



**SARAS**

[www.saras.it](http://www.saras.it)

**ANNUAL REPORT ON THE CORPORATE  
GOVERNANCE AND INFORMATION REGARDING  
OWNERSHIP STRUCTURES – FY 2015**

PURSUANT TO ART. 123-*bis* OF LEGISLATIVE DECREE 24 FEBRUARY  
1998, NO. 58 (THE “TUF”)

March 2016

## **Introduction**

Saras SpA ("Saras" or the "Company") adheres to the corporate governance code approved by the Corporate Governance Committee and published by Borsa Italiana SpA (the "Corporate Governance Code" or "Code", available to the public on the Borsa Italiana SpA website. – [www.borsaitaliana.it](http://www.borsaitaliana.it)) as described in this Report.

Accordingly, the paragraphs that follow describe the salient features of Saras's corporate governance system as well as the effective operation of its various components, especially with respect to compliance with the recommendations contained in the Corporate Governance Code.

The Report was prepared in accordance with Art. 123-*bis*, paragraph one of Legislative Decree 24 February 1998, no. 58, as subsequently amended (the "TUF").

This Report was approved by the Board of Directors of Saras (the "Board") in its meeting held on 14 March 2016, in order to be made available to shareholders, including by means of publication on the Company website ([www.saras.it](http://www.saras.it)), in view of the meeting convened to approve the financial statements for the fiscal year closed as at 31 December 2015. In this Report reference is made to fiscal year 2015, if relevant, and to the corporate events occurring in 2016 until the date of its approval.

## SECTION I

### **OWNERSHIP STRUCTURE**

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

According to the shareholders' register and information that is public or otherwise available to the Company, the data published in this Report, no parties had a shareholding in the Company of more than 3%<sup>1</sup>, except for (i) Massimo Moratti S.A.P.A.. of Massimo Moratti, which holds an equity interest of 25.011% in the share capital of the Company, (ii) Gian Marco Moratti S.A.P.A.. of Gian Marco Moratti, which holds an equity interest of 25.011% in the share capital of the Company and (iii) Rosneft JV Projects S.A., which holds an equity interest of 12% in the share capital of the Company.

Pursuant to the shareholder agreement between Gian Marco Moratti S.A.P.A.. of Gian Marco Moratti and Massimo Moratti S.A.P.A.. of Massimo Moratti, executed on 1 October 2013 and relating to the shares held by each in Saras SpA, it is acknowledged that the two companies exercise joint control over the issuer, as also reported in the communication published on 4 October 2013 (also available on the website [www.saras.it](http://www.saras.it))

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<sup>1</sup> As provided by Legislative Decree 15 February 2016, no. 25, which entered in to effect as from 18 March 2016, implementing Directive 2013/50/EU of the European Parliament and the Council, of 23 October 2013, which amended Art. 120, paragraph 2 of the TUF.

Below are details of the foregoing:

<b>SHAREHOLDERS</b>	<b>NO. OF SHARES ORDINARY</b>	<b>% OF CAPITAL</b>
<b>GIAN MARCO MORATTI S.A.P.A.. DI GIAN MARCO MORATTI</b>	237,854,559	25.011
<b>MASSIMO MORATTI S.A.P.A.. DI MASSIMO MORATTI</b>	237,854,558	25.011
<b>ROSNEFT JV PROJECT SA</b>	114,120,000	12.000

The company holds 19,245,774 treasury shares, equal to 2.024% of the share capital.

Additionally, we report as follows:

- 1) there are no restrictions on the share transfers;
- 2) there are no shares or securities conferring special rights of control;
- 3) there is no specific mechanism for the exercise of the voting rights in the event of employee shareholders;
- 4) there are no restrictions on voting rights;
- 5) there is a shareholder agreement pursuant to Art. 122, paragraph five, clauses a) and b) of the TUF filed at the Companies Registry of Cagliari on 2 October 2013, notified to the CONSOB and available in an extract on the website [www.saras.it](http://www.saras.it) ;
- 6) regarding the significant agreements to which Saras or its subsidiaries are party and which could take effect, be amended or be eliminated in the event of change of control of the Company, it is worthy of note that:
  - the loan agreement executed with a syndicate of banks on 6 March 2015 for an amount of EUR 150 million and a maturity of 4 years;
  - the loan agreement executed on 15 July 2015 for an amount of EUR 50 million and a maturity of 3 years;

- the loan agreement executed with a syndicate of banks on 10 December 2015 for an amount of EUR 265 million and a maturity of 5 years;
- the terms and conditions (“Terms and Conditions of the Notes”) of the debenture loan issued in 2014 for the nominal value of EUR 175 million, 5 year maturity, expiring on 17 July 2019

grant financing banks the right of withdrawal and bondholders the right to request early redemption of the bonds held if:

(i) Messrs. Gian Marco Moratti, Massimo Moratti, Angelo Moratti, Angelomario Moratti, Gabriele Moratti, Giovanni Emanuele Moratti or their spouses, children and descendants, individually or collectively, directly or indirectly (also through Gianmarco Moratti S.A.P.A.. of Gian Marco Moratti and Massimo Moratti S.A.P.A.. and Massimo Moratti) (the “Shareholders”), cease to hold more than 30% of the voting shares of Saras;

(ii) any person (other than a Shareholder) or group of persons acting in concert (other than any group in which one or more Shareholders (a) represent the majority of the voting shares or other equity interest in that group and (b) such Shareholders are owners or hold, directly or indirectly, more than 30% of the voting shares of the Beneficiary) acquires the right (whether directly or indirectly) to:

- (A) appoint or remove more directors (or equivalent positions) of Saras than the Shareholders are entitled to appoint or remove; or
- (B) exercise therein a voting percentage at the ordinary meeting of Saras greater than the percentage which may be exercised by the Shareholders; or
- (C) otherwise exercise control (as defined pursuant to Article 93 of Legislative Decree no. 58 of 24 February 1998, as subsequently amended) regarding the Beneficiary.

- the company Sardeolica Srl, an indirect wholly-owned subsidiary (through Parchi Eolici Ulassai Srl) of Saras, has an outstanding loan with a current balance, as at 31 December 2015, of approximately 19.6 million Euro provided by a syndicate of banks (see notes to the Consolidated Financial Statements). The related contract authorises the financing banks to withdraw wholly or partially from the contract if Saras ceases to hold at least 50% of the shares of Parchi Eolici Ulassai Srl or the latter ceases to hold 100% of the shares of Sardeolica Srl

- 7) between the Company and the Directors, there are no agreements that provide for an indemnity in the event of resignation, unfair dismissal or termination of employment following a public tender offer;
- 8) the appointment and replacement of directors are governed by Art. 18 of the Articles of Association, published on the Company website ([www.saras.it](http://www.saras.it)). Reference is made to the corresponding paragraphs (section II, paragraph 1.2) of this Report;
- 9) the Articles of Association may be amended by resolution of the extraordinary meeting. The law establishes a quorum for the meeting, and the resolutions relating to amendment of the Articles of Association are adopted by the extraordinary meeting with the majorities required by law;
- 10) the Board is not granted the power to resolve on capital increases pursuant to Art. 2443 of the Civil Code;
- 11) the Ordinary Meeting held 28 April 2015 authorised, pursuant to Arts. 2367 of the Civil Code and 132 of the TUF, the purchase of treasury shares up to 20% of the share capital subscribed and paid up, taking into consideration the treasury shares already held by the Company, to be carried out also in different instances within 12 (twelve) months as from 28 October 2015, the date of expiry of the prior authorisation to purchase treasury shares approved by the meeting on 28 April 2014.

As of the present date, the Company has not made any purchase based upon the aforementioned authorisation.

Finally, it should be noted that, on 14 March 2016, the Board of Directors resolved to propose to the Shareholders' Meeting, convened for 22 April 2016 - on the first call-to-meeting, and for 23 April in the event of a second call-to-meeting - to resolve upon a new authorisation, with a term of 12 (twelve) months as from the date of the authorising resolution of the Meeting, with simultaneous replacement (and revocation, of the non-executed part) of the prior authorisation resolved by the Meeting on 28 April 2015.

## **2. Corporate Organisational Structure**

The corporate organisational structure of Saras SpA complies with the provisions of the Civil Code and other special laws related to corporations, specifically those contained in the TUF, and reflects, in its entirety, compliance with the recommendations in the Corporate Governance Code.

The Company has adopted the so-called traditional administrative system and possesses:

- a Board of Directors charged with corporate management and which includes a Remunerations and Appointments Committee and an Internal Control and Risk Committee;
- a Board of Statutory Auditors, required, among others, (i) to ensure compliance with the law and with the articles of association, as well as with best practices in conducting corporate activities and (ii) to oversee as well the adequacy of the organisational structure, the internal control system and the administrative and accounting system of the Company; and
- a Shareholder Meeting with authority to resolve, among others - in ordinary and extraordinary sessions - upon (1) the appointment and removal of members of the Board of Directors and the Board of Statutory Auditors and the related remuneration and duties, (ii) approval of the financial statements and the allocation of the profits, (iii) the purchase and sale of treasury shares, (iv) amendments to the articles of association, (v) issuance of convertible bonds.

Upon approval of the financial statements for the fiscal year closed as at 31 December 2014, the contract to audit the Company accounts, awarded Pricewaterhousecoopers SpA for fiscal years 2006-2014, expired and, not being further renewable, the Shareholder Meeting, on 28 April 2015, retained Reconta Ernst & Young SpA (“EY”) to audit the separate and consolidated financial statements for 2015-2023, as well as to perform the limited audit of the half-yearly reports for the same period.

It is also noted that, in line with the assessment conducted by the Parent Company, the subsidiaries Sarlux Srl, Saras Ricerche or Tecnologie SpA, Parchi Eolici Ulassai Srl, Sardeolica Srl and Deposito di Arcola Srl also retained EY as the auditor of their annual financial statements for fiscal years 2015-2023.

## SECTION II

### DETAILED INFORMATION REGARDING THE IMPLEMENTATION OF THE RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE

#### 1. Board of Directors

##### 1.1. Role and Responsibilities of the Board of Directors

Pursuant to law and the Articles, management of the Company is the responsibility of the Board of Directors, which operates and is organised so as to ensure the effective and efficient performance of its duties.

The definition of the duties entrusted to the Board takes into consideration the recommendations referred to in Articles 1.C.1 and 1.C.3 of the Code. Specifically, the Board, in addition to other duties and legal powers:

- may delegate its powers to the Chairman and/or to one of the directors and/or to an executive committee pursuant to Art. 2381 of the Civil Code;
- may organise one or more committees and/or commissions to delegate specific functions or some of its powers within the limits of the law and to adapt the corporate governance system to the Corporate Governance Code;
- after having examined the proposals of the appropriate committee and hearing the Board of Statutory Auditors, establishes the remuneration of the executive directors and officers who have specific duties;
- examines and approves the strategic, industrial and financial plans of the Company and of the group to which it belongs (the "Group"), regularly monitoring their implementation; establishes the corporate governance system of the Company and the Group structure;
- establishes the nature and level of risk consistent with the strategic objectives of the Company;
- may resolve upon: (i) a merger in the instances determined by Arts. 2505 and 2505-*bis* of the Civil Code; (ii) the opening or closing of the branch offices; (iii) the indication of the directors other than the chairman who can represent the



company; (iv) the reduction of the share capital in the event of shareholder withdrawal, except in the cases mentioned in the last paragraph of Art. 2437-*quater* of the Civil Code; (v) the adaptations of the Articles to the law; (vi) the domestic transfer of the registered address; (viii) the reduction of the share capital as the result of losses pursuant to Art. 2446 of the Civil Code;

- assesses the general conduct of operations, taking into consideration, specifically, the information received from corporate bodies as well as regularly comparing the achieved to the planned results;
- previously examines and approves the most important transactions of Saras and of the Group;
- assesses the adequacy of the organisational, administrative and accounting structure of the Company and of the Group prepared by the managing directors, with specific attention to the internal control and risk management system;
- carries out, at least once a year, a self-assessment of its performance and that of its committees as well as their size and composition, also taking into consideration the professional profiles, managerial experience and gender of its members as well as their seniority;
- issues guidelines regarding the maximum number of director or auditor positions held by its members in other listed companies or financial, banking, insurance or other large companies;
- appoints, based on the opinion of the Board of Statutory Auditors, a manager responsible for preparing financial reports, selecting such him or her from among those managers of the company with proven accounting and finance experience;
- formulates proposals to be presented to the shareholder meeting and reports to the shareholders at the meeting.

Below is a detailed description of the composition and functioning of the Board, as well as of 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 shareholder 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 shareholder meeting using a slate voting mechanism, which allows the appointment of a director

from the slate with the second-highest number of votes that is entirely unconnected to the majority slate. Candidate slates may be submitted by shareholders representing, either individually or with other shareholders, at least 2.5% (two point five per cent), or such other percentage as might be established by legislation in force, of the ordinary voting capital.

The candidate slate must be deposited at the registered office no later than twenty-five days prior to the date of the first call of the shareholder meeting.

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

The Articles of Association state that each slate must be accompanied by declarations from each candidate, deposited at the registered office, certifying that there are no grounds for ineligibility or incompatibility and that the candidate meets the requirements prescribed by existing legislation and the articles of association for the office of Company director.

As well as the above slates and declarations, shareholders are also invited to deposit at the registered office the additional documentation required under article 144-*octies* of the Issuer Regulation. The names of the candidates and information about them will also be made promptly available on the Company website and by means of the authorised storage mechanism which the Company uses.

If the event that one or more directors cease to hold office during the year, measures will be taken pursuant to Art. 2386 of the Civil Code. Article 18, paragraph twelve of the Articles of Association govern the replacement of a director, providing in particular that, if the director ceasing to hold office was taken from the slate that obtained the second-highest number of votes, he/she shall be replaced by a person drawn from the same slate, in sequential order, who is still eligible and prepared to accept the post. Confirmation of the co-optation of a director by the Board, or the appointment of another director to replace him/her, will take place according to the procedures described above at the next shareholder meeting. If the co-opted director, or the replacement director, was drawn from a minority slate, pursuant to clause (ii) of paragraph nine of Art. 18 above, the shareholder representing the largest percentage of the share capital at the shareholder meeting and shareholders related thereto, including indirectly, may not vote. The candidate with the highest number of votes will be elected. The term of the new director expires at the same time as that of the other directors 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 members of the Board ceases to hold office for any reason, the entire Board shall be deemed to have resigned, and a shareholder meeting must be convened immediately by the remaining directors to reconstitute the Board.

The Board currently in office was appointed via slate voting at Saras's ordinary shareholder meeting of 28 April 2015 and comprises a total of 12 directors, including 4 executives and 8 non-executives (see table sub-1) and, from among these, four independent, non-executive directors, Gilberto Callera, Adriana Cerretelli, Laura Fianza and Isabelle Harvie-Watt.

Accordingly, on 31 December 2015, the Board, whose term expires on the date of approval of the financial statements for the year ended 31 December 2017, comprised the 12 members indicated below:

Gian Marco Moratti	Chairman
Massimo Moratti	Chief Executive Officer
Angelo Moratti	Vice-Chairman
Dario Scaffardi	Executive Vice President and General Manager
Gilberto Callera	Independent Director Chairman of the Remuneration and Appointment Committee Chairman of the Internal Control and Risk Committee Lead Independent Director
Adriana Cerretelli	Independent Director Member of the Internal Control and Risk Committee
Angelomario Moratti	
Gabriele Moratti	
Igor Ivanovich Sechin	
Laura Fianza	Independent Director Member of the Internal Control and Risk Committee Member of the Remuneration and Appointment Committee
Isabelle Harvie-Watt	Independent Director Member of the Control and Risk Committee
Gabriele Previati	Member of the Control and Risk Member of the Remuneration and

It is also acknowledged that, on 29 February 2016, in accordance with law and the Articles of Association, the Board of Directors appointed Andrey Nikolayevich Shishkin from among its members, following the submission on 24 February 2016 of the resignation of Igor Ivanovich Sechin, as non-executive and non-independent Director. Andrey Nikolayevich Shishkin will remain in office, pursuant to law, until the next Meeting for approval of the Financial Statements.

The *curriculum vitae* of the Board members are available on the Company website ([www.saras.it](http://www.saras.it)).

For additional information on the composition of the Board and the Committees, reference is made to this section as well as the chart attached at sub 1.

### 1.3. Meetings of the Board

The Board also meets in locations other than the registered office, in Italy or in other European Union countries. Board meetings are validly constituted if held by means of videoconference or teleconference, provided that all participants can be identified by the chairman of the meeting and by all the other participants, and that they can follow the discussion and take part in real time in debates, discussions and resolutions, 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 registered letter, telegram, fax or email, sent no later than five days before (or, in case of emergency meetings, no later than 24 hours before) the meeting, to all directors and auditors.

The Board of Directors held 8 meetings in 2015. The Board has held 3 meetings in 2016, including the meeting to approve this Report. The meetings took place at regular intervals and were duly attended by the various Board members, as well as members of the Board of Statutory Auditors, (for a breakdown, see the summary table in Appendix 1).

On 18 January 2016 the Company issued its own annual calendar of corporate events, pursuant to article 2.6.2.1.b) of the Stock Market Regulation. According to the calendar, at least five meetings are scheduled for 2016.

### 1.4. Powers delegated within the Board

Without prejudice to the responsibilities summarised in section 1.1 above, at its meetings of 28 April 2015 and 6 November 2015 the Board restructured the powers on the operations of the Company.

Specifically, the Board granted the Chairman of the Board of Directors, Gian Marco Moratti, and the CEO, Massimo Moratti, broad authority with consequent powers of representation before third parties, to be exercised severally, with a single signature and the power to delegate in order to implement the resolutions of the Board, proposing the strategic policies and guidelines for the Company and the Group companies as well as any ordinary administration powers (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 Chairman and the Chief Executive Officer, separately, hold, among others, the powers of setting policies and strategies and managing the Group's external relations, its research and development activities and of assessing any extraordinary transaction opportunities. In addition, they are vested with the powers in relation to financing or transactions on equity interests, companies, business units and real properties of particular relevance.

It is noted that, once again on 28 April 2015, the Board of Directors resolved to appoint director Dario Scaffardi as executive vice president and to grant him broad powers with respect to operational management. The executive vice president was made responsible for overseeing the operation of the internal control and risk management system.

The Board has assigned to the Vice Chairman Angelo Moratti, 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, and was vested with the relevant powers in both cases.

Executive directors also carry out the tasks assigned to them by law and the Articles of Association.

Pursuant to the recommendations in article 1.C.1.d) 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 were duly provided by the executive directors, who also provided further information as described below.

#### 1.5. Information provided to the Board

Pursuant to article 2381 of the Civil Code and article 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 executive directors about general operating performance, the outlook for this performance, activities conducted and transactions of major significance in terms of the Company's financial position, operating performance and cash flows conducted by the Company or by its subsidiaries. Specifically, the executive directors 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 the Board of Statutory Auditors.

See the report on operations for the Board's assessment of general operating performance.

#### 1.6. Non-executive and Independent Directors

At the date of this Report, the Board of Directors included four non-executive directors considered independent pursuant to article 3.C.1. of the Code (as well as articles 147-*ter*, paragraph 4, and article 148, paragraph 3, of the TUF), namely: Gilberto Callera, Adriana Cerretelli, Laura Fidanza and Isabelle Harvie-Watt.

The number of directors meeting the requirements of independence set out in article 148, paragraph 3 of the TUF therefore complies with the provisions of article 147-*ter*, paragraph 4 of the TUF, as amended by Legislative Decree 303 of 29 December 2006, relating to boards of directors of listed issuers comprising more than seven members.

The existence of these independence requirements, declared by each director when the slates were submitted and when the appointment was accepted, was verified by the Board of Directors at the first meeting on 28 April 2015 after the appointment, and subsequently assessed at the meeting of 29 February 2016, including on the basis of the declarations and information supplied by the directors concerned.

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

The Board includes another four members who may be categorised as non-executive directors, namely: Gabriele Previati, Angelomario Moratti, Gabriele Moratti and Andrey Nikolayevich Shishkin (appointed by co-optation at the Board meeting of 29 February 2016 after the resignation - on 24 February 2016 - of Igor Sechin).

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. Lead Independent Director and meetings of independent directors

Pursuant to recommendations contained in article 2.C.3. of the Code, on 28 April 2015 the Board of Directors appointed independent director Gilberto Callera as Lead Independent Director, assigning him the duty of cooperating with the Chairman of the Board to ensure that directors are provided with comprehensive and timely information, with the power to convene, independently or at the request of other Board members, exclusive meetings for independent or non-executive directors to discuss matters deemed to be of interest relating to the operation of the Board of Directors and corporate management.

For 2015 and the first two months of 2016, 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.

With respect to the period above - relating to the Remuneration and Appointment Committee (of which two independent directors and one non-executive director are members) and the Internal Control and Risk Committee (of which, in addition to a non-executive director, all the independent directors are members) - the independent directors have ensured that the activities of the aforesaid committees were carried out in a timely and satisfactory manner, 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, both on the Company website and in communications and meetings with market operators.

#### 1.8. Assessment of the Composition of the Board and the Committees

At its meeting of 29 February 2016, the Board of Directors conducted a self-assessment of the size, composition and operations of the Board and the Board Committees.

The Board expressed its appreciation of the contribution made by the non-executive directors to the proceedings of the Board, both by virtue of their management

expertise and skills, and due to the wide range of experiences in various industrial sectors that they bring to the table. The Board of Directors also praised the contribution of the executive directors who contributed their direct experience of the operational situation, providing additional tools for understanding the strategic and competitive scenario unfolding under the current challenging economic conditions.

Given the regular presence at meetings of directors holding positions at other companies and their important contribution to proceedings, the Board has not adopted general criteria for a maximum number of posts in other companies that could be regarded as compatible with the effective performance of the role of director.

## **2. Board Committees**

### **2.1 Remuneration and Appointment Committee**

Pursuant to article 6.P.3. and 6.C.3. of the Code, the Board established an internal Remuneration Committee to which are also conferred, pursuant to article 4.C.1. c of the Code, the responsibilities of the appointment committee under article 5.C.1 of the Code. The minimum rules on the composition, duties and operation of the Committee are set out in the relative Regulation, amended on 9 August 2012 to take account of new instructions in the Code of Conduct and the new functions assigned to the Committee. Specifically, the Remuneration and Appointments Committee is consulted by, and makes proposals to, the Board, and in relation to executive directors, other directors assigned particular duties and key management personnel, is tasked with:

- making recommendations to the Board of Directors on general remuneration policy;
- periodically assessing the adequacy, overall consistency and practical application of the general remuneration policy, using information provided by the chief executives as regards senior managers with strategic responsibilities;
- carrying out assessment activities and making recommendations in relation to share-based remuneration plans.

The Committee also makes recommendations to the Board of Directors on the remuneration of the executive directors and other directors performing particular tasks as well as on setting performance targets for the variable component of this



remuneration, monitoring the application of the decisions taken by the Board and checking effective achievement of these performance targets.

In fulfilling the duties assigned to it by the Board of Directors, the Committee may make use of external consultants who are experts in remuneration policies, on condition that they are not simultaneously providing services to the Human Resources department, directors or key management personnel that are so significant that they materially compromise the independent judgement of these consultants.

The Remuneration and Appointments Committee regulations stipulate that the Committee comprises three non-executive directors, the majority of whom must be independent, and that at least one Committee member has adequate financial knowledge and experience.

The current members of the Remuneration Committee are Gilberto Callera (Chairman) and Laura Fidanza, independent, non-executive directors, and Gabriele Previati, non-executive director.

Remuneration and Appointments 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. Meetings of the Remuneration and Appointment Committee may be attended by anyone whose presence is deemed appropriate by the Committee, provided that no directors take part in meetings of the Committee when proposals on their remuneration are put forward. The Committee meetings are recorded in minutes. The Committee is vested with the powers specified in article 6.C.5. of the Code of Conduct.

The Remuneration and Appointments Committee held three meetings in 2015 and, as of the date of publication of this Report, the Committee held three meetings in 2016. The meetings were duly attended by the three members of the Committee, as provided in summary table in Appendix 1 for a breakdown. The Committee consulted internal and external consultants in the execution of its duties.

The Committee meetings held in the second half of 2015 and in 2016 were mainly concerned with assessing the adequacy, the overall consistency and practical application of the Remuneration Policy adopted, based on the proposals of the Committee and pursuant to the Corporate Governance Code, by the Company in November 2011 and have also reviewed the remuneration of directors and managers with strategic responsibility in relation to the performance targets to whose achievement was anchored the payment of the short-term variable component.

## 2.2 Internal Control and Risk Committee

Pursuant to the provisions of article 7 of the Corporate Governance Code, the Board of Directors created an Internal Control and Risk Committee from its members, to act as advisor and to make recommendations to the Board.

Specifically, the Internal Control and Risk Committee:

- (a) provides advice to the Board to (i) set out guidelines for the internal control and risk management system so that the main risks to the issuer and its subsidiaries are correctly identified, as well as appropriately measured, managed and monitored; (ii) determine the consistency of these risks with sound and correct management in view of the strategic targets identified; (iii) assess, at least once a year, the adequacy of the internal control and risk management system in relation to the business characteristics and risk profile assumed as well as its effectiveness; (iv) approve, at least annually, the work plan prepared by the internal audit manager; (v) describe the key elements of the internal control and risk management system in the corporate governance report and the methods of coordination among the parties involved therein, expressing an opinion on the overall suitability of the system; and (vi) express, after hearing the statutory board of auditors, the results presented by the auditor in the management letter and report on key matters arising from the review;
- (b) assesses, in conjunction with the director in charge of financial reporting and after hearing the auditors and the board of statutory auditors, the correct use of accounting standards and their uniform application in drawing up the consolidated financial statements;
- (c) expresses opinions on specific aspects of the identification of the main corporate risks;
- (d) examines the periodic reports in order to assess the internal control and risk management system and those of particular relevance prepared by the internal audit department;
- (e) monitors the adequacy, efficiency and operational effectiveness of the internal audit department;
- (f) requests, if appropriate, that the internal audit department review specific operating areas, simultaneously notifying the chairman of the board of statutory auditors
- (g) reports to the Board of Directors at least every six months, at the time of approval of the annual financial statements and the interim half-yearly report, on the activities undertaken and on the adequacy of the internal control and risk management system.

Pursuant to the Committee regulations, the Internal Control Committee consists of non-executive directors, the majority of whom are independent.

In 2015, the Internal Control and Risk Committee was composed as follows:

- until 28 April 2015: Gilberto Callera, independent director (Chairman), Gabriele Previati non-executive director and Giancarlo Cerutti, independent director.
- after the resolution of the Board of Directors on 28 April 2015: Gilberto Callera, independent director (Chairman), Adriana Cerretelli independent director, Laura Fianza independent director, Isabelle Harvie-Watt independent director and Gabriele Previati non-executive director. Pursuant to the Code, the Board considers that Gilberto Callera, a member of the Committee, has the appropriate experience in accounting and finance.

The meetings of the Internal Control and Risk Committee are convened by the chairman at least every six months, whenever he deems 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 Chairman of the Board of Statutory Auditors and the Head of Internal Audit attend the meetings of the Internal Control Committee. The Chairman of the Board of Directors, the CEO, the Executive Vice President and General Manager, the Chief Financial Officer, representatives of the auditing company and any other individual whose presence the Committee deems appropriate to the matter under discussion may also attend the meetings. The Committee meetings are recorded in minutes.

The Internal Control and Risk Committee met five times in 2015. The meetings were duly attended by its members (see the table in Appendix 1 for a breakdown) as well as the members of the Board of Statutory Auditors and the Head of Internal Audit. The Committee held one meeting in the first quarter of 2016.

The Executive Vice President and the General Manager (who also holds the post of director in charge of the internal control and risk management system), the Risk Officer, the Chief Financial Officer (who is also Manager responsible for the preparation of financial reports) and representatives of the auditing company are invited to attend meetings to discuss specific items of interest.

During 2015, the Committee has:

- examined and provided a favourable opinion on the "*2015 Internal Audit Operations Program*" and the "*2015 Audit Plan*" prepared by the Internal Audit Department for Saras and its Subsidiaries;

- assessed, together with the Manager charged with the preparation of financial reports and having heard the representatives of the audit company Ernst & Young and the Statutory Board of Auditors, the correct use of the accounting standards and their consistency in the preparation of the consolidated financial statements and the half-yearly report of Saras and of the Group; to this end, it is noted that, on 6 November 2015, the Board of Directors appointed Mr Franco Balsamo as Manager responsible for the preparation of financial reports;
- received the quarterly report from the Head of the Internal Audit Department on the results of the monitoring performed and on the progress of the implementation of the improvements described following the audit of Saras and the Group companies;
- received information on the activities of 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);
- examined the half-yearly reports prepared by the Head of the Internal Audit for the purpose of the activities conducted by the Internal Audit department and the assessment of the internal control and risk management system;
- received the report from the Executive Vice President and the General Manager, from the CEO and Risk Officer relating to the risk management system;
- prepared and approved, on a semi-annual basis, the "Report on the Internal Control and Risk Management System" for the Board of Directors.

In February 2016, the Committee prepared the "Report on the Internal Control and Risk Management System", for the Board of Directors, in relation to the activities of the Committee during 2015 and the assessment of the adequacy of the internal control and risk management system. The report was prepared based on the information received by the management and from the half-yearly report prepared by the Head of Internal Audit on his/her own activities and the internal control and risk management system.

The Report was submitted to the Board of Directors at its meeting of 29 February 2016.

### **3. Remuneration of Directors and Key Management Personnel**

At its meeting of 10 November 2011, the Board of Directors approved, on the recommendation of the Remuneration Committee, the general remuneration policy for executive directors, directors with special duties and key management personnel, pursuant to article 7 of the Code of Conduct ("General Policy").

The General Policy was amended by the Board of Directors based upon the proposal of the Remuneration and Appointments Committee in order to provide for the possibility of requesting the return (in whole or in part), no later than two years from its delivery, of the incentives paid to individuals who, with fraud or gross negligence, have been found responsible for (or have contributed to) events related to performance/financial indicators included in the Annual Report adopted as parameters for the determination of the aforementioned variable components, For further information on the remuneration of the executive directors, other directors with special duties and key management personnel, see the report on remuneration published pursuant to article 123-*ter* of the TUF.

Below we highlight differences with respect to the application criteria of Article. 7 of the Corporate Governance Code.

- With respect to the remuneration of the Chairman, Gian Marco Moratti, of the Chief Executive Officer, Massimo Moratti and of the Vice Chairman, Angelo Moratti, the Remuneration and Appointment Committee has confirmed its adequacy, reiterating that there is no need to establish incentive mechanisms to retain and motivate them as directors because, as all three of the aforementioned executive directors are shareholders of the two companies exercising joint control over the Company, their interests are intrinsically aligned with the priority objective of creating value for all shareholders;
- With respect to the Executive Vice President, it should be noted that there is no remuneration for the position as the compensation received as General Manager is deemed sufficient.

#### **4. The Internal Control and Risk Management System**

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

Pursuant to article 7.P.3 of the Code, the Board identified from among its members:

- (a) the director responsible for the internal control and risk management system<sup>2</sup>;
- (b) the Internal Control and Risk Committee, having the characteristics indicated in article 7.P.4, with the duty to support, with adequate investigations, assessments and decisions of the Board of Directors relating to the internal control and risk management system.

The Internal Audit department is under the direct responsibility of the Chairman of the Board of Directors and reports on its activities to the Internal Control and Risk Committee and the Board of Statutory Auditors, as well as to the Supervisory Body created pursuant to Legislative Decree 231/01. Its main role is to monitor the efficiency and effectiveness of the internal control and risk management system through independent and objective activities and contribute to the assessment and improvement of the efficiency of the governance, risk management and control processes of the Company and of the Saras Group companies. The Head of the Company's Internal Audit department is Ferruccio Bellelli.

The Head of Internal Audit prepared in 2015 (i) periodic reports on the results of the audits conducted and (ii) half-yearly reports relating to information on its activities, the procedures used to perform risk management activities and adherence to defined plans to limit them, and on the adequacy of the internal control and risk management system.

These reports, also discussed in the Internal Control and Risk Committee, are submitted to the Chairmen of the Committee, of the Statutory Board of Auditors and of the Board of Directors, to the director responsible for the internal control and risk management system and, with respect to the results of the monitoring of the organisational, management and control Model, to the Supervisory Body of each company.

Internal Audit monitored the stage of implementation/progress of the improvement measures agreed with the company departments during the audits, via monthly follow-up reports. Progress in the implementation of the improvement measures was reported periodically to the Committee and, to the extent applicable, to the Supervisory Boards of each company.

In 2006, at the proposal of the Internal Control Committee (currently, the Internal Control and Risk Committee), the Board of Directors approved a set of guidelines for the internal control system. The aim of this document was to establish guidelines for

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<sup>2</sup> The Board has identified the Executive Vice President as the director responsible for the internal control and risk management system, conferring upon him the duties and responsibilities indicated by the Code of Corporate Governance with respect to that position.

the development and improvement of the Company's internal control system, with specific reference to the profiles for 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 Corporate Governance Code and best practice 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, assessment and, where possible, the mitigation or elimination of the main risks 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 decide on how to manage them and measure the acceptable level of residual risk.

Risk management is based on the principle of management of operational or financial risk by the head of the relevant process with guidance 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.

The Company has identified an entire chart of significant risks to the company (Corporate Risk Profile). It has also set up a Risk Office function, reporting hierarchically to the Executive Vice President and General Manager, with the responsibility of overseeing all activities conducive to monitoring and updating of the "Corporate Risk Profile" by regularly collecting information relating to the identification, management and assessment of risk made available by each risk owner and at the same time formalizing the appropriate reporting.

During 2015, the Risk Officer collected information from the risk owners to prepare the interim and the annual monitoring reports on the main risks to which the Group is exposed; this activity has testified that, following the 'acquisition by Sarlux of the petrochemical complex of Versalis in Sarroch, which became effective from 1 January 2015, the overall picture of key business risks showed no substantial differences compared to the past, as no new categories of risk were created or modified, for better or for worse, the assessment of the risks already identified by the various risk owners.

The assessment carried out by the risk owners has confirmed that the acquisition of ex-Versalis plants did not change the operational risk profile of Sarlux, by virtue of the fact that the procedures and experience in the field of ex-Versalis operators proved to be very close to those of Sarlux, not creating any imbalance in operations management in the field.

Overall, it revealed a positive picture on the suitability of the control and risk management adopted by the Company and, where available, risk indicators and used control.

The results of the annual monitoring of Risk Assessment were shared, to the extent applicable, with the senior management of each company and were presented to the Internal Control and Risk Committee.

These results were also used by the Head of Internal Audit in the definition of a part of the monitoring provided for in the 2016 Audit Plan submitted, after consulting the Internal Control and Risk Committee, to the approval of the Saras Board of Directors and, for the applicable audits, to the Boards of Directors of the subsidiaries.

The Code of Ethics<sup>3</sup> 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, Deposito di Arcola, Sardeolica, 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 several occasions in application of the legislation relating to organisations' administrative liability pursuant to Legislative Decree 231/200, to prepare a system of procedures and controls intended to reduce the risk of committing offences under 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 offence stipulated by Legislative Decree 231/2001.

Special parts have been prepared in relation to the following offences:

- offences against the public administration;
- corporate offences and private corruption;
- offences relating to terrorism or the subversion of the democratic order and offences against the public faith;

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<sup>3</sup> Please refer to *link*: [http://www.saras.it/saras/\\_uploads/documents/codice\\_etico.pdf](http://www.saras.it/saras/_uploads/documents/codice_etico.pdf)



- manslaughter and grievous bodily harm committed in breach of health and safety at work legislation;
- market abuses (abuse of privileged information and market manipulation);
- cyber crime and unlawful data processing;
- environmental offences.

At the beginning of 2015, following the transfer of the refining activities from Saras to Sarlux, the Saras and Sarlux Models were upgraded by the respective Boards of Directors at the meeting of 24 February 2015 for Saras and the meetings of 23 February and 13 May 2015 for Sarlux.

The updates related to the following types of offences:

- offences against the Public Administration;
- corporate offences and private corruption;
- market abuse;
- offences relating to occupational health and safety;
- environmental offences;

Based upon the latest analyses conducted in the second half of 2015, the Saras Model, at the meeting of the Board of Directors of 29 February 2016, was also updated in relation to the following crimes:

- corporate offences, in order to cover the amendments introduced by article 25-ter "Corporate offences" of Legislative Decree 231/01, by the Law of 27 May 2015 no. 69 "Provisions relating to crimes against the public administration, mafia-related criminal conspiracy and false accounting" ("Anti-Corruption Law").
- "Corporate Crimes and Unlawful Data Processing", in order to align the Model with organizational modifications made.
- environmental crimes following the regulatory changes that the new environmental offences have introduced in Legislative Decree 231/01 (with the Law of 22 May 2015 no. 68).

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
- procedures for related party transactions
- guidelines for transactions with the public administration
- guidelines for managing extraordinary operations
- guidelines for derivative transactions

- guidelines for relations with public supervisory authorities and companies operating regulated markets for financial instruments
- guidelines for external communication of corporate information and documents
- guideline for information technology and data communication tools
- anti-corruption guidelines
- procedure for managing price sensitive announcements to the public (so-called price sensitive)
- Procurement Guidelines (that also govern the management of consulting agreements)
- procedure for 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 is effectively and properly implemented.

The Saras Supervisory Body comprises: Gabriele Previati, non-executive director (acting as chairman), Giovanni Camera (external member and member of the Board of Statutory Auditors), Simona Berri (Legal and Corporate Affairs Manager) and Ferruccio Bellelli (Head of Internal Audit).

The Group companies (Sarlux, Sartec, Deposito di Arcola, Sardeolica) have adopted and updated their own Organisation, Management and Control Models, and have also created their own Supervisory Bodies. The Spanish subsidiary Saras Energy, with respect to the Penal Code, has also adopted and updated its "*Manual on the Prevention of Criminal Risks*" and appointed an *Ethics Committee*.

## **5. Handling of Corporate Information**

Pursuant to article 115-*bis* of the TUF, which requires the creation of a register of persons with access to privileged information, and pursuant to the recommendations of article 4 of the Code (the rationale for which stems from article 114 of the TUF and the implementing regulations), the Board adopted an “Internal regulation for managing privileged information and the creation of a register of persons with access to such information” in May 2006. The Regulation contains procedures for identifying privileged information, access by external parties, if applicable, external communication of privileged information or important information about the Company and its subsidiaries, with particular reference to price-sensitive information, for the purpose, among others, of preventing its being communicated selectively, or in an untimely, incomplete or inadequate manner.

The Regulation, including the provisions relating to the keeping of a register (which Saras also manages on behalf of its subsidiaries), was drawn up in accordance with

article 114 of the TUF, articles 65-*bis* et seq. and 152-*bis* et seq. of the Issuer Regulation as these relate to the keeping of the register, and taking into account Consob Communication DEM/6027054 of 28 March 2006.

## **6. Code of Conduct on Internal Dealing**

Again for the purposes of harmonising Saras's corporate governance with the rules applicable to listed companies, the Board of Directors adopted a "Code of Conduct on Internal Dealing" in May 2006,<sup>4</sup> which incorporates and implements the provisions of article 114, paragraph 7 of the TUF and articles 152-*sexies* et seq. of the Issuer Regulation, and is intended to ensure proper and adequate transparency of disclosure to the market of transactions carried out by individuals at the Company in the Company's securities. The 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 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's 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 from effecting transactions in the Company's securities in determined periods.

## **7. Directors' interests, significant transactions and related party transactions**

The Board of Directors adopted procedures for related-party transactions pursuant to the regulations on related-party transactions adopted by Consob (Resolution 17221 of 12 March 2010 – the "Regulations"), also taking into account the provisions of Consob Communication DEM/10078683 of 24 September 2010. The procedures are available on the Company website.

Including directors, their families and entities relating to either of these in the definition of "significant related party" for the purposes of applying the Regulation, the procedures adopted by the Company represent adequate monitoring for management of situations in which a director has an interest, on his own account or on behalf of third parties, it being understood that that, when the director's interest is

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<sup>4</sup> Available at the following link [http://www.saras.it/saras/\\_uploads/documents/2InternalDealing\\_2011.pdf](http://www.saras.it/saras/_uploads/documents/2InternalDealing_2011.pdf).

unconnected to a related-party transaction, the director is also required to notify the Company of the interest pursuant to article 2391 of the Civil Code.

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 Statutory 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 accordance with legislation on directors’ interests and corporate governance principles and, wherever possible, in keeping with the Saras Group’s interests.

### **8. Manager in charge of financial reporting**

When its shares were listed in May 2006, the Company amended its articles of association pursuant to article 154-*bis* of the TUF, in order to create the position of manager in charge of financial reporting. Chief Financial Officer Franco Balsamo currently holds this role, which was assigned by the Board of Directors at its meeting of 6 November 2015.

The Board of Directors granted the Chief Financial Officer all necessary and appropriate powers to carry out the duties prescribed under 154-*bis* of the TUF.

### **9. Board of Statutory Auditors**

In accordance with the articles of association, the Board of Statutory Auditors comprises three standing auditors and two alternate auditors. The articles of association stipulate that auditors be appointed using a slate voting system, which ensures that minority shareholders can appoint a standing auditor (who will be appointed Chairman of the Board of Statutory Auditors) and an alternate auditor. Candidate slates may be submitted by shareholders representing, either individually or with other shareholders, at least 2.5% (two point five per cent), or such other percentage as might be established by legislation in force, of the ordinary voting shares. 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), and (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 standing 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.

According to the articles of association in force, candidate slates must be deposited at the registered office no later than twenty-five days prior to the date of the shareholder meeting, and must be made available to the public at the registered office, on the website and according to the terms and procedures set out in the Consob regulations, no later than twenty-one days prior to the date of the shareholders' meeting.

For further information on the procedure for appointing the Board of Statutory Auditors, see the articles of association and articles 144-*ter* et seq. of the Issuer Regulation.

The current Board of Statutory Auditors, which was appointed through the slate voting system at the shareholders' meeting of 28 April 2015 and will expire at the date of approval of the financial statements for the year ending 31 December 2017, comprises the members listed below:

Giancarla Branda	Chair
Giovanni Luigi Camera	Standing Auditor
Paola Simonelli	Standing Auditor
Pinuccia Mazza	Alternate Auditor

It is acknowledged that, pursuant to the Articles of Association, Giancarla Branda, appointed as alternate auditor by the minority shareholder slate, took the position of Chairman of the Board of Statutory Auditors on 30 December 2015 after the submission of the resignation of Andrea Vasapolli, appointed by the Meeting of 28 April 2015. Branda will remain in office until the Meeting called to approve the financial statements for the year ending 31 December 2015 and, also, to restore the the Board of Statutory Auditors to its original number.

During 2015, the Statutory Board of Auditors held 17 meetings. In 2016, until the publication date of this Report, the Board has met six times. The meetings were duly attended by the permanent auditors (see the table in Appendix 2 for a breakdown).

The Board of Statutory Auditors performed, after its installation and, subsequently, shall perform annually, the internal assessment pursuant to article 8.C.1 of the Code regarding the requirements for the independence pursuant to law and the criteria stipulated by the Code relating to directors, and the assessment had a positive result.

The Board of Statutory Auditors' attendance of Internal Control and Risk Committee meetings guarantees the necessary coordination with the Internal Control Committee and Internal Audit.

Any auditor who, on his or her own account or on behalf of third parties, has an interest in a specific Company transaction 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.

## **10. Investor Relations**

When the Company listed its shares on the stock exchange, it considered that it would be in its interests - as well as a 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, pursuant to the recommendations of article 9 of the Code, identified an investor and institutional 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](http://www.saras.it), Investor Relations section), where investors can access, in Italian and English, financial and operating information (financial statements, half-yearly and quarterly reports, presentations to the financial community, analyst reports and the Company’s stock market performance) as well as up-to-date information and documents of general interest to shareholders (press releases, composition of the Board of Directors and corporate management, articles of association, Code of Ethics, shareholders’ meeting regulations and the Internal Dealing Code). The website also has an AGM<sup>5</sup> section containing information on how to take part and exercise voting rights at shareholder meetings pursuant to regulations in force. It also contains documents relating to the items on the agenda, including lists of candidates for director and statutory auditor positions and their CVs.

At shareholder meetings, the Board of Directors reports on the activities undertaken and those planned, in compliance with regulations on privileged information.

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

Saras SpA – Investor Relations, Via dell’Unione, 1 – 20122 Milan  
Toll-free number: 800511155 – e-mail: [ir@saras.it](mailto:ir@saras.it)

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<sup>5</sup> Available at the following link: <http://www.saras.it/saras/pages/aboutus/governance/sharemeetings2?body=80>.

## **11. Annual General Meetings**

The Company sees the shareholder meeting as a valuable opportunity to initiate profitable dialogue between shareholders and the Board of Directors, and a chance to provide shareholders with Company news (clearly ensuring that rules on privileged information are respected) and to give shareholders appropriate information on the requisite matters so that they can make informed decisions within the remit of the meeting.

The shareholders meeting is ordinary and extraordinary pursuant to law.

The Articles of Association (Art. 12) provide that the meeting be convened by means published notice by the means and within the terms provided by applicable law, on the company website, as well as by the other means provided by current law.

Any documents relating to the meeting agenda are made available to the public within the legal terms, by means of their filing at the registered address and administrative headquarters as well as the authorized storage mechanism "linfo" ([www.linfo.it](http://www.linfo.it)). The documentation, as provided by Art. 125-*quater* of the TUF, is available on the Company website. Pursuant to Art. 14 of the Articles of Association, parties entitled to vote are authorised to attend the meeting, provided that their legitimacy is certified in accordance with the methods and by the terms provided by law and the regulations.

Pursuant to Art. 83-sexies of Legislative Decree 58/98 (the "TUF"), the right to attend the shareholders' meeting and to exercise voting rights is certified by means of a communication to the Company from the intermediary in accordance with the intermediary's accounts in favour of the party to which the right to vote pertains, based on evidence at the end of the accounting day on the seventh market trading day prior to the date set for the shareholders' meeting (first call).

The Articles of Association also state that every individual entitled to attend a shareholder meeting may be represented by another person pursuant to a written proxy granted in accordance with law.

The proxy may be granted by electronic means in accordance with applicable legislation and communicated using electronic means according to the procedures specified for each general meeting in the notice of call.

For each shareholder meeting, the Company may designate one or more parties to which bearers of voting rights may delegate a proxy, with voting instructions, for all or some of the proposals on the agenda.

The notice details the agenda and procedures for taking part in the meeting and exercising voting rights, as governed by the Company's articles of association and by law.

Pursuant to the recommendations of article 9 of the Code, the Company has a specific shareholder regulation<sup>6</sup>, prepared using the template created by ABI and ASSONIME, designed to ensure that shareholder meetings are conducted in an orderly and efficient manner, and sets out detailed regulations for their various phases, while respecting the fundamental right of each shareholder to request clarification on the various items under discussion, to express his or her opinion and to formulate proposals.

This regulation which, although it is not stipulated in the articles of association, was approved by the ordinary shareholders' meeting under a specific power granted to this body by the articles of association, was amended by the ordinary shareholders' meeting of April 2011 to bring it into compliance with new terminology introduced by Legislative Decree of 27 January 2010, no. 39 as well as for compliance with the new record date (and the related system of identifying shareholders eligible to vote) and with the right of shareholders to ask questions (article 127-ter of the TUF), introduced by Legislative Decree 27 of 27 January 2010, no. 27.

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<sup>6</sup> See the link provided in note 5 above.



**CHART 1: STRUCTURE OF THE BOARD OF DIRECTORS AND ITS COMMITTEES AS AT 31/12/2015**

Board of Directors													Internal Control and Risk Management Committee			Remuneration and Appointments Committee		Executive Committee (if any)	
Position	Members	Date of Birth	Date of First Appointment*	In office as from	In office until	Slate**	Exec.	Non-exec.	Independent Code	Independent TUF	No. of other offices***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	
Chairman	Moratti Gian Marco	1936	03/11/1962	28/04/2015	App. Fin. Stat. 2017	M	X					8/8							
Chief Executive Officer ◊	Moratti Massimo	1945	26/06/1972	28/04/2015	App. Fin. Stat. 2017	M	X					8/8							
Deputy Chairman	Moratti Angelo	1963	28/04/1993	28/04/2015	App. Fin. Stat. 2017	M	X					8/8							
Executive Vice President •	Scaffardi Dario	1958	19/10/2006	28/04/2015	App. Fin. Stat. 2017	M	X					8/8							
Director ○	Callera Gilberto	1939	30/04/1987	28/04/2015	App. Fin. Stat. 2017	M		X	X	X		8/8	5/5	P	3/3	P			
Director	Cerretelli Adriana	1948	28/04/2015	28/04/2015	App. Fin. Stat. 2017	M		X	X	X		5/6	3/3	M					
Director	Fidanza Laura	1973	28/04/2015	28/04/2015	App. Fin. Stat. 2017	M		X	X	X		6/6	3/3	M	1/1	M			
Director	Harvie-Watt Isabelle	1967	28/04/2015	28/04/2015	App. Fin. Stat. 2017	M		X		X		5/6	3/3	M					
Director	Moratti Angelomario	1973	30/05/2005	28/04/2015	App. Fin. Stat. 2017	M		X				8/8							
Director	Moratti Gabriele	1978	27/04/2010	28/04/2015	App. Fin. Stat. 2017	M		X				5/8							
Director	Previati Gabriele	1938	27/04/2000	28/04/2015	App. Fin. Stat. 2017	M		X				8/8	5/5	M	3/3	M			
Director	Sechin Igor Ivanovich	1960	14/05/2013	28/04/2015	App. Fin. Stat. 2017	-		X			3	3/8							
<b>DIRECTORS WHO HAVE LEFT DURING THE FISCAL YEAR</b>																			
	-																		
<b>No. of meetings held during the fiscal year:</b>						Internal Control and Risk Management Committee: 5				Remuneration and Appointments Committee: 3				Executive Committee: 0					
<b>Indicate the quorum required for submission of the slates by the minority shareholders in order to elect one or more members (pursuant to Art. 147 of the TUF): 1.0%</b>																			

**NOTE**

The symbols set forth below must be included in the "Position" column.

• This symbol shows the director responsible for the internal control and risk management system.

◊ This symbol shows the main party responsible for the management of the issuer (Chief Executive Officer or CEO).

○ This symbol shows the Lead Independent Director (LID).

\* The first date of appointment of any director is understood as the date on which the director was appointed for the first time (ever) to the Board of Directors of the issuer.

\*\* This column shows the slate from which each director was taken ("M": list of majority shareholders; "m": list of minority shareholders; "CdA": list submitted by the Board).

\*\*\* This column shows the number of positions of director or statutory auditor held by the interested party in other companies listed on regulated markets, including overseas, in financial companies, banks, insurance companies or major companies.

(\*) This column shows the attendance of the directors at meetings of the Board of Directors and of its committees (providing the number of meetings attended as compared to the total number of meetings that could have been attended; p.e. 6/8; 8/8 etc.).

(\*\*) This column shows the capacity as adviser within the Committee: "C": Chairman; "M": member

**CHART 2: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AS OF 31/12/2015**

BOARD OF STATUTORY AUDITORS									
<i>Position</i>	<i>Members</i>	<i>Date of Birth</i>	<i>Date First Appointed*</i>	<i>In office from</i>	<i>In office until</i>	<i>Slate **</i>	<i>Independent Code</i>	<i>Attendance at meetings of Board of Statutory Auditors ***</i>	<i>No. of other appointments ****</i>
<b>Chair</b>	Brandia Giancarla	1961	28/04/2015	30/12/2015	22/04/2016	m	X	0/0	7
<b>Standing Auditor</b>	Camera Giovanni Luigi	1936	28/03/1985	28/04/2015	Approval of 2017 Financial Statements	M	X	17/17	11
<b>Standing Auditor</b>	Simonelli Paola	1964	28/04/2015	28/04/2015	Approval of 2017 Financial Statements	M	X	8/8	25
<b>Alternate Auditor</b>	Mazza Pinuccia	1957	28/04/2015	28/04/2015	Approval of 2017 Financial Statements	M	X	0/0	
AUDITORS WHO LEFT OFFICE DURING THE FISCAL YEAR									
<b>Chairman</b>	Vasapolli Andrea <sup>1</sup>	1962	28/04/2015	28/04/2015	30/12/2015	m	X	5/5	
<b>Alternate Auditor</b>	Brandia Giancarla <sup>2</sup>	1961	28/04/2015	28/04/2015	30/12/2015	m	X	0/0	
<b>Number of meetings held during the fiscal year 17</b>									
<b>Indicate the quorum required for submission of the lists by the minority shareholders in order to elect one or more members (pursuant to Art. 148 of the TUF): 1.0%<sup>3</sup></b>									

**NOTE**

\* The first date of appointment of any statutory auditor is understood as the date on which the auditor was appointed for the first time (ever) to the board of statutory auditors of the issuer.

\*\* This column shows the slate from which each auditor was taken ("M". list of majority shareholders; "m". list of minority shareholders):

\*\*\* This column shows the attendance of the statutory auditors of the meetings of the board of statutory auditors (indicating the number of meetings in which the auditor has participated in relation to the total number of meetings in which he would have been able to participate; p.e. 6/8; 8/8 etc.).

\*\*\*\*This column shows the number of director or auditor positions held by the interested party pursuant to Art. 148-bis of the TUF and of the related implementing provisions contained in Consob Issuers Regulations.

<sup>1</sup> Andrea Vasapolli, as announced by Saras on 24 November 2015, reported to the Company that he is subject to protective measures, for events unrelated to Saras resulting in his suspension from the position of Chairman of the Board of Statutory Auditors of Saras.

<sup>2</sup> Giancarla Brandia, an attorney, took over the position of standing Statutory Auditor and Chair of the Board of Statutory Auditors following the resignation on 30 December 2015 of the Chairman of the Statutory Board of Auditors, Andrea Vasapolli, and will remain in that position until the meeting convened for the approval of the financial statements as at 31 December 2015.

<sup>3</sup> Percentage determined by the combined provisions of article 18 of the articles of association and Consob resolution no. 19499 of 28 January 2016, which is not applicable in case of replacement of a statutory auditor without use of slate voting.