

SARAS SpA – ANNUAL REPORT ON CORPORATE GOVERNANCE AND INFORMATION ON SHAREHOLDING STRUCTURE PURSUANT TO ART. 123-*bis* of Legislative Decree 58 of 24 February 1998 (Consolidated Finance Act or “TUF”)

March 2010

Preliminary remarks

Saras SpA (hereinafter “Saras” or the “Company”) adheres to the code of conduct drawn up by the Corporate Governance Committee and published by Borsa Italiana SpA in March 2006 (hereinafter the “Code of Conduct” or “Code”) as described in this report. In particular, the following paragraphs describe the main features of Saras' corporate governance system and how its various components function in practice, with a focus on compliance with the recommendations contained in the Code of Conduct.

This report was prepared pursuant to art. 123-*bis*, paragraph 1 of the TUF, art. 89-*bis* of the Issuer Regulations and Section 1A.2.6. of the Instructions to the market regulations organised and managed by Borsa Italiana SpA (the “Stock Market Regulations”). It also takes account of indications contained in the "Guidelines for the Preparation of the Annual Report on Corporate Governance" and the "Experimental Format for the Report on Corporate Governance" drawn up by Borsa Italiana, and the "Guide to the Preparation of the Report on Corporate Governance" jointly published by ASSONIME and Emittenti Titoli SpA.

This Report was prepared by the Board of Directors of Saras (hereinafter the "Board") to be made available to shareholders for the shareholders' meeting convened to approve the financial statements for the year to 31 December 2009. The Report itself refers to the financial year 2009 as well as any significant shareholding events in 2010 up to the date of this approval.

SECTION 1

SHAREHOLDING STRUCTURE

The Company's share capital comprises 951,000,000 ordinary registered shares, fully paid-up and giving the right to vote in both ordinary and extraordinary shareholders' meetings.

According to the shareholders' register and to information that is public or otherwise available to the Company, no parties have a shareholding of more than 2% in the Company's share capital as at 25 March 2010, except for (i) Angelo Moratti Sapa, whose general partners are Gian Marco Moratti and Massimo Moratti and which holds an interest of 62.461% in the Company's share capital, exercising control over the Company pursuant to art. 93 of the TUF, and (ii) Assicurazioni Generali SpA, which holds, directly and indirectly, a total shareholding of 4.959%.

The following table gives a breakdown of these shareholdings:

SHAREHOLDER	N° ORDINARY SHARES	% OF CAPITAL
ANGELO MORATTI Sapa, owned by Gian Marco Moratti and Massimo Moratti	617,188,674	64.899%
Directly	594,000,000	62.461%
Indirectly (own shares)	23,188,674	2.438%
ASSICURAZIONI GENERALI SpA	47,160,173	4.959%
Directly	11,908,274	1.252%
Indirectly through:		

AGRICOLA SAN GIORGIO SpA	35,000	0.004%
BANCA GENERALI SpA	200,000	0.021%
FATA ASSICURAZIONI DANNI SpA	949,535	0.026%
FATA VITA SpA	550,000	0.058%
GENAGRICOLA-Generali Agricoltura SpA	35,000	0.004%
INA ASSITALIA SpA	20,988,872	2.207%
INF-Società Agricola SpA	30,000	0.003%
INTESA VITA SpA	1,125,448	0.118%
GENERTELLIFE SpA	3,306,300	0.348%
ALLEANZA TORO SpA	8,731,744	0.918%

Furthermore:

- 1) there are no restrictions on share transfers
- 2) there are no shares or securities conferring special rights of control
- 3) there is no specific mechanism for the exercise of voting rights by employee shareholders
- 4) there are no restrictions on voting rights
- 5) to the Company's knowledge, there are no shareholders' agreements as defined under art. 122 of the TUF regarding the Company itself or its Parent Company
- 6) regarding significant agreements to which Saras or its subsidiaries are party, and which could take effect,

be amended or be eliminated in the event of a change in control of the Company, note that:

- Saras has a loan of EUR 190 million in place with a banking syndicate (see the explanatory notes to the consolidated financial statements). The financing agreement provides for withdrawal by the financing banks if Saras' majority shareholder ceases to hold (directly or indirectly) a stake of at least 51% of the voting capital

- Sarlux Srl, which is wholly owned by Saras, has loans in place with a banking syndicate totalling about EUR 110 million as at 31 December 2009, (see the explanatory notes to the consolidated financial statements). The loan agreements state that, in the event of a transfer of Sarlux shareholdings such that Saras ceases to hold at least 51% of the capital of Sarlux Srl, the banks may, *inter alia*, withdraw from the agreements, revoke the loan and execute guarantees given in relation to it

- Sardeolica Srl, which is indirectly wholly owned by Saras (via Parchi Eolici Ulassai Srl), has a loan in place with Banca Nazionale del Lavoro SpA for a residual amount, as at 31 December 2009, of about EUR 57 million (see explanatory notes to the consolidated financial statements). The loan agreement makes provision for complete or partial withdrawal by the lending bank if Saras ceases to hold at least 50% of the capital of Parchi Eolici Ulassai Srl or if the latter ceases to hold 100% of the capital of Sardeolica Srl

7) there are no agreements between the company and its directors that provide for indemnity in the event of resignation, dismissal without just cause or termination of employment following a public purchase offer.

8) the appointment and replacement of directors is governed by art. 18 of the articles of association, published on the Company website (www.saras.it). See the corresponding part (section II, paragraph 1.2) of this Report.

9) the articles of association may be amended by resolution of the extraordinary shareholders' meeting. Valid constitution of the meeting is subject to legislation and resolutions to amend the articles of association by the extraordinary meeting are made with the majorities required by law.

10) there are no mandates for capital increases pursuant to art. 2443 of the Italian Civil Code.

11) the ordinary shareholders' meeting of 29 April 2008 authorised, pursuant to articles 2357 of the Civil Code and 132 of the TUF, acquisitions of treasury shares to the maximum permitted by law, and therefore up to 10% of the fully paid-up and subscribed share capital. The acquisitions concern treasury shares already owned by the Company, and may take place in one or more transactions. The authorisation remained valid for a period of 18 months from the authorising resolution by the Meeting and therefore expired on 29 October 2009. The Company implemented the authorised treasury share acquisition plan by acquiring 23,188,674 ordinary shares of Saras SpA, amounting to 2.46% of the share capital.

12) there are no mandates for capital increases pursuant to art. 2443 of the Italian Civil Code.

2. Company organisation

The corporate organisation of Saras SpA complies with the Civil Code and other specific regulations for capital companies, particularly those set out in the TUF. Overall it also reflects the Company's adherence to the Code of Conduct. Its main features are as follows:

- a Board of Directors tasked with company management, including a Remuneration Committee and Internal Control Committee composed of Board members
- a Board of Statutory Auditors, whose tasks include (i) monitoring compliance with legislation and the articles of association, as well as compliance with correct practice in administering corporate activities, and (ii) controlling the adequacy of the Company's organisation structure, internal control system and administrative and accounting system
- a shareholders' meeting, competent to pass resolutions – in its ordinary or extraordinary form – including

resolutions relating to (i) the appointment and removal of members of the Board of Directors and Board of Statutory Auditors and their remuneration and duties, (ii) approval of the financial statements and allocation of profits, (iii) the acquisition and disposal of treasury shares, (iv) amendments to the articles of association and (v) the issuance of convertible bonds.

The Company has entrusted the task of auditing its annual and consolidated financial statements for the financial years 2006-2011, as well as the limited auditing of half-year reports in the same period, to the auditing firm PricewaterhouseCoopers SpA (hereinafter "PwC").

As you will be aware, Legislative Decree 303 of 29 December 2006 amended art. 159 of the TUF, stating that: (i) the shareholders' meeting is now responsible for mandating auditing firms, following a reasoned proposal from the controlling body, in the case of listed companies, (ii) the mandate lasts for nine financial years and (iii) listed issuers in the first six years of the mandate of an auditing firm may extend the mandate for a further three years, no later than the date of the shareholders' meeting convened to approve the financial statements for 2006.

Following this regulatory amendment, the shareholders' meeting of 27 April 2007 resolved, at the proposal of the Board of Statutory Auditors, to extend the mandate of PwC for a further three years, until the end of 2014.

The subsidiaries Akhela Srl, Arcola Petrolifera SpA, Sarlux Srl and Saras Ricerche e Technologie SpA also extended the mandate held by PwC to audit their financial statements.

The subsidiaries Parchi Eolici Ulassai Srl and Sardeolica Srl conferred the mandate to audit their financial statements for 2008/2016 to PwC, pursuant to art. 165 of Legislative Decree 58/1998.

SECTION II

DETAILED INFORMATION ON THE IMPLEMENTATION OF RECOMMENDATIONS IN THE CODE OF CONDUCT

1. **The Board of Directors**

1.1. Role and duties of the Board of Directors

Pursuant to law and the articles of association, the Board of Directors is responsible for management of the Company. The Board's operation and organisation are geared toward ensuring that its functions are carried out effectively and efficiently.

The duties of the Board are defined according to the recommendations in art. 1.C.1. of the Code. Specifically, the Board, which also has other duties and legal powers:

- may delegate powers to the Chairman and/or to one of the Board members and/or an executive committee, pursuant to art. 2381 of the Civil Code
- may create one or more committees and/or commissions for the delegation of specific functions or some of its powers within the limits set out in law, also for the purpose of bringing the corporate governance system into compliance with the Code of Conduct
- determines, having examined proposals from the relevant committee and consulted with the Board of Statutory Auditors, the remuneration of chief executives and directors who perform specific tasks
- examines and approves the strategic, industrial and financial plans of the Company and of the group it controls (hereinafter the "Group"), as well as the corporate governance structure of the Company and the structure of the Group
- may approve: (i) merger operations, in the cases set out in articles 2505 and 2505-*bis* of the Civil Code, (ii) the creation or elimination of secondary offices, (iii) identification of directors other than the chairman who may represent

the company, (iv) capital decreases in the case of shareholder withdrawal, without prejudice to the final paragraph of art. 2437-*quater* of the Civil Code, (v) adjustments of the articles of association to legislative requirements, (vi) relocations of the registered office within the national territory and (vii) capital decreases due to losses pursuant to art. 2446 of the Civil Code

- assesses general operating performance, taking particular account of information received from mandated bodies and periodically comparing results forecast and results achieved
- examines and approves in advance the most significant transactions carried out by Saras and the Group
- assesses the adequacy of the organisational, administrative and general accounting structure of the Company and the Group established by the chief executives, with a particular focus on the internal control system and the management of conflicts of interest
- at least once a year, evaluates the size, composition and functioning of the Board and its committees
- gives guidelines on the maximum number of positions to be held by directors or auditors who are members of the Board with other listed companies, finance, banking or insurance companies or companies of significant size
- appoints, after consultation with the Board of Statutory Auditors, a manager responsible for preparing the corporate accounting documents, making its selection from company managers with proven experience in accounting and finance
- draws up proposals for submission to the shareholders' meeting and reports to shareholders at meetings.

Below is a detailed description of the composition and functions of the Board, as well as the practical implementation of the tasks and functions listed above.

1.2. Composition of the Board of Directors

The articles of association state that the shareholders' meeting shall determine the number of Board members, between a minimum of three and a maximum of fifteen.

The articles of association state that the Board shall be elected by the shareholders' meeting using a list voting mechanism, which allows the appointment of a director from the list with the second-highest number of votes, entirely

unconnected to the majority list. The list of candidates may be presented by deposit at the registered office no later than ten days before the date of the first call of the shareholders' meeting, by shareholders representing, either alone or with other shareholders, at least 2.5% (two point five per cent) - or a different proportion established according to legislation in force - of the share capital comprising shares with voting rights at ordinary shareholders' meetings.

The number of Board members is equal to the number of candidates (between three and fifteen) named on the list that obtains the greatest number of votes.

The articles of association state that each list, by the 10 days required for the deposit of the same, must be accompanied by statements from each candidate, certifying that there are no reasons of ineligibility or incompatibility and that they meet the requirements prescribed by existing legislation and the articles of association for the office of Company director.

As well as the above lists and statements, shareholders are also invited to deposit at the registered office the additional documentation required under art. 144-*octies* of the Issuer Regulations. The names of the candidates and information about them will also be made promptly available on the Company website and to the stock market operator.

If, during the course of the year, one or more of the directors cease to hold office, they will be replaced pursuant to art. 2386 of the Civil Code. If the director ceasing to hold office was taken from the list that obtained the second-highest number of votes, he/she shall be replaced by a person drawn from the same list, in sequential order, who is still eligible and prepared to accept the post. The co-option of a director by the Board of Directors, or the appointment of another director to replace him/her, will be confirmed according to the procedures described above at the following shareholders' meeting. If the co-opted director, or a director replacing him/her, was drawn from a minority list, the shareholder that represents the largest percentage of share capital present at the shareholders' meeting and shareholders related thereto, even indirectly, may not vote. The candidate with the highest number of votes will be elected. The mandate of the new director expires at the same time as those in office at the time of his/her appointment, and the new director is bound by the regulations and articles of association applicable to the other directors.

In the event that the majority of directors ceases to hold office for any reason, the entire Board shall be deemed to have resigned, and a shareholders' meeting must be convened immediately by the remaining directors to reconstitute the Board.

Given the aforementioned possibility of the appointment of a director through the list voting system, and the presence in the Company's shareholding structure of a controlling shareholder selecting candidates in advance for inclusion on its own list, the Board has not provided for the creation of a committee for proposed appointments to the office of director (pursuant to art. 6 of the Civil Code), considering that appointment proposals must be made by shareholders through the candidate lists.

The incumbent Board was appointed by list vote at the ordinary shareholders' meeting of Saras on 28 April 2009. The Board, which will expire at the date of approval of the financial statements to 31 December 2011, comprises nine members as listed below, one of which – Mr Giancarlo Cerutti - was selected by minority shareholders.

Mr. Gian Marco Moratti	Chairman
Mr Massimo Moratti	Chief Executive Officer
Mr Angelo Moratti	Vice-Chairman
Mr Gilberto Callera	Chairman of the Remuneration Committee Member of the Internal Control Committee Lead Independent Director
Mr Giancarlo Cerutti	Independent director Member of the Internal Control Committee

Mr Mario Greco	Independent director Member of the Internal Control Committee (and Financial Expert) Member of the Remuneration Committee
Mr Angelomario Moratti	
Mr Gabriele Previati	Chairman of the Internal Control Committee
	Member of the Remuneration Committee
Mr Dario Scaffardi	

For further information on the composition of the Board and the Committees, see the footnote ¹, the following sections and the table at Attachment 1.

1.3. Board Meetings

The Board also convenes in locations other than the registered office, in Italy and in other European Union countries. Board meetings are also valid if they are held via videoconference or teleconference, on condition that all the participants

¹ Massimo Moratti is a Member of the Board at Pirelli & C. SpA;
Giancarlo Cerutti is a Member of the Board at Sole24Ore SpA;
Mario Greco is a Member of the Board at Gruppo Editoriale L'Espresso SpA and Indesit Company SpA, and is Chief Executive of Global Life Zurich Financial Services.

can be identified by the chairman of the meeting and all other participants and that they can follow the discussion and contribute in real time to the handling of the matters under debate and the resolution, as well as receive, send and view documents, and that all of the above is recorded in the minutes.

Meetings of the Board are convened by letter, telegram, fax or email, sent no later than five days before (or, in case of emergency, no later than 24 hours before) the meeting, to all Directors and Statutory Auditors.

The Board of Directors held eight meetings in 2009. The Board has held two meetings in 2010, including the meeting to approve this Report. The meetings took place at regular intervals and were regularly attended by the various Board members, as well as members of the Board of Statutory Auditors, (for a breakdown, see the summary table at Attachment 1).

On 18 January 2010 the Company issued its own annual calendar of corporate events, pursuant to art. 2.6.2.1.c) of the Stock Market Regulations. According to the calendar, at least five meetings are scheduled for 2010.

1.4. Mandates within the Board

Without prejudice to the responsibilities summarized in section 1.1, at its meeting of 28 April 2009 the Board assigned full administrative powers to Chairman Gian Marco Moratti and CEO Massimo Moratti, with consequent powers of representation to third parties and for the ordinary and extraordinary management of the Company, both individually and separately (however, provision is made for consultation in advance between the two directors, in cases where the nature and scale of the transaction or decision suggest this, in order to ensure consistent management of the Company's operations).

The Board believes that assignation of the above powers to the Chairman and to the Chief Executive, both of whom are general partners in Saras' parent company, Angelo Moratti Sapa, manage the Company effectively and efficiently, in line with the established practices and traditions of the Saras Group.

The Board has also made the Chairman the executive director responsible for overseeing the functioning of the internal control system (see below for further details).

The Board has assigned to Mr Angelo Moratti (Vice Chairman), as well as the requisite powers, a special role as Company representative in institutional relationships with the media and banking and finance operators. Mr. Moratti has also been tasked with researching and evaluating possible opportunities for the Company in terms of extraordinary transactions and submitting these to the Board, or to the Chairman and/or the Chief Executive, and has been assigned the power to execute Board resolutions, with conferral of the requisite powers in both cases.

Mandated board members also carry out the duties assigned to them by law and by the articles of association.

Pursuant to recommendations in art. 1.C.1.c) of the Code, the Board has established that directors with individual mandates as described above shall report to the Board on a quarterly basis on the activity carried out in the year in which the mandate was conferred. These reports are regularly given by the mandated board members, who also provide further information as described below.

1.5. Information provided to the Board

Pursuant to art. 2381 of the Civil Code and art. 150.1 of the TUF, the articles of association state that the Board of Directors and the Board of Statutory Auditors shall be informed by the mandated bodies about general operating performance, foreseeable changes in this performance, activities carried out and transactions of major significance in terms of the Company's business and financial position, conducted by the Company or by its subsidiaries. Specifically, the mandated bodies report on transactions in which they have an interest, either on their own account or on behalf of third parties. Information is provided on at least a quarterly basis, at meetings of the Board of Directors and, in the case of disclosure to the Board of Statutory Auditors, also by means of communication with the chairman of this board.

1.6. Non-executive and independent directors

At the date of this Report, the Board of Directors included three non-executive directors with independent characteristics as defined in art. 3.C.1. of the Code (as well as articles 147-ter, paragraph 4, and 148, paragraph 3, of the TUF): namely, Mr Gilberto Callera, Mr Giancarlo Cerutti and Mr Mario Greco. The number of directors meeting the criteria for independence pursuant to art. 148, paragraph 3 of the TUF therefore complies with art. 147-ter, paragraph 4 of the TUF, as amended by Legislative Decree 303 of 29 December 2006, regarding boards of directors of listed issuers with more than seven members.

The existence of these independence requirements, which was declared by each director when the lists were presented and when the appointment was accepted, was verified by the Board of Directors in the first meeting following the appointment, and subsequently assessed at the meeting of 25 February 2010, partly on the basis of statements and information provided by the directors concerned.

The Board of Statutory Auditors verified that the criteria and procedures used by the Board of Directors to assess the independence of directors were applied correctly.

The Board includes another two members who may be categorised as non-executive directors: namely, Mr Gabriele Previati and Mr Angelomario Moratti.

In view of the above, the Board of Directors currently includes a number of non-executive directors who, partly due to their authority, have significant potential influence on board decisions.

1.7. The Lead Independent Director and meetings of independent directors

Pursuant to recommendations contained in art. 2.C.3. of the Code, on 28 April 2009 the Board of Directors appointed independent director Mr Gilberto Callera Lead Independent Director, assigning him the task of working with the Chairman of the Board to ensure that directors receive comprehensive and timely information, and the power to

convene, either independently or at the request of other board members, exclusive meetings for independent and non-executive directors to discuss subjects deemed of interest regarding the functioning of the Board of Directors or corporate governance.

In accordance with recommendations contained in art. 3.C.6 of the Code, the independent directors of Saras met on 16 December 2009, convened by the Lead Independent Director.

The Lead Independent Director subsequently confirmed to the Board of Directors that the independent directors had verified the regularity of Board meetings and monitored the completeness of the information provided to directors on the matters to be discussed in the various meetings, ascertaining that the information provided to all the directors was adequate and that supporting documents for the meetings were made available to them in good time.

Regarding the Remuneration Committee (of which two independent directors are members) and the Internal Control Committee (of which all the independent directors are members), the independent directors verified that the activity of these committees was again carried out in a timely and satisfactory manner in 2009, in accordance with the duties and responsibilities assigned to them.

The flow and content of communication and disclosure to the market was also found to be satisfactory, in terms of both the Company website and communications and meetings with market operators.

The independent directors examined the draft consultation document for transactions with related parties, published by CONSOB, which assigns a central role to independent board members in ascertaining substantive and procedural probity in transactions with related parties.

Finally, the draft CONSOB Communication of 26 February 2009, which contains recommendations on mandatory disclosure by corporate governance bodies of how they assess the fulfilment of independence criteria by board members declared independent, was also examined.

Noting that, as at the date of the meeting of independent directors, these regulations and recommendations were not definitive and still under examination by CONSOB, independent directors confirmed that the Company is in full

compliance with legislation in force and with the provisions of the Code of Conduct, in terms of both transactions with related parties and the assessment of independence criteria for board members declared independent.

During the meeting at which this Report was approved, the Lead Independent Director pointed out that CONSOB, by resolution of 12 March 2010, had adopted the “Regulations for transactions with related parties”. The provisions contained in these regulations, including obligations and possible adjustments required of the Company, will be examined by the independent directors.

1.8. Evaluation of the composition of the Board of Directors and Board Committees, as well as of external roles

At its meeting on 25 February 2010, the Board of Directors carried out an evaluation of the size, composition and workings of the Board and the Board Committees.

The Board of Directors took the opportunity to express its appreciation of the contribution made by the non-executive directors to the proceedings of the Board, both in virtue of their management expertise and skills, and as a result of the wide range of experiences in different industrial sectors that the Board members bring to the table.

The Board of Directors also praised the contribution of the executive directors who contribute their direct experience of the operational reality, thereby providing additional tools for understanding the strategic and competitive situation unfolding under the current challenging economic conditions.

Following on from these evaluations, the Lead Independent Director suggested considering the option of expanding the Board of Directors by opening it up to further contributions from those with extensive direct experience of company operations.

During the meeting in which this Report was approved, the Board of Directors welcomed this suggestion and therefore decided to include among the items on the agenda for the shareholders’ meeting convened to approve the 2009 financial statements a proposal to increase the number of directors from nine to ten and to appoint the new

director.

1.9. Implementation by the Board of Directors of other recommendations in the Code

The directors take part in initiatives aimed at increasing their knowledge of the situation and performance of the company, including as regards the regulatory framework, and that enable them to perform their roles effectively in line with their specific duties and responsibilities.

For more information on the assessment by the Board of general operations, please refer to the reports on operations approved by the Board and enclosed with the Saras draft annual financial statements and consolidated financial statements.

2. Board Committees

2.1 Remuneration Committee

In accordance with the provisions specified in arts. 7.P.3. e 7.C.3. of the Code, the Board of Directors has established a Remuneration Committee, which has a consulting and advisory role vis-à-vis the Board and is tasked with:

- (i) submitting proposals to the Board, in the absence of those directly concerned, regarding the remuneration of CEOs and directors that have taken on specific roles, as well as monitoring the application of the decisions adopted by the Board
- (ii) periodically reviewing the criteria used to set the remuneration of senior managers with strategic responsibilities at the Company and its direct and indirect subsidiaries, as well as monitoring the application of those criteria
- (iii) submitting proposals regarding the adoption of general remuneration criteria for senior managers with strategic responsibilities within the Saras Group
- (iv) submitting proposals regarding possible stock option plans or the granting of shares

The regulations of the Remuneration Committee, approved by the Board of Directors on 11 January 2006, and later amended on 3 May 2006 to bring them into line with the recommendation contained in art. 7.P.3. of the Code regarding the composition of the committee, specifies that the Committee must comprise three non-executive directors, a majority of whom must be independent. The current members of the Remuneration Committee are Mr Gilberto Callera (Chairman and independent director), Mr Mario Greco (independent director) and Mr Gabriele Previati (non-executive director).

Remuneration Committee meetings are convened by the Chairman whenever he deems it appropriate. The Committee is validly constituted if a majority of its members is present, and resolutions are carried by an absolute majority of those present. The meetings of the Remuneration Committee may be attended by any individual whose presence the Committee deems appropriate, with the proviso that a director must not attend Committee meetings where proposals regarding his own remuneration are being discussed. The Committee may call on consultants, including external consultants, who can help to provide necessary information regarding standard market practices for remuneration systems. The meetings of the Committee are minuted. The Committee is invested with the powers specified in art. 5.C.1.(e) of the Code of Conduct.

The Remuneration Committee held four meetings in 2009. The Committee has held two meetings in 2010. The meetings were regularly attended by the three members of the Committee (see summary table at Attachment 1 for a breakdown). The Committee consulted internal and external consultants in the execution of its duties.

The Committee meetings for the most part addressed the evaluation of general remuneration criteria for senior managers with strategic responsibilities, as well as monitoring and submitting proposals for the implementation of plans to grant free ordinary shares in the Company to employees of the Company and its Italian subsidiaries, and to Saras Group management (hereinafter the "Plans"). These Plans were approved by the shareholders' meeting on 27 April 2007 for a duration of three years, and were therefore completed in 2009.

In its meeting on 11 May 2009, the Committee submitted proposals to the Board regarding the remuneration of

directors with specific roles (i.e. the Chairman of the Board, the CEO and the Vice-Chairman). The Board accepted these proposals by passing a resolution pursuant to art. 2389 para. 3 of the Italian Civil Code.

During the subsequent Committee meetings that took place in the second half of 2009 and in 2010, an in-depth analysis was carried out to determine (i) the adequacy of the remuneration criteria for senior management, and (ii) the possible adoption of a new stock grant plan for senior management in line with the recommendations of art. 7 of the Code of Conduct.

With particular reference to the possible adoption of a new stock grant plan, the Committee submitted to the Board, on the basis of its in-depth analysis and evaluations, a proposal for the adoption of a new stock plan to remunerate and encourage the loyalty of Saras Group management. The new plan consists in the granting of a certain number of free ordinary shares in the Company to senior managers at the Company and its subsidiaries, partly on the basis of the performance of Saras shares in each of the three years in question (hereinafter the “Plan”).

During the meeting to approve this Report, the Board of Directors also approved the Plan and the proposal for a three year stock plan to encourage loyalty and increase the motivation of all employees, specifically by means of the granting of a certain number of free ordinary shares in the Company to employees with a permanent contract at Saras and its Italian subsidiaries, partly on the basis, not of performance criteria, but of the investment in Saras shares by the plan beneficiaries.

Both Plans will thus be submitted to the Company shareholders’ meeting for final approval, pursuant to art. 114-*bis* TUF. Information regarding the two Plans will be published in accordance with the above regulation at least 15 days prior to the date set for the shareholders’ meeting convened to resolve on the Plans and to approve the annual financial statements for the year ending 31 December 2009.

Under the current remuneration system, a significant part of the remuneration of senior management is tied to the results achieved by the Company.

The Remuneration Committee has decided not to propose to the Board that the remuneration of Chairman Gian Marco

Moratti, CEO Massimo Moratti and Vice-Chairman Angelo Moratti be tied to the financial performance of the Company and/or to the achievement of specific objectives set by the Board, as recommended by the Code of Conduct. That recommendation of the Code is intended to ensure that issuers put in place remuneration mechanisms that incentivise board members to stay with the company and increase their motivation (see Principle 7.P.1. of the Code of Conduct) and that are structured in such a way as to align their interests with the primary objective of creating value for shareholders in the medium to long term (see Principle 7.P.2. of the Code). Since all three of the aforementioned executive directors are shareholders of Angelo Moratti S.a.p.a., which owns a majority stake in the Company, the Remuneration Committee and the Board of Directors do not deem it necessary to adhere to the above recommendation, as there is no need to put in place incentivisation mechanisms to increase their loyalty and motivation as board members and as their interests are already intrinsically aligned with the primary objective of creating value for all shareholders.

The remuneration of non-executive directors is not tied to the Company's financial results and is commensurate with the workload of each director, taking into account any involvement in committee activities.

2.2 Internal Control Committee

Pursuant to the provisions of art. 8 of the Code of Conduct, the Board of Directors created an internal control committee in the organisation, which has a consulting and advisory role vis-à-vis the Board. Specifically, the Internal Control Committee:

- (a) assists the Board of Directors in (i) establishing the guidelines for the internal control system such that the main risks attaching to the issuer and its subsidiaries are correctly identified, as well as appropriately measured, managed and monitored (ii) determining criteria for such risks in relation to sound and correct management (iii) assessing the adequacy, efficiency and effectiveness of the operation of the internal control system, at least once a year (iv) determining the key elements of an internal control system in relation to corporate governance, and expressing an opinion on the overall suitability of the system
- (b) assesses, in conjunction with the director responsible for preparing the Company's accounting documents and the

auditors, the correct use of accounting principles and their uniform application in drawing up the consolidated financial statements

(c) at the request of the executive director responsible in this regard, expresses opinions on specific aspects relating to the identification of the main corporate risks; plan, implement and manage the internal control system

(d) examines the work plan prepared by the internal control managers, and the periodic reports issued by them

(e) assesses the proposals made by the external auditing company to obtain the relevant mandate, as well as the audit plan, the audit report and any recommendations letter

(f) monitors the effectiveness of the financial audit procedure

(g) carries out any additional duties assigned to them by the Board of Directors

(h) reports to the Board of Directors at least every six months, when the annual financial statements and the interim half-yearly report are approved, on the activities undertaken and on the adequacy of the internal control system

In accordance with the provisions of the Committee Regulations, the Internal Control Committee consists of three non-executive directors, the majority of whom are independent. The current members of the committee are Mr Gabriele Previati (Chairman and non-executive director), Mr Mario Greco (independent director), Mr Gilberto Callera (independent director) and Mr G. Cerutti (independent director). Pursuant to art. 8.P.4 of the Code, the Board has assessed that Mr Mario Greco, member of the Internal Control Committee, has the relevant experience in accounting and finance and is therefore deemed a financial expert.

Internal Control Committee meetings are convened by the Chairman whenever he deems it appropriate, and at least every six months. The Committee is validly constituted if a majority of its members is present, and resolutions are carried by an absolute majority of those present. The Chairman of the Board of Auditors (or another auditor designated by him), the Internal Control Manager and the Head of Internal Audit attend the meetings of the Internal Control Committee. The Chairman of the Board of Directors, the CEO, other members of the Board of Auditors, the General Manager, the Chief Financial Officer, representatives of the external auditing company and any other individual whose presence the Committee deems appropriate to the matter under discussion may also attend the meetings. The meetings of the Committee are minuted.

The Internal Control Committee met six times in 2009. The meetings were regularly attended by the four members of the committee (see table at Attachment 1 for a breakdown) as well as the Chairman of the Board of Auditors, the Internal Control Manager and the Head of Internal Audit. The Committee has held two meetings in the first quarter of 2010.

In performing analysis, and defining and updating the relevant tools, the Committee has made a significant contribution to the implementation of the Company's corporate governance system. The Committee helped introduce the adoption of principles of conduct relating to the execution of transactions with related parties and of similar principles regarding the directors of the Saras Group. Further details of the latter are given below. The Committee also submitted for approval by the Board of Directors a document containing guidelines for the internal control system on identifying risks, implementing the control system and assessing its effectiveness.

In 2009, the Committee also:

- approved the work plan for 2009 in keeping with the provisions of the Internal Control Committee Regulations
- approved the internal audit programme for 2009 and the audit plan prepared by the Internal Audit function This programme was prepared using the “Guidelines on the Internal Control System” approved by the Saras Board of Directors
- monitored the work carried out by the Internal Control Manager and the Head of Internal Audit relating to the assessment of the suitability and effectiveness of the internal control system. With regard to the activities performed by Internal Audit, it examined the periodic audit reports on the quarterly results and on the progress made in implementing corrective measures
- assessed the correct use of accounting principles and their uniform application in drawing up the consolidated accounts, and examined the external auditing company's work plan
- examined and assessed the “Report on the Internal Control System of Saras and the Group” prepared by the Head of Internal Audit. The report describes the parameters of the control system and assesses the overall efficiency of the system in operation
- received information on the activities performed by the supervisory bodies of Saras and its subsidiaries relating to

the adoption and implementation of their respective “Organisation, Management and Control Models” (see below for further details) and especially on health and safety at work issues

- organised a meeting (held on 25 November 2009 at the Sarroch refinery), which was attended by representatives of the Saras management and the Company’s control bodies aimed at raising awareness of the initiatives and measures implemented in the refinery to improve the internal control system, especially in regard to health and safety issues

- received information on the general structure of the system adopted by Saras to identify, manage and monitor risks to the company’s objectives in the strategic, operational, financial, insurance and credit management areas. The activities aimed at identifying, managing and monitoring the main risks to the Company regarding, in particular, strategic, financial, liquidity, credit and operational risks, were discussed in detail at the Committee's meetings in 2009. The Chief Financial Officer (CFO) introduced the topic to the Committee and gave a summary of the background and the methods by which such risks are managed.

In February 2010, the Committee prepared a “Report on the Internal Control System” on the various assessments and performance of the internal control system of Saras and the Group. The report was prepared using the results of the checks performed by Internal Audit and information submitted periodically by the Internal Control Manager.

The report was submitted to the Chairman of the Board of Directors as executive director responsible for supervising the functions of the internal control system and presented to the Board at its meeting on 25 February 2010.

Partly thanks to the above-mentioned activities, the Board considers that there is an adequate control and monitoring system in place to provide reasonable assurance on compliance with corporate policies and guidelines, the correct application of procedures and the efficiency and effectiveness of controls. At its meeting on 25 February 2010, the Board therefore assessed Saras’ existing internal control system as appropriate for achieving an acceptable overall risk profile.

3. Internal control

Responsibility for the internal control system falls within the remit of the Board of Directors, which establishes guidelines and periodically checks its suitability and effective operation. To this end, the Board liaises with the Internal Control Committee, the Internal Control Manager and the Head of Internal Audit.

Pursuant to the recommendations of art. 8.C.1 of the Code, the Board:

- (a) selected the Chairman of the Board as the executive director responsible for supervising the functions of the internal control system
- (b) appointed Mr Concetto Siracusa, following the proposal of the Chairman of the Board, as Internal Control Manager, assigning him the responsibility for: (i) checking that the Company's internal control system remains suitable, fully operational and functioning (ii) reporting periodically to the Internal Control Committee, the Board of Auditors and the Chairman of the Board on his actions and the methods by which risk is managed, as well as on compliance with the plans drawn up to minimise risk (iii) giving his assessment of the suitability of the internal control system to achieve an acceptable overall risk profile
- (c) assigned the Chairman of the Board, as executive director responsible for supervising the functions of the Company's internal control system, the responsibility for adopting measures to ensure that the aforementioned Manager has direct access to all the necessary information and has the appropriate resources with which to fulfil his role

The Internal Control Manager, who meets the requirements of competence and professionalism required to fulfil the role, does not report to operational area managers but to the Internal Control Committee, the Board of Statutory Auditors and the Chairman of the Board of Directors (as executive director responsible for supervising the functions of the Company's internal control system).

The Internal Audit function is under the direct responsibility of the Chairman of the Board of Directors and reports on his activities to the Internal Control Committee and the Board of Statutory Auditors, as well as to the Supervisory Body created in accordance with Legislative Decree 231/01. The main responsibility of the latter is to monitor the

Group's internal control system to ensure its efficiency and effectiveness. The Head of the Company's Internal Audit function is Mr Ferruccio Bellelli.

The current separation of the roles of Head of Internal Audit and Internal Control Manager means that Internal Audit can provide more effective support to the audit activities and assessment of the internal control system on the one hand, and the Internal Control Manager can more effectively deal with problems relating to the planning of the control system and to the management of relationships with the control bodies (Internal Control Committee, Supervisory Body, Board of Statutory Auditors and external auditing company), on the other.

At the end of 2006, in response to a proposal of the Internal Control Committee, the Board of Directors approved a document containing guidelines for the internal control system. The aim of this document, prepared in conjunction with the Internal Control Manager and the Head of Internal Audit, was to establish guidelines for the development and improvement of the Company's internal control system, with specific reference to the profiles relating to the control environment, risk evaluation, and control and monitoring activities. The guidelines were re-examined in 2008 by the Internal Control Committee, which confirmed that they were still valid and in line with the provisions of the Code of Conduct and best practices in the sector.

The Company's policy on managing and monitoring the main risks to the Company, especially regarding strategic, financial, liquidity, credit and operational risks, is based on the identification and assessment – and where possible, the mitigation or elimination – of the main risks relating to the Group's strategic, operational and financial objectives. Under Saras' management policy, the main risks are reported and discussed by the Group's senior management, who will decide on how to manage them as well as assess an acceptable level of residual risk.

Risk management is based on the principle whereby operational or financial risk is managed by the head of the relevant process using information from senior management, while the "control" function measures and controls the level of exposure to the risks and the results of measures taken to reduce them.

To this end, in April 2009 Saras issued an internal communication, which determined that the risk management

function should fall within the remit of the Management Control Division reporting to the CFO, who has, *inter alia*, the responsibility for defining group standards for controlling and monitoring risks and for reporting on them.

The Code of Ethics² is an essential part of the internal control system and sets out the principles and values adopted by Saras that must be complied with by all employees, partners and persons with whom Saras has relationships. The Code of Ethics has been introduced in Saras and its subsidiaries (Sarlux, Sartec, Akhela, Arcola Petrolifera, Sardeolica and Saras Energia).

The internal control system described above was further strengthened with the adoption of Saras' Organisation, Management and Control Model (the "Model"), approved by the Board of Directors on 11 January 2006 and updated on 8 August 2007 and 5 May 2008, and on 6 November 2008 and 25 March 2010 in application of the legislation relating to organisations' administrative responsibility pursuant to Legislative Decree 231/2001 to implement a system of procedures and controls intended to reduce the risk of committing a crime pursuant to the said Legislative Decree 231/2001.

The Model was drafted in accordance with the guidelines formulated by Confindustria, and comprises a "general part" (which describes, *inter alia*, the objectives and operation of the Model, the duties of the internal control body responsible for supervising the operation of, and compliance with, the Model and the penalty system), and "special parts" relating to the various types of crime stipulated by Legislative Decree 231/2001.

Special parts have been prepared relating to the following crimes:

- offences against the public administration
- corporate offences, offences relating to terrorism or the subversion of the democratic order, counterfeiting of money
- culpable homicide and grievous bodily harm committed in breach of health and safety at work legislation
- market abuses (abuse of privileged information and market manipulation)

² Available at: http://www.saras.it/saras/_uploads/documents/codice_etico.pdf

When the Model was implemented, the company updated and issued certain guidelines, including:

- internal regulations on handling privileged information and the creation of a register of persons with access to such information
- Code of Conduct on Internal Dealing
- principles of conduct for carrying out transactions with related parties
- guidelines on managing extraordinary operations
- guidelines on relationships with public supervisory authorities
- guidelines for the external communication of corporate information and documents
- procedure for managing price sensitive announcements to the public
- procedure for managing consultancy contracts
- procedure on the “preparation of the separate accounts of Saras and the consolidated accounts of the Group”

The Supervisory Body was created to ensure that the model adopted by Saras was effectively and properly implemented. Saras’ Supervisory Body comprises Mr Previati, non-executive director (with chairman duties), Mr Claudio M. Fianza and Mr Concetto Siracusa.

The Group companies (Sarlux, Sartec, Akhela, Arcola Petrolifera and Sardeolica) have adopted and updated their own Organisation, Management and Control Models, and have also created their own Supervisory Bodies.

4. Handling corporate information

With reference to the obligation pursuant to art. 115-*bis* of the TUF to create a register of persons with access to privileged information, and pursuant to the recommendations stipulated at art. 4 of the Code (the rationale for which stems from article 114 of the TUF and the implementing regulations), the Board adopted “Internal regulations for managing privileged information and the creation of a register of persons with access to such information” in May 2006. These regulations contain procedures for identifying privileged information, i.e. important information about the company and its subsidiaries, with particular reference to price sensitive information. They also contain procedures for the internal handling of such information and for managing access by external parties and, where necessary, external communication. These procedures are intended to prevent such information being communicated selectively, at the wrong time, or in an incomplete or inappropriate form.

The regulations, which include provisions relating to the maintenance of the register (which Saras also manages on behalf of its subsidiaries) were prepared in accordance with art. 114 of the TUF, the regulations at articles 65-bis *et seq* and articles 152-bis *et seq* relating to the register, and the Issuer Regulations, and taking account of Consob Communication DEM/6027054 of 28 March 2006.

5. Code of Conduct on Internal Dealing

Also for the purposes of harmonising Saras' corporate governance with the rules applicable to listed companies, the Board of Directors adopted in May 2006 a "Code of Conduct on Internal Dealing"³, which incorporates and implements the provisions of art. 114, para. 7 of the TUF and articles 152-*sexies et seq* of the Issuer Regulations, and is intended to ensure proper and appropriate transparency of information to the market in relation to transactions carried out by individuals in the Company on its securities. The said Code of Conduct establishes precise rules of conduct and communication relating to transactions executed on financial instruments issued by Saras by key individuals (defined as Directors and Statutory Auditors of the Company, any individual with a management role and any senior manager who has regular access to privileged information and has the power to adopt management decisions that could affect the Company's development and future prospects, as well as any direct or indirect shareholder holding a stake of at least 10% of Saras' share capital) and persons closely associated with such key individuals. In line with best practice, the Code of Conduct also prohibits such key individuals and persons closely associated with them, to effect transactions on the Company's securities in determined periods.

6. Directors' interests, significant transactions and transactions with related parties

In 2006 – ahead of Consob's definition of general principles on internal rules to ensure transparency and the substantial and procedural fairness of related party transactions pursuant to art. 2391-*bis* of the civil code – the Board of Directors decided to adopt "principles of conduct for carrying out transactions with related parties", which set out potential operational solutions in situations involving directors' interests. The principles are detailed in a document that was favourably assessed by the Internal Control Committee and the Board of Statutory Auditors. Based on the

³ Available at: http://www.saras.it/documentazione/codice_internal_dealing.pdf

principles of conduct, transactions with related parties that exceed a certain unit amount (higher for inter-company transactions, i.e. transactions executed by Saras with its direct or indirect subsidiaries; lower for transactions with other related parties, e.g. significant shareholders or individuals that form part of the shareholding company), are submitted for prior approval by the Board of Directors.

The Board has also identified certain types of transaction that must be submitted for prior approval even if they are not with related parties, if they exceed a certain unit amount (acquisition or sale of holdings, companies, branches, business units or assets).

In its meeting to approve this Report, and following the adoption by Consob of the “Regulations on related-party transactions” (Resolution 17221 of 12 March 2010), the Board of Directors decided that they would make any amendments to the document entitled “principles of conduct for carrying out transactions with related parties” that became necessary or appropriate in light of the new Regulations on the subject, and also decided to implement all the necessary measures to ensure full compliance with the regulations on related-party transactions adopted by Consob.

The Board also approved a “Code of Conduct for Directors of the Group”, which was also favourably assessed by the Internal Control Committee and the Board of Auditors. The code’s primary aim is to provide Directors with uniform criteria of conduct to enable them to carry out their role within a structured framework, in compliance with legislation on directors’ interests and the principles of corporate governance and, when possible, in keeping with the Saras Group’s interests.

7. Director responsible for drawing up the accounting statements

When its shares were listed in May 2006, the Company amended its articles of association pursuant to the provisions of art. 154-*bis* of the TUF, in order to create the position of “director responsible for preparing the company’s accounting statements”. The current director fulfilling that role is the Chief Financial Officer, Mr Corrado Costanzo, who was assigned this role by the Board of Directors at its meeting on 2 October 2006.

The Board of Directors granted this director all the necessary and appropriate powers to enable him to carry out the duties prescribed at art. 154-*bis* of the TUF.

8. Board of Auditors

In accordance with the Company's articles of association, the Board of Statutory Auditors comprises three permanent auditors and two deputy auditors. The articles of association stipulate that auditors are appointed using a list voting system, which ensures that minority shareholders can appoint a permanent auditor (who will be appointed Chairman of the Board of Statutory Auditors) and a deputy auditor. Lists of candidates may be submitted by all shareholders representing at least 2.5% (two point five per cent), or such different percentage as may be established according to legislation in force, of the share capital, comprising shares that carry the right to vote at ordinary shareholders' meetings, and must be deposited at the registered office at least 15 days before the date fixed for the shareholders' meeting (first call). For each list, the following documents must also be submitted at the registered office by the deadline for submission of lists: (i) comprehensive information on the personal and professional qualities of the candidates (CVs) (ii) declarations from the candidates stating that they accept their candidacy and that there are no grounds of ineligibility or incompatibility (including that they do not exceed the statutory limits for the number of positions held) and that they meet the requirements stipulated by existing legislation and the articles of association to fulfil the role of auditor for the Company. The office of permanent auditor is incompatible with carrying out similar duties in more than another three companies listed on the Italian regulated markets, except for the Company and its subsidiaries.

The candidate lists, together with the information required by existing legislation and the Company's articles of association, are deposited at the registered office at least 15 days before the date fixed for the shareholders' meeting and at Borsa Italiana SpA, and on the Company's website at least ten days before that date. For further information on the procedure to appoint the Board of Auditors, please see the Company's articles of association and the provisions of articles 144-*ter et seq* of the Issuer Regulations.

The current Board of Statutory Auditors, which was appointed through the list voting system at the shareholders' meeting on 28 April 2010 for a term valid until the approval of the financial statements for the year ending 31 December 2011, comprises the members listed below. One was selected by the minority shareholders and was therefore appointed Chairman of the Board of Statutory Auditors.

Mr Ferdinando Superti Furga ⁴	Chairman
Mr Giovanni Luigi Camera ⁵	Permanent Auditor
Mr Michele Di Martino	Permanent Auditor
Mr Luigi Borré	Deputy Auditor
Mr Marco Visentin	Deputy Auditor

The Board of Statutory Auditors held eight meetings in 2009. In 2010, the Board of Auditors has met three times. The meetings were regularly attended by the permanent auditors (see summary table at Attachment 2 for a breakdown).

The Board of Statutory Auditors performed an internal check pursuant to art. 10.C.2 of the Code on the requirements for the independence of directors in accordance with the law and based on the criteria stipulated by the Code. The results of the check were positive.

The Board of Statutory Auditors, in compliance with the provisions of article 10.C.5 of the Code, also verified the independence of the auditing company in compliance with existing legislation and as regards the nature and extent of the various financial audit services provided to the issuer and its subsidiaries by the said auditing company and the entities belonging to its network.

Any auditor who, on his or her own account or that of third parties, has an interest in a specific transaction of the Company shall inform the other auditors and the Chairman of the Board of Auditors, in a timely and comprehensive manner, of the nature, terms, origin and extent of his or her interest.

9. Relationships with shareholders

When the Company listed its shares on the stock exchange, it considered that it would be in its interests - as well as a

⁴ Mr Superti Furga holds the following positions in listed companies: Chairman of the Board of Auditors at Arnaldo Mondadori, Permanent Auditor at Telecom Italia SpA, and Independent Director at Parmalat SpA.

⁵ Mr Camera holds the following positions in financial companies: Chairman of the Board of Auditors at UBS Italia SpA, Chairman of the Board of Auditors at Shine Sim SpA, and Director at Previmoda.

duty to the market - to initiate a continuous dialogue with its shareholders and institutional investors, which would comply with both existing legislation and the principles contained in the “Guide on information provided to the market” published by Borsa Italiana SpA, as well as with internal regulations on handling privileged information.

In order to promote such dialogue, the Company, in keeping with the recommendations of art. 11 of the Code, identified an investor relations manager. The Company also decided to further promote dialogue with investors by creating a specific investor relations section on its website (www.saras.it, “investor relations” section), where investors could access information in both Italian and English on financial and economic aspects (financial statements, half-yearly and quarterly reports, presentations to the financial community, analysts’ estimates and the performance of the Company’s stock on the market), as well as up-to-date information and documents of interest to shareholders (press releases, composition of the Board of Directors and management of the Company, articles of association, Code of Ethics, shareholders’ meeting regulations and the Internal Dealing Code). The website also has a section entitled “shareholders’ meetings”⁶ containing information on the methods of taking part and exercising the right to vote in shareholders’ meetings. It also contains documents relating to the items on the agenda, including lists of candidates for the position of director or Statutory Auditor and their CVs.

At shareholders’ meetings, the Board of Directors reports on the activities undertaken and those planned, in compliance with the regulations on privileged information. The Board of Directors also prepares and publishes a report pursuant to art. 3 of Ministerial Decree 437 of 5 November 1998, setting out the proposals relating to the items on the agenda, in order to provide shareholders with sufficient information to enable them to vote in an informed way.

The organisational unit responsible for relationships with investors and shareholders can be contacted at the following address:

Investor Relations, Saras SpA, Galleria De Cristoforis 1, 20122 Milan. Toll-free no. 800511155, email: ir@saras.it.

⁶ Available at: http://www.saras.it/content_it/investor_relations/assemblee.shtml

10. Shareholders' meetings

The Company considers the shareholders' meeting a valuable opportunity to establish a profitable dialogue between shareholders and the Board of Directors, and as an occasion to communicate news about the Company to shareholders, while making sure that such activity complies with the regulations on privileged information.

Ordinary and extraordinary shareholders' meetings are held, pursuant to law.

To call a shareholders' meeting, pursuant to art. 12 of the Company's articles of association, a notice of the meeting, containing the agenda, must be published in the Official Gazette or the daily newspaper *Il Sole 24 Ore* within the deadlines stipulated by law.

The notice calling the meeting – which is also published on the Company's website – details the procedures for shareholders to take part in the meeting and exercise voting rights, as governed by the Company's articles of association.

All the documentation relating to the topics on the agenda for the shareholders' meeting is deposited at the Company's registered office and the administrative office for consultation by the public, within the deadlines stipulated by law, and sent via the electronic Network Information System (NIS) to Borsa Italiana SpA. The documentation may also be consulted on the company's website www.saras.it.

Pursuant to article 14 of the articles of association, shareholders with voting rights may attend the meeting provided that the company has received the communication pursuant to article 2370, paragraph 2 of the Italian civil code at least two working days prior to the date of the shareholders' meeting (first call) and that they are in possession of the relevant certification on the date of the meeting.

Shareholders' meetings are also governed by the relevant regulations on the subject, approved by the ordinary shareholders' meeting.

In compliance with the recommendations of art. 11 of the Code, the Company has a specific shareholders' regulation⁷, prepared using the template created by the Italian Banking Association (ABI) and ASSONIME intended to ensure that shareholders' meetings are conducted in an orderly and efficient manner, by setting detailed regulations on the various phases of the meetings, in compliance with the fundamental right of each shareholder to request clarification on the various topics under discussion, to express his or her opinion and to formulate proposals.

This regulation, although not a statutory provision, was approved by the ordinary shareholders' meeting by virtue of specific powers attributed to that statutory body.

⁷ Available at: http://www.saras.it/documentazione/regolamento_assemblee.pdf

TABLE 1: BOARD OF DIRECTORS AND COMMITTEES

Board of Directors							Internal Control Committee		Remuneration Committee		Appointments Committee, if any		Executive Committee, if any	
Position	Board member	Executive	Non-executive	Independent	****	Number of additional positions held **	***	****	***	****	***	****	***	****
Chairman	Gian Marco Moratti	X			100%	=							=	=
CEO	Massimo Moratti	X			90%									=
Vice-Chairman	Angelo Moratti	X			100%	=							=	=
Director	Gilberto Callera		X	X	100%	=	X	90%	X	100%			=	=
Director	Giancarlo Cerutti*		X	X	50%	1	X	100%					=	=
Director	Mario Greco		X	X	75%	3	X	75%	X	90%			=	=
Director	Angelomario Moratti		X		90%	=							=	=
Director	Gabriele Previati		X		100%		X	100%	X	100%			=	=
Director	Dario Scaffardi	X			100%	=							=	=
Number of meetings held during the year in question				Board of Directors: 8			Internal Control Committee: 6			Remuneration Committee: 4				

NOTES

* An asterisk indicates that the director was appointed from a list of candidates submitted by minority shareholders.

** This column shows the number of director or Statutory Auditor positions held by the person in question in other companies listed on regulated markets, including foreign markets, in financial companies, banks and insurance companies, or in companies of a significant size. Full details of these positions can be found in the Report on Corporate Governance.

*** An “X” in this column indicates that the board member is a member of the committee.

**** This column indicates the director’s attendance at the meetings of the Board of Directors and the Committees in percentage terms.

TABLE 2: BOARD OF STATUTORY AUDITORS

Position	Board member	Attendance of Board meetings	Number of additional positions**
Chairman*	Ferdinando Superti Furga	100%	3
Permanent Auditor	Giovanni Luigi Camera	100%	=
Permanent Auditor	Michele Di Martino	90%	=
Deputy Auditor	Luigi Borrè	=	=
Deputy Auditor	Marco Visentin	=	=
Number of meetings held during the year in question: 7			

NOTES

* An asterisk indicates that the auditor was appointed from a list of candidates submitted by minority shareholders.

** This column shows the number of director or auditor positions held by the person in question in other companies listed on regulated Italian markets. Full details of these positions can be found in the Report on Corporate Governance.

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TABLE 3: OTHER PROVISIONS OF THE CODE OF CONDUCT

	YES	NO	Reasons for any deviation from the recommendation of the Code
System of assigning mandates and transactions with related parties			
When assigning mandates, does the Board of Directors specify:			
a) the time limits for the mandate	X		
b) the means by which the mandate may be exercised	X		
c) the frequency of reporting activities?	X		
Does the Board of Directors examine and approve transactions that are particularly significant in terms of the balance sheet, income statement and cash flow statement (including transactions with related parties)?	X		
Has the Board of Directors defined general criteria for identifying “significant” transactions?	X		
Are these general criteria described in the report?	X		

Has the Board of Directors put in place suitable procedures for examining and approving transactions with related parties?	X		
Are the procedures for approving transactions with related parties described in the report?	X		
Procedures for the most recent appointment of directors and auditors			
Were details of the candidates for the position of director submitted with at least ten days' notice?	X		
Was sufficient information provided in relation to the candidates for the position of director?	X		
Was any information provided to indicate that the candidates for the position of director could be classified as independent?	X		
Were details of the candidates for the position of auditor submitted with at least ten days' notice?	X		
Was sufficient information provided in relation to the candidates for the position of auditor?	X		
3			
Shareholders' meetings			
Has the company approved Regulations for Shareholders' Meetings?	X		
Are these Regulations included in the report (or is information provided on where the Regulations can be obtained/downloaded)?	X		
Internal control			
Has the company appointed internal control managers?	X		
Has it been ensured that these managers do not report to operational area managers?	X		
Organisational unit with responsibility for internal control (pursuant to art. 8.C.1 and 8.C.6 of the Code)	The Office of the Internal Control Manager, supported by Internal Audit		
Investor relations			

Has the company appointed an investor relations manager?	X		
Organisational unit and contact details (address/phone no./fax no./e-mail address) of the investor relations manager	Chief Financial Officer Saras S.p.A. – Investor Relations, Galleria De Cristoforis, 1 – 20122 Milan Toll-free number: 800511155 – E-mail: ir@saras.it		