listed on pages 6-7. It also owns an advanced testing facility in France, where electrical tests are performed. For each of its business sectors, Seves has developed commercial networks that are strategically located to provide prompt and timely assistance to all its clients.

Global Scale of the Company

2.4 Headquarters

Italy

Seves S.p.A., Via R. Giuliani, 360 Firenze, Italy

Toughened glass and composite insulators

France

Sediver S.A.
Nanterre

Italy

Seves S.p.A.
Nusco (AV)

Brazil

Electrovidro S.A.
São Gonçalo (RJ)

China

Seves Sediver Insulators (Beijing)
Co., Ltd.
Chaoyang District, Beijing

Sediver Insulators (Shanghai)
Co., Ltd.
Pudong, Shanghai

Zigong Sediver Toughened
Glass Insulator Co., Ltd.
Zigong City, Sichuan

Tianjin Sediver Composite
Insulators Co., Ltd.
Xiqing District, Tianjin

Zigong Safam Cast Iron Co., Ltd.
Zigong City, Sichuan

Seves Shanghai Glass Co., Ltd.
Shanghai

Canada

Seves Canada Inc.
St Laurent, Quebec

Porcelain insulators

United States

Seves USA Inc.
Tiffin, Ohio

Austria

PPC Insulators GmbH
Vienna

PPC Insulators GmbH
Frauental

Germany

Elektrokeramik Sonneberg GmbH
Sonneberg

China

PPC Shanghai Trading Co., Ltd.
Shanghai

PPC Wuxi insulators Co., Ltd.
Wuxi City, Jiangsu

Brazil

Isoladores Santana S.A.
Pedreira (SP)

Slovakia

PPC Cab A.S.
Nove Sady

Sweden

Ifö Ceramics AB
Bromolla

Thailand

PPC Asian Insulators Co., Ltd.
Bangkok





Product engineering and technical assistance

France
Sediver S.A,
Saint-Yorre

THT Laboratory,
Bazet



Glass blocks

Italy
Seves S.p.A.
Firenze

Brazil
Seves Glassblock Brasil S. A.
São Gonçalo (RJ)

Czech Republic
Vitrablok s.r.o.
Duchcov

Lighting and special glass

Italy
Seves S.p.A.
Firenze and Torino

Technical ceramic components

Germany
CERA SYSTEM Verschleißschutz
GmbH
Thuringen

Profile

(continued)

2.6 Nature of ownership; legal form.
Privately held.

2.7 Nature of markets served.
Seves is the world's leading manufacturer in two niche markets:

- Power insulators for electrical generation, transmission and distribution.
- Glass blocks for construction and interior design.
Seves also produces glass light fixtures, glass containers for the advertising industry and technical ceramics for the automotive, chemical and pharmaceutical industries

Geographic breakdown of markets	%	
	2007-8	2008-9
Europe	39	36
North America	8	10
South America	19	19
Asia	23	21
Africa	11	14

2.8 Scale of Seves.

Number of people	2007-8	2008-9
	4360	4210
Net Sales		MEuro
	2007-8	2008-9
	440	409

- See also Economic Performance Indicators on Page 11.



Report Parameters

3.1 Reporting period.

April 1st 2008 to March 31st 2009

3.2 Recent reports.

The last report covered the period 1st April 2007 to March 31st 2008.

3.3 Reporting cycle.

Annual

3.4 Contact person.

Prof. Thomas Johansson

Thomas.Johansson@ppcinsulators.com

3.13 Policies and practices to enhance accuracy, completeness and reliability of the report.

Reports from each country and each site are checked and consolidated at group level.

Governance

4.1 Governance structure of Seves, including committees.

Seves is committed to international standards of corporate governance and in particular the Corporate Governance Code in Italy. In addition, Seves observes codes of best practice in the other countries in which it operates.

The board of directors consists of more non-executive directors than executive directors. The board reviews the audit report with the auditors and has appointed internal auditors. It has meetings of non-executive directors without executive directors being present and, in line with the Code, has clarified the role of the board, its authority and powers of delegation.

Nomination of board members is designed to represent properly the various stakeholders in the business and to ensure compliance in legal and corporate governance issues.

4.9 Board level processes for overseeing sustainability.

The board intends to review the sustainability report once a year and highlight any areas of change. The board also reviews other companies' sustainability reports and provides independent insight into areas requiring focus.

4.10 Organisational structure for improving sustainability.

The executive responsible for sustainability reports to the executive committee and collects information from a world-wide network of appointed personnel.

4.12 Externally developed charter.

In September 2008 the board of Seves adopted the organisation model and appointed a control board according to Italian decree 231. Since the



appointment, the control board has reported to the Seves board twice, the last time in the period of this review being the 7th April 2009.

Stakeholder Engagement

4.14 Stakeholder consultation.

Seves intends to conduct at least one consultation per year with stakeholders. The next is planned to follow the publication of this review and is intended to include shareholders, customers, suppliers and employees.

Management approach and performance indicators



Economic

Management approach Significant changes of organisation and structure

Like many other companies during the review period, Seves experienced very difficult trading conditions.

Reluctantly, the group decided to close one commercial office and two plants (Seves Glass Block Trading (Shanghai) Co., Ltd. and Tianjin Dielve Insulators Co., Ltd., both in China, and Solaris GmbH, in Germany).

Seves has focussed its efforts on two strategic thrusts to move the group forward. The first is to

structure the company from a customer's perspective to ensure Seves provides an interface to customers that they can benefit from. The second is to optimise its structure to ensure the business has the most cost-effective and competitive products.

To ensure that the company reaches the best and most comprehensive outcome, more than 30 of the management team are involved in developing these strategic thrusts, to enable them to become key drivers of future performance.

Economic performance indicators

EC1

Customers	MEuro	
	2007-8	2008-9
Net sales	440	409

Geographic breakdown of markets	%	
	2007-8	2008-9
Europe	39	36
North America	8	10
South America	19	19
Asia	23	21
Africa	11	14

Suppliers	MEuro	
	2007-8	2008-9
Cost of all purchased supply	290	298
<i>95% of payments are to contract terms. This is due to cross-border financing and resolving invoice queries</i>		

The Company as at 31st March 2009

Assets	MEuro	
	2007-8	2008-9
Accounts receivables	89	89
Inventories	113	127
Other receivables	71	71
Net Fixed Assets	211	201

Investments in year	MEuro	
	2007-8	2008-9
Physical and intangible assets	33.3	24.4

Liabilities	MEuro	
	2007-8	2008-9
Accounts payables	61	70
Other payables	78	73



Labour Productivity	KEuro	
	2007-8	2008-9
Revenue per employee	100.9	92.7

Public Sector	KEuro	
	2007-8	2008-9
EC8 Total of taxes paid	3166	4179
EC10 Charity Donations	32	0

At many of Seves' plants, employees can donate blood to certified organisations during paid working time.

Seves does not fund political organisations and unions or organisations that represent them, nor does it sponsor congresses for political propaganda.

Environmental

Management approach

5.0 Programmes and procedures pertaining to sustainability performance.

Seves' goals are to:

- Reduce the amount of material consumed, per specific volume of manufactured products, which is directly or indirectly extracted from the ground.
- Reduce the amount of energy consumed per specific volume of produced products and increase the percentage use of renewable energy.
- Avoid completely the use of any material that is harmful to the environment.
- Improve health and safety and general working conditions of people within Seves through training, organisation and best practice.
- Improve the performance of our products in order to increase their cost efficiency.
- Minimise the waste of natural resources in all their forms, such as water, wood, paper and, particularly, waste materials to landfill sites.
- All plants have ISO 9000 certification and three have received ISO 14000 certificates. Other plants are also pursuing ISO 14000 approval.

Environmental Performance Indicators

Materials

EN1 Material that has a known influence on the environment. Such materials are:

Organic Substances	Kgs used	
	2007-8	2008-9
PVC resin	3065	1141
Phthalats	54	20
Bromine compounds	0	0
Fungicides	60	35
Polyurethane	1028	1400
Epoxy	7620	28760
Silicones	977692	1054440
Others	47546	189290

The above changes are due to product mix

Inorganic Substances	Kgs used	
	2007-8	2008-9
Lead	205186	291681
Cadmium	0	0
Mercury	0	0

Due to production increase in the Austrian factory

Products in use containing hazardous inorganic substances	Kgs in use	
	2007-8	2008-9
Mercury	0	0

Energy

EN3 Direct energy use	GWhs	
	2007-8	2008-9
Oil	6	8
Coal	59	38
Gas	993	810
District heat	5	12
Electricity	210	180
2007-8	1273	
2008-9	1048	

This represents a 17.7% reduction

EN6 Initiatives to use renewable energy.

Many energy suppliers do not offer renewable energy alternatives but Seves' goal is to increase its percentage use of renewable energy.

- See also Vision and Strategy (pages 2-3) for initiatives.

Water

EN8 Water consumption	KTons	
	2007-8	2008-9
Purchased	952	949
Extracted from ground	583	443
Extracted from surface	186	186
2007-8	1721	
2008-9		1434

This represents a 16.6% reduction

EN9 Effect on water sources.

Seves' production processes do not consume water; the main uses are for cooling or for processing inorganic insoluble materials that are separated before release of the water.

Biodiversity

EN11 Total amount of land owned, leased or managed for production activities. Sq meters

	2007-8	2008-9
Total land used	1192046	1254059
Of which occupied by buildings	414937	464694

This represents increased area in China coming into legal effect during the reporting period

Emissions

➤ See also Vision and Strategy (pages 2-3) for initiatives.

EN18 Greenhouse gasses.

CO2	Tons	
	2007-8	2008-9
2007-8	141319	
2008-9		131603

This represents a 6.9% reduction

EN20 NOx and SO2	2007-8	2008-9
NOx (Tons)	702	627
	<i>A reduction of 10.7%</i>	

SO2 (Tons)	363	304
	<i>A reduction of 16.3%</i>	

EN21 Discharges of cooling and process water.	Tons	
	2007-8	2008-9
To public sewer	495845	570235
To water sources	359835	388628
Total	855680	958863

This represents an apparent 11.9% increase. We now believe that recording in 2007-8 was not correct but accuracy has been improved in 2008-9

EN22 Hazardous waste sent for disposal.	Tons	
	2007-8	2008-9
2007-8	257	
2008-9		155

This represents a 39.7% reduction

EN23 Spills and other incidents.

None impacting on the environment have happened within Seves' plants during the reporting period.

EN25 Impact on water recourses and related ecosystems.

No impact on locations where Seves extracts or disposes of water has been reported by Seves employees or relevant public control authorities during the period covered by the report.

EN26 Significant environmental impact of principal products and services.

Most Seves' products are made from porcelain and glass containing no materials that are released to the environment. Therefore, no environmental influence from these products has been observed. The polymeric products contain materials that have a negligible impact on the environment over time.



Compliance

EN28 Fines for non-compliance with applicable legislation.

There have been no fines for non-compliance during the reporting period.

Deliveries from Seves locations	% of total	
	2007-8	2008-9
By road	53.5	57.8
By rail	11.2	1.5
By sea	23.0	35.8
By air	12.3	5.0

Transportation

EN29 Environmental impact of transportation.

Material from suppliers	% of total	
	2007-8	2008-9
By road	76.	86.0
By rail	1.5	2.9
By sea	16.0	10.7
By air	6.5	0.4

Traveling as % of total number of journeys	2007-8		2008-9	
		51.7	48.0	43.9
By road	51.7	48.0		
By air	42.5	43.9		
By rail	5.8	8.1		

Total number of journeys	
2007-8	3137
2008-9	3032

This represents a 3.3% reduction

Social

Health and Safety

A basic part of Seves' social policy is to maintain a safe and healthy working environment in all plants. In 2006 Seves increased its focus on its previous safety regime and launched an all-embracing audit programme aimed at increasing safety. Its aim is to reach European safety standards in all its activities worldwide.

Specialists from both inside and outside Seves have a coordinated programme of visits to audit operations. They collect information using a set reporting package and, via the Direction Committee for Safety, Environment and Health, a report is made to a main board director.

Seves also re-emphasised to employees and to outside contractors the need to work according to

safety standards and procedures, to take care of their own health and safety and that of other people. This is to be achieved through training and use of safety and control equipment provided by the company.

In August 2009, the Brazilian organisation won first prize for the best HR Strategy and Results-Orientated Programme. The award was presented in front of 600 executives and HR managers from top companies in Brazil. Competing for the award were international companies, many of which are household names. The award was based on factors such as training, leadership, communication, feedback, disciplinary methods, motivation, wage structures, functional definitions, targets and community relationship programmes.

Labour Practices

LA1 Employment	2007-8	2008-9
Number of people	4360	4210
Including: Part-time workers	171	69
Agency workers	311	-

LA3 Representation by independent trade unions.	2007-8	2008-9
Percentage of employees represented by independent trade unions	36%	42%

LA4 Information, consultation and negotiation with employees.

Seves' policy is to follow all regulations relating to employees. The policy contains in addition a general responsibility for managers to consult with employees and address areas of concern.

LA7 Standard injuries, absentee rate and fatalities (incident rate as per 1000 employees).

Work-related incident rate	per 1000	
	2007-8	2008-9
Fatal	0.23	0
Serious injury	10	8.1
Total number of lost days		
	2007-8	2008-9
	5701	5455

Serious injury was reduced by 19%. The total number of lost days was reduced by 4.3%

Commuting and business travel-related incident rate.	per 1000	
	2007-8	2008-9
Fatal	0	0
Serious injury	0.23	0.11
Total number of lost days	164	41



Human Rights

Management approach

Seves has a code of conduct with a Control Body, as per Italian legislative decree 231, which extends both inside and outside the company. Seves is committed to treating people with respect for human dignity and to being a good employer, with the development of its employees as a cornerstone of this commitment.

Seves is committed to promoting responsible behaviour in respect of health and safety. Seves' ethics within the code of conduct follow the principles of honesty, transparency, privacy, loyalty, integrity and good faith. The group management and the Seves Board are guided by the relevant United Nations recommendations for human rights.

HR4 Non-discrimination.

The policy of Seves is to eliminate completely any type of discrimination within the Group. In countries where Seves has employees discrimination is illegal. In all cases the company's policy is to follow the country's law and at the same time maintain the group culture that discrimination in any form is never acceptable. The evaluation and recruitment of personnel is based on whether their profiles correspond to the company's needs. In compliance with equal opportunities, selection is based upon skills and capabilities. Any information requested will respect the candidate's private life and opinions.

HR5 Freedom of association and collective bargaining.

Seves respects the wishes of employees to form and join any labour union of their choice.

HR6 Child Labour.

Using child labour is illegal in the countries where

Training and Education

LA10 Mean value of education. Hours per employee

2007-8	18.75
2008-9	42.40

Due to increased training in China and Brazil

Diversity and Equal Opportunity

LA11 Composition of senior management. Women in the top three highest levels of management %

	2007-8	2008-9
In Europe	6.6	7.0
In N America	3.0	0
In S America	5.8	4.0
In Asia	14.1	14.0

Seves has employees. In all cases the company's policy is to follow the law and at the same time maintain the group culture of good employment practice.

Age demographics of young employees as of:

	March 31 2008	March 31 2009
Employees below age of 20	75	47
Employees below age of 18	2	3
Employees below age of 16	0	0

HR7 Forced and compulsory labour.

In the countries where Seves operates, the legal system completely prevents forced labour. During 2009 we plan to incorporate this as one of our selection criteria when investigating potential suppliers.



Society

SO1 Community.

Seves enjoys close cooperation with the communities at locations where we are active. Such cooperation includes finding optimum solutions for both Seves and local communities regarding the operation of production units. Seves also contributes to the positive development of societies by supporting specific activities. Such contributions include supporting sport, education and cultural activities.

Seves also supports societies affected by natural disasters in countries where our products are manufactured.

SO2 Bribery and corruption.

Seves believes in international competition, which

makes the company sharper, leaner and more attractive as supplier of choice to our customers. Within Seves' code of conduct, situations which might cause a conflict of interest must be avoided.

Many Seves subsidiaries hold anti-trust seminars, in particular for some 30 key personnel in the USA and Europe during the past five years. This education is aimed at continuing to ensure that our people comply fully with our guiding principles.

SO7/8 Legal Actions.

There have been no legal actions against Seves for non-competitive behaviour, and no fines.

Product Responsibility



PR1 Customer Health and Safety.

Seves' products have a positive impact on society through improved health care, standards of living, and safety. These effects arise overall from the fact that Seves' primary products supply two niche markets: power insulators for electrical generation, transmission and distribution, and glass blocks for construction and interior design.

Receivers of electrical energy include the following:

- ▶ Hospitals, where a stable and safe supply of electricity improves the level of health in society
- ▶ Private homes, where a stable and safe supply of electricity improves life in the home
- ▶ Outside areas, where lighting improves safety by reducing traffic accidents and criminality.
- ▶ In addition, the electrical supply to industry is fundamental to the economic development of society.

As a result of intensive research and development, Seves provides products which are highly reliable and, therefore, reduce the risk to public safety by increasing the potential for a stable

electrical supply to factories, homes, roads, hospitals, public institutions and transportation.

PR2 Products and services.

Identification markings placed on each product make it possible to identify every step used in the manufacturing process for each specific product or batch. The identification is made by markings either of a clearly different colour to the basic material of the product or by a cast or moulded identification.

On ceramic Insulators, such labelling is formed at a temperature above 1000C and behaves as an inherent part of the product, with a lifetime at least as long as the decoration of old Chinese porcelain, that is, well over 1,000 years.

On glass products, it is either stamped or moulded into the molten glass. Composite insulators have numbers moulded into their metal ends. When the insulators are finished, identification is engraved on the fittings.

No other information is supplied because Seves' finished products have negligible influence on the environment.



Photography:

- [Page 2](#) Design by Mendini
Picture by Walter Monti
- [Page 5 \(left\)](#) Hermès Palace Tokyo
Picture by Michel Denancé
- [Page 5 \(centre\)](#) Glass and porcelain insulators
Picture by Roberto Germogli
- [Page 5 \(right\)](#) Lighting products
Picture by Alessandro Talpo
- [Page 7](#) France, High Voltage Laboratory
in Saint-Yorre
- [Page 9](#) France, 400kV Alpes
Picture ©Monteaux Michel 2006
- [Page 14](#) Showroom in Milan
Picture by Carlo Lavatori
- [Page 16](#) China, 800 kV HVDC
Yunnan – Guangdong 2008

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