

SARAS

SUSTAINABILITY REPORT
2017

CONSOLIDATED DISCLOSURE
OF NON-FINANCIAL INFORMATION
IN ACCORDANCE WITH
THE LEGISLATIVE DECREE 254/2016



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On February 26th 2018, Saras Chairman, Mr. Gian Marco Moratti, passed away. He was the son of the company's founder, and had a great passion and a tireless commitment to the Saras Group, to which he devoted his entire working life.

Together with his brother Massimo, and using his own human sensitivity and his entrepreneurial vision, he helped the Group to grow and develop in a sector under continuous changes, keeping it always among the main European operators in the oil refining business, also active in the power generation sector.

We want to remember him for his life and working habits, as well as for the important industrial goals achieved by the Group under his leadership. The honesty, commitment and consistency that distinguished him were accompanied by his great humility and ability to openly listen and deal with people, always striving for the ultimate goal of improving. These values inspire our daily actions, steer our goals for the future, and are his most important legacy.

All the men and women of Saras, who he loved very much, will remember him fondly and will be eternally grateful for having had the privilege of working with him, building a remarkable enterprise.

LETTER TO STAKEHOLDERS



For me it is very hard and sad to present the first Sustainability Report of the Saras Group for the year 2017, without being able to share this satisfaction with my brother Gian Marco. With his great passion and commitment, he gave a strong determination to all of us, and enabled our Group to grow and achieve many important goals over the years.

Today, just like me, also Gian Marco would have been proud of this new document which, in addition to fulfilling the obligations of Legislative Decree No. 254/2016 on the Disclosure of Non-Financial Information, allows us to share our corporate "Purpose" (with our "Dream" of becoming a reference point as a provider of sustainable energy that fuels people's lives), our sustainable development strategy inspired to it, and the founding values which drive our daily activities.

With this first Report, we intend to give full visibility to several concrete initiatives which we implemented over the years, in order to manage our business in a sustainable manner, minimising our environmental footprint, and always protecting the health and safety of our people and of the communities who welcome us and develop with us.

We also intend to create the foundations for developing a transparent and constructive dialogue with our stakeholders, focusing in particular on those issues of primary importance within our social responsibility, which have the greatest influence on our ability to create value, and which attract the most interest both inside and outside of the Group.

With this in mind, we have therefore chosen to use for our reporting the GRI standards (Global Reporting Initiative – Sustainability Reporting Standards). They actually require a process based on 'stakeholder engagement' and on the analysis of 'materiality', the result of which is precisely the identification and prioritisation of

the material topics, for which it is necessary an accurate communication of our corporate strategic goals, of the results achieved thus far, and of the potential risks associated with it.

Three key areas were clearly identified: Human Resources (actions to protect health and safety, and to further develop skills); Environment (actions to reduce air emissions, waste and discharges, investments to increase energy efficiency); Community and Social (actions to consolidate employment, increase the creation of local value, and also the investments for technological innovation, necessary to remain competitive in the international context).

The order of listing of the key areas is not random: the many years of operation and experience have in fact taught us that the most precious resource is our people and that the challenges of global competition can be overcome only when you can rely on a well-trained and motivated team, which works safely – always.

From here it stems our huge emphasis on "Health and Safety" training, both for us and for the contractors that work at our site, the goal of "zero accidents", and the daily commitment to building and strengthening the all-round safety culture. Moreover, we pay great attention to motivational aspects, which we measured even recently, last November, by means of an Employee Engagement Survey that involved all levels of the organisation, and produced a quite positive reaction.

In conclusion, I hope that you will find this Report an interesting reading, aligned with the information needs that emerged from the dialogue with our stakeholders, and capable of adequately describing the economic, social and environmental development goals which Saras has achieved, as well as the passion with which we all work every day, in order to build a sustainable future, managing our industrial site efficiently and responsibly, and generating value for our stakeholders, shareholders and the entire Community.

Massimo Moratti, CEO

SARAS IN FIGURES

7.7

billion Euro
of turnover

2.4

billion Euro
of net economic
value generated

1.3

million tonnes
of complementary
feedstock processed

21%

of the total Italian
refining capacity¹

14.1

million tonnes
of crude oil processed

75%

of the workforce
located in Sardinia

4,085

GWh of electricity produced
by IGCC and sold to the power grid

Over

205

million Euro
of investments

46%

of Sardinia's electricity
consumption²

1,944

employees

Over

12,200

payslips attributable to activities
carried out in Sardinia
by the Group³

About

43,000

hours of technical and HSE training

143

million Euro paid
by Sarlux to local
suppliers of goods
and services

1.8

million Euro
distributed
to the community
(donations,
sponsorships and
membership fees)

1. Source UP (Unione Petrolifera) "2017 Preliminary Oil Report" Dec. 2017

2. Source Terna "Monthly Report on the Electric System" Dec. 2017

3. Source SMART LAB (spin-off of the University of Cagliari)

"The economic impact of the Saras Group in Sardinia" Nov. 2017

SUSTAINABILITY AT SARAS

Saras Group is one of the main European operators in the oil refining industry, a business that is based on the supply of crude, which is then processed into refined products and sold on international markets.

The global dimension of the Group was strengthened by its listing on the Milan Stock Exchange in 2006.

The international nature of the Group's operations is accompanied by the presence of strong local roots. The Sarlux refinery is actually located on the south-western coast of Sardinia, in the Municipality of Sarroch, and it has developed a strong symbiotic relationship with the local community, creating employment, professional skills and large economic benefits, always in full respect of the environment, the health and safety of all the people working at the site and living in neighbouring areas.

The attention paid to social and environmental responsibility is a constant in the Group's history and it is immediately confirmed by the large number of investments made over the years, as well as by the many environmental and social certifications obtained.

Just mentioning only the main ones, already in 1970, more than 5 years before the legislation came into force, Saras started the first biological water treatment. In 1992, the unit for the production of diesel with very low sulphur content (mild-hydrocracking – MHC1) was built; later, in 2000, its capacity doubled with the construction of the unit MHC2. Between 1994 and 2000, Saras installed various seawater desalination plants, and adopted specific technologies to reduce the use of primary water sources, by recycling and using clarified water derived from treatment, filtration and purification processes. After 2001, operations started for the IGCC plant, which is capable of producing electricity from TAR (heavy hydrocarbon derived from refining) with SO₂ and NO_x emissions comparable to those of a natural gas plant. Finally, in 2009 the construction and start-up of the TGTU plant came to completion. This unit treats the tail gas from Claus cycle sulphur plants, and it allows to achieve a further reduction of SO₂ emissions.

Group certifications

Since the early 2000s, the Group promoted environmental protection and health & safety in the workplace with dedicated investments, as well as via a solid system of organisational and management policies, which establish the cornerstones of its sustainable behaviour and are certified according to the best international standards: in particular, in 2004, at the Sarroch plant the Group adopted an ISO 14001 certified Environmental Management System (EMS). In 2007, the plant was also awarded OHSAS 18001 certification for its Safety Management System (SMS). The two systems were then integrated, using common aspects synergistically and introducing performance measurements and planning for improvement targets. The result is an Integrated Management System (IMS) – a unique system (dealing with prevention of major accidents, health and safety in the workplace and environmental protection), which reached full maturity over the years, and which constitutes the main management tool for achieving continuous improvement of the plant.

To start an open and continuous dialogue with the local community, since 2008 the Group has voluntarily registered the Sarroch plant according to the EMAS (Eco-Management and Audit Scheme) protocol, and since then, every year, it publishes an Environmental Declaration.

Moreover, as early as 2009, the Sarroch plant was the first one in Italy to obtain the Integrated Environmental Authorisation (called in Italian “AIA – Autorizzazione Integrata Ambientale”), which integrates all environmental authorisations. Later, the Sarroch plant achieved the AIA renewal with Ministerial Decree 0000263 of 11/10/2017 – Ministry of the Environment and Protection of Land and Sea⁴. More precisely, the activities subject to AIA carried out at the plant, fall under the Annex 8 and Annex 12 of the second part of Legislative Decree No. 152/2006 and subsequent amendments and additions, as follows:

- IPPC category 1.1: Combustion of fuels in a facility with a total nameplate thermal capacity equal to or greater than 50 MW;
- IPPC category 1.2: Oil and gas refining;
- IPPC category 4.1: Chemical plant for the production of basic organic chemicals.

Industrial Vision

Saras has always considered of primary importance to hold a highly competitive positioning in the Mediterranean refining sector, as a requirement to ensure long term continuity and sustainability of its business.

The cornerstones of this vision are based on strategic choices, starting from the central position on oil routes, the size and complexity of the industrial site, the integration with electricity generation and petrochemical products, the attention to health, safety and environmental aspects, and the integration with the local context, all based on the motivation and competence of its people.

More precisely, the geographical position allows for diversification of sources of supply and target markets for product sales, minimising the risk of geopolitical disruptions, typical of the oil business. The size and complexity was constructed in decades of continuous investments and improvements in the production cycle (mainly in catalytic cracking, mild hydrocracking, gasification and combined cycle plants), bringing it today among the best in Europe in terms of capabilities and technological upgrading, also thanks to the recent strengthening due to the acquisition of the petrochemical business from Versalis.

The fundamental role of people is underlined by the continuity of direction, by a sense of belonging and the contribution to socio-economic growth, specific and inherent factors to the company's history that is now continuing in an innovative effort of know-how development, as proven by the #digital-Saras programme, a technological development and mindset programme currently underway.

All of these features guide the industrial activity to medium-long term sustainability, which evolves and grows in relation to market scenarios and technological opportunities.

4. <http://aia.minambiente.it/DettaglioProv.aspx?id=6260>

Strategic approach

In 2009, the Group defined its “PURPOSE”, i.e. its Dream: **To Become a reference point as a provider of sustainable energy that fuels people’s lives.**

Since then it has pursued it relentlessly, without ever diverting its attention or diminishing its commitment.

Starting from this Dream, everything else was consequently stated: the Focus which lies at the very heart of the Group’s sustainability: **“Everyday improved performance”**; the Spirit that drives the daily commitment of the staff: **“Energy is our passion”**; the Attributes that support them in the Greatest Imaginable Challenge (GIC), i.e. that of **“Be among the best and most efficient operators in our sector”**; and also the Group’s core Beliefs.

Figure 1: Purpose of the Saras Group



Priorities for Saras

THE DIALOGUE ON SUSTAINABILITY IN 2017

To determine the priority topics within the framework of its sustainable behaviour, Saras considered as fundamental to establish a dialogue with those groups who have related or shared interests with the company (the stakeholders). This approach is in line with the Group's traditional transparency and it supports the continuity of constructive and participatory dialogue with stakeholders.

In particular, a process of direct involvement (engagement) was undertaken for the preparation of this Report, aimed at identifying the material topics of sustainability, i.e. those really important both to the Group and to the external stakeholders.

In the future, Saras intends to expand the engagement process to further define the materiality matrix and to integrate even better its sustainability strategy with the local constituencies, in the belief that in doing so it can maximise value creation for both shareholders and stakeholders.

Prior to direct engagement with stakeholders, various sources were analysed:

- local and national press review;
- comparative information with leading reference companies;
- various corporate documents (Code of Ethics, Financial Statements, Guidelines, etc.).

In this way it became possible to outline the list of 17 topics which, in this preliminary phase, are relevant and representative of the sustainability context for Saras.

SUSTAINABILITY TOPICS	SCOPE
Air and greenhouse gas emissions	ENVIRONMENT
Water resource management	
Waste and discharges management	
Energy efficiency	
Biodiversity	
Odours	
Human resources management	SOCIAL
Health and safety	
Training and development of human resources	
Employment and creation of local value	
Local community relations	
Equal opportunities	GOVERNANCE AND BUSINESS
Human rights	
Anti-corruption	
Suppliers and procurement management	
Technological innovation	
Compliance	



STAKEHOLDER ENGAGEMENT PROCESS

Firstly, senior management listed the 17 topics according to their relevance and provided a strategic view of the Group's initiatives and goals, as well as the key messages to highlight the peculiarities of Saras and the value it generates.

Later, the study was extended to a wider internal population, consisting of around 60 senior managers, middle managers and trade union representatives, through an online questionnaire concerning the same list of 17 sustainability topics. The results thus obtained allowed to confirm a high degree of alignment within the company on the various priorities, and contributed to determining the Group's 'internal' dimension of the materiality.

In parallel to the internal study, over 20 external stakeholders were involved. They have been selected in order to represent all the most relevant categories for the Group (shareholders, media, civil society, schools, universities and suppliers) and, above all, because they could well represent the local vision from an economic, social and environmental point of view.

The same list of sustainability topics was presented to the external stakeholders and they were given the opportunity to sort the topics through telephonic interviews or one-to-one meetings, according to their respective priorities. Their answers contributed to forming the 'external' dimension of Saras' materiality.

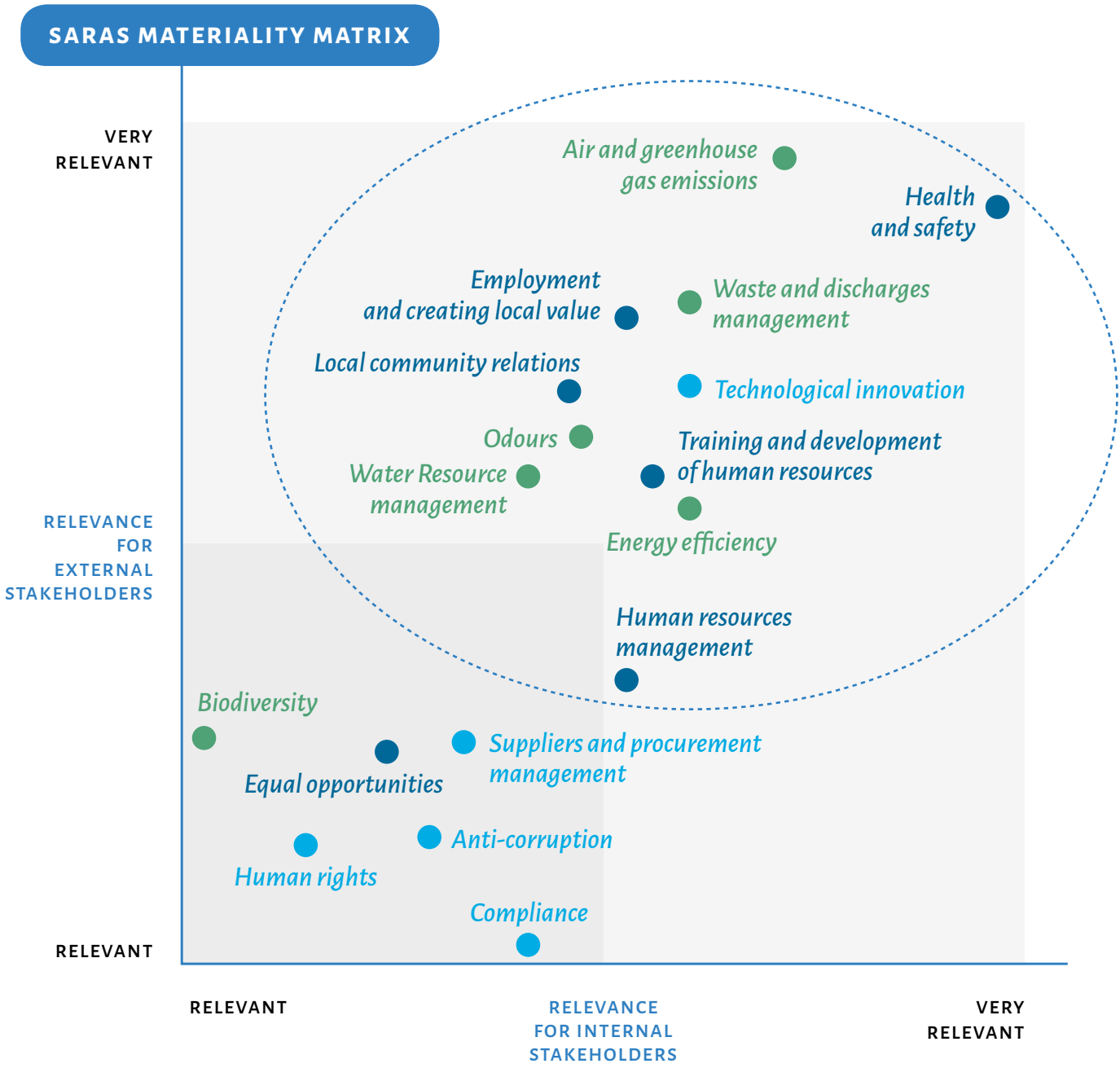
MATERIALITY MATRIX

The materiality matrix of the Saras Group (Figure 2) was created by merging the views of all the stakeholders involved in the engagement process. The x-axis of the matrix shows the priorities (in ascending order from left to right) assigned to the various topics by internal stakeholders, while the y-axis shows the priorities assigned by external stakeholders, in ascending order of relevance from the bottom upwards.

According to this representation, the 7 topics positioned in the top-right quadrant are those considered extremely relevant and therefore material both by the company and the community. The 6 topics in the bottom-left quadrant are considered already well covered by the Group, also considering that the company complies with the regulations in force in its industry, it has a Code of Ethics and adheres to the Corporate Governance Code of companies listed on the Milan Stock Exchange. Instead, the positioning of the other 4 topics in quadrants of the matrix characterised by high relevance for only one of the two dimensions, indicates the need for clear and precise communication of the strategy adopted by the Group, the goals pursued, the results obtained thus far and also the potential risks associated with it.

In this regard, Saras chose to adopt for the entire Group the reporting framework identified in the "Global Reporting Initiative – Sustainability Reporting Standards" (GRI Standards), made available by the Global Sustainability Standards Board (GSSB).

Figure 2: Materiality matrix of the Saras Group



- Environmental topics
- Social topics
- Governance and business topics

PRIORITY TOPICS

A detailed analysis of the matrix shows that, in general, the internal vision is well aligned with the external one, with regard to the priority of the 17 sustainability topics.

In particular, the topic of “Health and safety” protection and “Air and greenhouse gas emissions” are of primary importance for both dimensions. However, practically all the environmental topics are extremely relevant, except for the protection of “Biodiversity” – a topic which is, nonetheless, effectively managed by Saras.

Even the social and local community themes are well represented between the priority topics, as shown by the materiality matrix. In fact, external stakeholders significantly highlighted the role and responsibilities of Saras in providing “Employment and creating local value” and in maintaining productive “Local community relations”.

This is also reflected in the opinion of internal stakeholders who assign a medium-high relevance to these topics.

On the other hand, almost all the topics concerning “Governance and Business” are considered relevant but less requiring of further disclosure: they therefore have a lower degree of priority. With the exception of the “Technological innovation” topic, whose importance has been underlined by both internal and external stakeholders, in order to keep the Group competitive in an increasingly tougher international context. Precisely for this reason, Saras is developing the most appropriate tools and skills needed to seize the opportunities arising from the “Industry 4.0”.

In general, the engagement did not highlight any critical situations that Saras must manage as a matter of urgency. Quite the opposite: the external stakeholders recognised that Saras has a good level of commitment and control on all sustainability topics identified during the materiality analysis.



GROUP IDENTITY

The Saras Group

Present in the oil and energy sector since 1962, the Saras Group is now one of the leading independent refining operators in the European context.

The heart of the Group is represented by the industrial site of Sarroch, managed by the subsidiary **Sarlux**, on the southwest coast of Sardinia. Within the site lies one of the largest refineries in the Mediterranean by production capacity (approximately 15 million tonnes per year, equal to 300,000 barrels a day), and one of the most advanced in terms of the complexity of the units.

In the early 2000s, the refining activity was complemented with the production and sale of electricity, by starting operations of an IGCC (Integrated Gasification Combined Cycle) plant, one of the biggest of its kind in the world. Indeed, the Sarroch IGCC has an installed capacity of 575 MW and it contributes to more than 46% of Sardinia's electricity requirements.

Finally, in early 2015, Sarlux acquired the neighbouring petrochemical plants, owned by Versalis (ENI Group), expanding its productive offering also to certain categories of aromatics and intermediates for the petrochemical sector.

Over the years, the investments aimed at increasing the site's capacity and efficiency have gone hand in hand with the attention to safety and the respect for the environment, significantly involving local communities, both directly and indirectly. More specifically, the Saras Group has traditionally sourced local resources for the skills needed for its development. In addition, also for the supply of goods and services (for bids with the same financial terms), Saras tried to give priority to local firms, helping them to become competitive also outside of Sardinia and national boundaries.

With regards to the business model, the Group recently developed an innovative process focused on the tight integration of refining production activities, with planning and commercial activities. A new subsidiary was therefore founded, called **Saras Trading**, which has been operating in Geneva since early 2016, and is dedicated to the purchase of crude oil and other feedstock necessary for the refinery, the sale of finished products and, because of its strategic location, it also performs an independent activity of oil commodities trading.

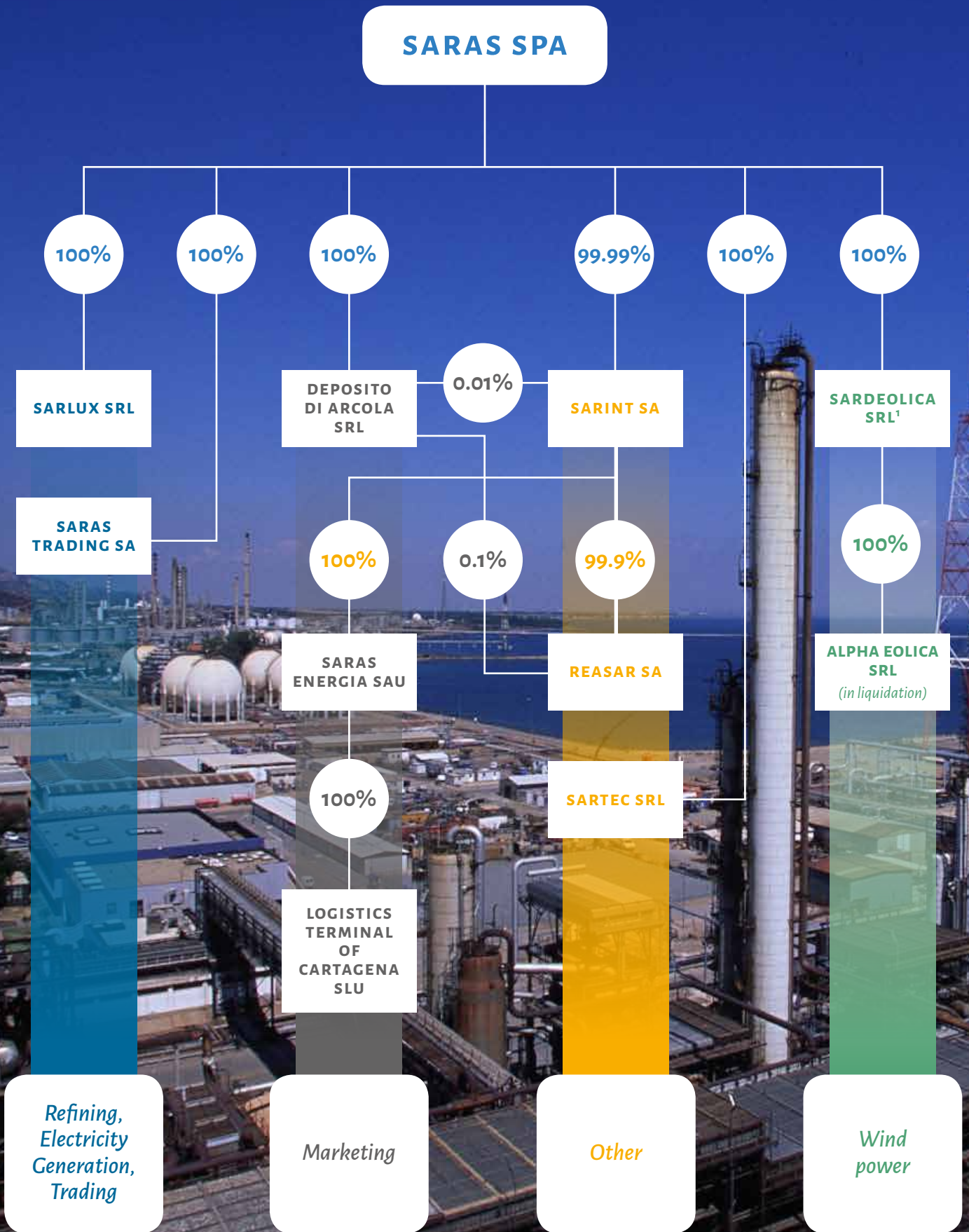
The Group sells and distributes, directly and through its subsidiaries, oil products such as diesel, petrol, heating gasoil, liquefied petroleum gas (LPG), virgin naphtha and aviation fuel, mainly on the Italian and Spanish markets, but also in various other European and non-European countries. In particular, in 2017 approximately 2.17 million tonnes of oil products were sold in Italy on the wholesale market, and a further 1.48 million tonnes were sold on the Spanish market through the subsidiary **Saras Energia**, active both on the wholesale and retail markets.

In 2005, Saras boosted its offer with the production and sale of electricity from renewable sources. The subsidiary **Sardeolica**, which is based in Ulassai (Sardinia), manages a wind farm comprising 48 wind turbines with a total installed capacity of 96 MW. The wind farm maintains the Group's ethos throughout: since its constitution, local community relations have been dictated by transparency, open dialogue and productive collaboration, aimed at mutual development.

Finally, **Sartec** is the company which, through its offer of industrial and technological services for the oil, energy and environment sectors, develops targeted solutions to ensure energy efficiency and industrial reliability. Moreover, it also provides solutions for environmental efficiency, through engineering services, monitoring, environmental analysis and measuring systems and analytical services.

Saras Group Profile





1. The merger by reverse incorporation of Parchi Eolici Ulassai Srl into Saredolica Srl was completed on 4th October 2017, with the registration of the merger act at the Milan Register of Companies whose accounting and tax effects were effective as of 01/01/2017.

REFERENCE MARKETS

The Group's main reference markets are the oil market, international by nature (both with regards to suppliers of raw materials and also to the main customers), and the electricity market, in which the Group operates by selling exclusively within the national context.

The following table shows revenues from Group's operations, split by geographical area and net of intercompany eliminations. The variability of revenues in the three years hereby

presented is mainly due to price fluctuations, which occur in the oil markets (raw materials and refined products) and, to a lesser extent, also to the production levels achieved by the Group in the various years (as a function of specific scheduled maintenance cycles).

As it can be seen, in 2017, about 30% of revenues were generated in Italy, while this percentage rises to 45% when considering the European Economic Community (EEC).

REVENUES FROM OPERATIONS (THOUSAND €)

PARAMETER	2015	2016	2017
<i>Italy</i>	3,290,616	1,861,344	2,214,026
<i>Spain</i>	954,804	974,889	249,742
<i>Other EEC countries</i>	1,517,985	1,297,485	922,056
<i>Outside of EEC</i>	2,367,877	2,586,610	3,986,913
<i>USA</i>	0	41,634	185,664
Total	8,131,282	6,761,962	7,558,401

SARAS ENERGIA

Saras Energia was created from the merger of Saroil (founded in 1990) and Continental Oil (founded in 1992), and is active in the sale of oil products on the Spanish market, both on the wholesale and retail markets.

➔ KEY NUMBERS

Overall between operational personnel and staff, Saras Energia provides approximately 300 jobs, with a significant preponderance of female staff (64% of total employees).

➔ RETAIL

- 95 service stations, mainly distributed in the communities of Catalonia, Valencia and Andalusia;
- 84 stations with COCO “Company Owned – Company Operated” management (with many contractual variants), and the remaining 11 stations with DODO “Dealer Owned – Dealers Operated” management;
- About 140,000 cubic metres of sales from the entire network of service stations;
- Active marketing, customer focus and retention policies, with about 40,000 cards in use among professional and private customers.

➔ WHOLESALE

- 1.48 million tonnes sold on wholesale markets by Saras Energia, which makes it one of the biggest Spanish operators, active throughout the Iberian Peninsula (using both its own bases and storage facilities belonging to third parties, including mainly Decal, Esergui and CLH);
- extensive supply diversification in the last few years, as Saras Energia has chosen to reposition itself, finding a new balance between pure importer and customer of the local refiners.

➔ THC (ORA TERLOCAR)

- 114,000 cubic metres of total capacity completely used; in part directly for the Group's needs and partly with lease agreements with third-party operators.

The cornerstones for managing the company are summarised in the Policy for Health, Safety and Environmental Protection and for the Prevention of Major Accidents. This important document characterises the operations of Saras Energia but also concerns numerous suppliers of goods and services, customers, as well as all the other stakeholders that interact with the operating facilities of Saras Energia.

The respect of industry rules and best practices is never considered a cost, but rather an investment to ensure the future of the company and of its most important assets: the people and the reputation and corporate image in the oil market and in the wider society.

In this regard, Saras Energia has provided training programmes concerning the company's Code of Ethics and the prevention of criminal risk. Furthermore, Saras Energia performs various initiatives to ensure the best possible integration and balance between work and family life, and it offers benefits of various kinds to its employees.

The main initiatives and benefits are listed below:

- Flexitime
- Free medical insurance for spouse and children
- Life insurance
- Meal vouchers
- Internal and external training plans
- Open day and 15-day stage at the company for employees' children
- Awards and grants for extra-curricular training activities (Masters, etc.)

MEMBERSHIP

The oil and electricity sectors in which the Saras Group is active are influenced by national, European and international standards and regulations. The Group therefore performs continuous monitoring of the new measures adopted, as well as those in the process of discussion and finalisation. It also maintains a dialogue with the institutions and with the main operators in the industry, and actively participates in trade as-

sociations (UP – the Italian Oil Industry Union, FuelsEurope, Concawe, ANEV, Elettricità Futura, World Energy Council, etc.), through skilled presences in managerial bodies, specific committees and various technical meetings.

The main national and international associations and bodies the Saras Group belongs to are listed below.

ASSOCIATION	DESCRIPTION	MEMBER COMPANY
<i>Italian Electrotechnical and Electronic Association (AEIT)</i>	Association that aims to promote and encourage the study of electrics, electronics, automation, informatics and telecommunications and the development of related technologies and applications.	SARAS
<i>Asociacion Espanola de Operadores de Productos Petroliferos (AOP)</i>	Spanish association that brings together the main companies operating on the Iberian Peninsula with activities of exploration, extraction and processing of oil, and distribution of refined oil products, with the aim of defending the general interests of the associated companies.	SARAS ENERGIA
<i>Italian Chemical Engineering Association (AIDIC)</i>	Association aiming to disseminate technical and scientific knowledge and the results of technological and engineering development in the following industries: chemical, petrochemical, food, pharmaceutical, biotechnology, materials, safety and the environment.	SARLUX
<i>Italian Workplace Safety Trainers Association (AIFOS)</i>	Not-for-profit association engaged in boosting the role of training to develop the culture of health and safety prevention in living and working environments.	SARAS
<i>Italian Association of Energy Economists (AIEE)</i>	Not-for-profit organisation that brings together all those who study, debate and promote energy knowledge in Italy. The association is also an independent contact point for Italian energy policy matters, with regards to national and international bodies.	SARAS
<i>National Wind Energy Association (ANEV)</i>	Association that promotes technological research and development aimed at using the wind resource and the sensible use of energy, as well as the dissemination of correct information.	SARDEOLICA
<i>FuelsEurope and Concawe</i>	Divisions of the European Petroleum Refiners Association whose members are all the 41 companies which managed the oil refineries operating in the European Union in 2017. In particular, Concawe conducts research on environmental and health and safety issues relevant to the oil industry.	SARAS
<i>Elettricità Futura (Future Electricity)</i>	The main Italian association for the electricity world with over 700 operators with plants throughout Italy and is one of the most important associations in the industry at European level.	SARAS
<i>European Fuel Oxygenates Association (EFOA)</i>	EFOA is dedicated to promoting ethers as components of fuels for a cleaner and more sustainable future.	SARAS
<i>Federchimica (National Federation of Chemical Industry)</i>	One of the main objectives of the National Federation of the Chemical Industry is the promotion of the chemistry development in Italy and the elaboration of the guidelines for economic, industrial and trade union policies, as well as in the fields of ecology and environment, development and innovation, energy policy.	SARLUX
<i>International Oil Pollution Compensation Fund (IOPC Fund)</i>	International fund set up to provide financial compensation for oil pollution damage occurring in Member States.	SARAS

ASSOCIATION	DESCRIPTION	MEMBER COMPANY
<i>Oil Companies International Marine Forum (OCIMF)</i>	Association of oil companies that aims to be the principal authority to ensure the safe and ecologically responsible management of the operations of oil tankers, terminals and offshore support vessels, promoting the continuous improvement of design and operating standards. In 2010, Saras became an accredited member of the OCIMF, and acquired the right to operate within the vetting context within the SIRE programme, a risk assessment tool for tankers.	SARLUX
<i>Unione Petrolifera (UP) [Italian Oil Industry Union]</i>	Association that brings together the main Italian companies operating in the context of oil processing and distribution of oil products.	SARAS
<i>World Energy Council (WEC)</i>	International forum that collects industrial, institutional and academic subjects belonging to the energy sector, and which implements and disseminates the results of studies, reports and research in the field of energy.	SARAS

Relations with the Financial Community

The parent company Saras SpA has been listed on the Italian Stock Exchange since 2006, and since then it has been actively engaged in communication with the financial community, comprising national and international analysts, institutional investors, and retail investors.

As required by the regulations, as well as by the Corporate Governance Code of the Italian Stock Exchange, Saras promptly and transparently notifies all stakeholders of price-sensitive information, useful for assessing investment opportunities and it also holds a high number of meetings with international analysts and investors, to explain operating performance and financial results, multiannual industrial plans, and also the strategy and industrial vision, which are fundamental to illustrate the sustainability of the business in the long term.

The Investor Relations Department, together with the top management, holds telephone conversations and carries out roadshow activities in major international financial centres (London, Paris, Milan, Geneva, New York, etc.) to meet investors. These also include various "ethical" funds (i.e. funds that base their investment decisions on the respect of social and environmental criteria, as well as on the classic considerations linked to returns and yield expectations). In this regard, this Sustainability Report should also be considered as an important instrument of qualified communication on the issues relating to the Group's social responsibility.

Moreover, Saras also regularly communicates with the financial analysts who write their equity research notes, with the financial media, and also with small retail investors. For the latter, in particular, Saras communication activities predominantly take place via its website (www.saras.it), where comprehensive informative material, presentations and press releases can be easily found. Such documents are useful to keep up-to-date with the Group's performance and outlook, as well as to assess any investment choice.

Finally, in order to regularly reach all the concerned parties, every quarter Saras directly and publicly broadcasts a webcast and conference call for the presentation of the financial results, and makes the full transcripts of these events, and all the detailed presentations, available on its website.

Saras is indeed strongly convinced that the transparency, regularities and completeness of its financial communication, in addition to being a regulatory requirement, is essential to satisfy the information requirements of stakeholders, generate trust and value, and ensure the sustainability of the business.

Governance

The governance of the Saras Group is structured according to the traditional administration and control model which includes:

- a **Board of Directors** (BoD) responsible for providing correct business management, within which two committees have been established (a Remuneration and Nomination Committee and a Control and Risk Committee);
- a Board of Statutory Auditors called on, among other things, monitoring observance of the law and of the Articles of Association, and checking the adequacy of the organisational structure of the Company's internal control system and administrative and accounting system;
- the **Shareholders' Meeting**.

The company adheres to the Corporate Governance Code, drawn up by the Corporate Governance Committee, and published by Borsa Italiana SpA in March 2006.

BOARD OF DIRECTORS

The Board in office as of 31st December, 2017 included 12 directors in total, 4 of whom are executive directors and 8 non-executive directors and, among the latter, 4 are independent directors.

During the 2017 financial year, the Board held 6 meetings, which were regularly attended by the various directors as well as members of the Board of Statutory Auditors.

BOARD OF DIRECTORS 2017							
MEMBERS	OFFICE	YEAR OF BIRTH	LIST	EXECUTIVE/ NON-EXECUTIVE	INDEPENDENT	CONTROL AND RISK COMMITTEE	REMUNERATION AND NOMINATION COMMITTEE
<i>Gian Marco Moratti</i>	Chairman	1936	M	Executive			
<i>Massimo Moratti</i>	Chief Executive Officer	1945	M	Executive			
<i>Angelo Moratti</i>	Vice-Chairman	1963	M	Executive			
<i>Dario Scaffardi</i>	Executive Vice-President and General Manager	1958	M	Executive			
<i>Gilberto Callera</i>	Lead Independent Director	1939	M	Non-executive	X	Chairman	Chairman
<i>Adriana Cerretelli</i>	Director	1948	M	Non-executive	X	Member	
<i>Laura Fidanza</i>	Director	1973	M	Non-executive	X	Member	Member
<i>Isabelle Harvie-Watt</i>	Director	1967	M	Non-executive	X	Member	
<i>Angelomario Moratti</i>	Director	1973	M	Non-executive			
<i>Gabriele Moratti</i>	Director	1978	M	Non-executive			
<i>Gabriele Previati</i>	Director	1938	M	Non-executive		Member	Member
<i>Giovanni Moratti</i>	Director	1984	M	Non-executive			

It should be pointed out that, at the same time when Rosneft JV Projects S.A. liquidated its shareholding in Saras SpA on 17/02/2017, Dr Shishkin tendered his resignation from the Board of Directors of Saras SpA. Subsequently, the Shareholders' Meeting on 20/04/2017 appointed a new director, Dr Giovanni Moratti, confirming 12 as the total number of directors.

The average presence of women in the Group's governing bodies is 20%. The parent company maintains a women quota in line with the legal requirements (a third of members) in all bodies.

NUMBER AND PERCENTAGE OF MEMBERS OF GOVERNING BODIES BROKEN DOWN BY GENDER 2017

	BOARD OF DIRECTORS		BOARD OF STATUTORY AUDITORS		SUPERVISORY BOARD		TOTAL		TOTAL %	
	F	M	F	M	F	M	F	M	F	M
<i>Sarlux</i>	1	4	1	3	0	4	2	11	15%	85%
<i>Saras Energia*</i>	0	6	0	0	1	2	1	8	11%	89%
<i>Saras SpA</i>	3	9	3	1	1	3	7	13	35%	65%
<i>Sartec</i>	0	3	0	1	1	2	1	6	14%	86%
<i>Sardeolica</i>	1	2	0	1	1	2	2	5	29%	71%
<i>Saras Trading</i>	0	5	0	0	0	0	0	5	0%	100%
<i>Deposito di Arcola</i>	0	3	0	1	1	2	1	6	14%	86%

NUMBER AND PERCENTAGE OF MEMBERS OF GOVERNING BODIES BROKEN DOWN BY AGE 2017

	BOARD OF DIRECTORS		BOARD OF STATUTORY AUDITORS		SUPERVISORY BOARD		TOTAL		TOTAL %	
	30-50	>50	30-50	>50	30-50	>50	30-50	>50	30-50	>50
<i>Sarlux</i>	0	5	0	4	0	4	0	13	0%	100%
<i>Saras Energia*</i>	2	4	0	0	0	3	2	7	22%	78%
<i>Saras SpA</i>	5	7	0	4	0	4	5	15	25%	75%
<i>Sartec</i>	0	3	0	1	0	3	0	7	0%	100%
<i>Sardeolica</i>	0	3	0	1	0	3	0	7	0%	100%
<i>Saras Trading</i>	0	5	0	0	0	0	0	5	0%	100%
<i>Deposito di Arcola</i>	0	3	0	1	0	3	0	7	0%	100%

* At Saras Energia, there is the Ethics Committee (equivalent of the Supervisory Board in Italy)

The majority of the members of the Group's bodies are over 50 years old (90%).

It should also be noted that, for Saras SpA, Dr Giovanni Fiori, alternate auditor, tendered his resignation on 13.12.2017. Finally, for Sarlux Srl, Dr Michele Di Martino, statutory auditor tendered his resignation on 27/09/2017, and has been replaced in the Board of Statutory Auditors by Dr Simonelli.

BOARD COMMITTEES

The tasks of the **Remuneration and Nomination Committee** include consulting and expressing proposals in respect of the Board and has, among other things, the task of:

- formulating proposals for defining the remuneration policy;
- periodically assessing the adequacy, overall consistency and the practical application of the remuneration policy.

The tasks of the **Control and Risk Committee** include offering advice and expressing proposals in respect of the Board of Directors. In particular, the Control and Risk Committee shall:

- advise the Board, among other things, on:
 - defining the guidelines for the internal control and risk management system, in such a way that the main risks relating to the Group are correctly identified and adequately measured, managed and monitored,
 - determining the degree of compatibility of these risks with the company's management, in accordance with the strategic objectives identified,
 - assessing, at least annually, the adequacy of the internal control and risk management system with respect to the company's nature and the risk profile assumed, as well as its effectiveness,
 - approving, at least annually, the work plan prepared by the Internal Audit Department manager;
- assessing, after consulting the Board of Statutory Auditors, the results presented by independent auditors;
- assessing the correct use of accounting standards and the consistency of such standards for the purposes of preparing the Consolidated Financial Statements, in conjunction with the designated Executive responsible for drafting company accounting documents and in consultation with the independent auditors and the Board of Statutory Auditors.

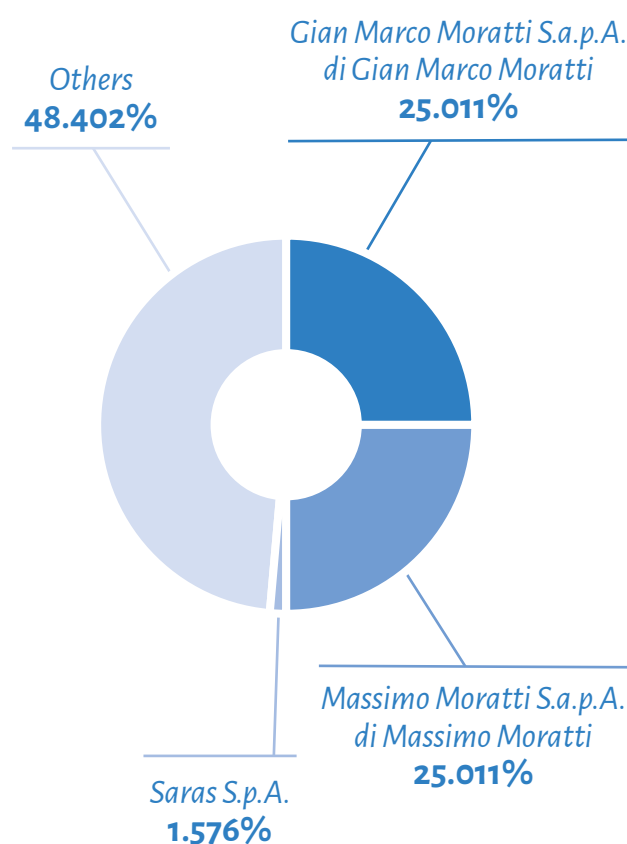
Every six months the Committee shall report to the Board on its activity and on the adequacy of the internal control and risk management system.

OWNERSHIP STRUCTURE

Saras is a company listed on the FTSE Italia Mid Cap Index of Borsa Italiana.

The Group's shareholding structure mainly comprises the Moratti family (Gian Marco Moratti S.a.p.a. and Massimo Moratti S.a.p.a.) who, at 31st December 2017, held in total 50.022% of the share capital. Moreover, on the same date, Saras S.p.A. held own shares totalling 1.576% of the share capital. The rest of the shares was free-float on the market.

Shareholding structure



Internal Control and Risk Management System

In all the Group's activities, Saras pays the utmost attention to comply with the laws, promote ethical and correct behaviour and prevent corruption.

The Board of Directors is responsible for setting the guidelines for the internal control and risk management system, and periodically checks operational adequacy and effectiveness. To perform this task, the BoD relies on the support:

- of the director responsible for the establishment and maintaining of an effective internal control and risk management system ("Director responsible for the internal control and risk management system");
- of the Control and Risk Committee, with the aim of supporting, with appropriate preliminary activities, assessments and decisions of the Board concerning the internal control and risk management system;
- of the Internal Audit Department, which is responsible for checking that the internal control and risk management system is adequate and functional.

The internal control and risk management system is formalised within the Group's regulatory system, and it has been further strengthened with the adoption of an **Organisation, Management and Control Model (the "Model")** pursuant to Legislative Decree No. 231/2001. Each company of the Group has in fact adopted its own Model, which aims to prevent the potential risk of committing those crimes to which the company is indeed exposed, stating management responsibilities as well as the controls in place so that crimes cannot be committed. Saras has also represented its values, principles and standards of conduct in the **Group's Code of Ethics**, to which Saras and its subsidiaries and associates shall comply with when conducting their business. The values shown in the Code of Ethics are also the basis of the relations that the Group establishes with its counterparties.

The Model and the Code of Ethics, combined with the company's vision and mission document – the Purpose – and the Articles of Association, represent the reference framework in line with which all the governance documents related to the Group's internal regulatory system, the organisational system and the powers system are developed and approved.

INTERNAL REGULATORY SYSTEM

The regulatory system is divided into four hierarchical levels, to each of which a regulatory instrument corresponds:

- **the Policy**
Policies systematically include the general principles and rules that underpin all the activities carried out within the Group. Saras uses this regulatory instrument to manage people, the integrity of operations, operational excellence, stakeholders, information security, *Global Compliance* and *Corporate Governance*;
- **the Guideline**
Guidelines are the instruments through which the Group exercises its steering and coordination role in respect of its departments and organisational units and in respect of its subsidiaries. There are two

types of guidelines issued by Saras, the Governance/ Compliance Guidelines and the Process Guidelines;

- **the Procedure**
Internal Procedures define the operational methods with which the Group's activities must be carried out;
- **the Operating Instruction**
Operating Instructions are the detailed documents of the operating methods described in the Procedures, for the specific departments/organisational units/organisational positions/professional areas involved.

Procedures and Operating Instructions are regulatory instruments specific to the individual Group Companies that state the principles, indications and controls defined by the reference Policies and Guidelines in their operating methods.

Activities and initiatives aimed at checking the implementation and improvement of the control and risk management system of the companies in the Group are defined by the Internal Audit Department within an annual plan which is drafted starting from:

- the *Corporate Risk Profile*, a document that identifies the significant risks for the Group, monitored every six months by the risk owners;
- the indications coming from senior management and the supervisory bodies of each company in the Group;
- the audits carried out during previous years and their results.

In 2017, the Internal Audit Department carried out 50 audits, 7 of which on the internal control of risk management system (ICRMS) and 43 on the ICRMS and areas of compliance of the Organisational Models.

The results of the audits carried out did not reveal specific critical points regarding the adequacy and implementation of the control measures taken by the Companies. Also, controls on the implementation status of the Model (43 audits in total) did not detect any significant non-compliance with respect to what is provided in the Model itself. For the areas of improvement identified, corrective actions were determined in agreement with the managers responsible for the departments concerned, in order to improve the effectiveness of the control management and the existing mitigation instruments. Furthermore, adequate action plans have been defined. Implementation by the deadlines defined for the improvement actions is monitored by the Internal Audit Department.

No case was registered of non-compliance with the environmental and socio-economic regulations and laws, nor in terms of impact on the health and safety of customers that purchase the Group's products.

RISK MANAGEMENT AND CORPORATE RISK PROFILE

Saras' risk management policy, whose guidelines are defined by the Board of Directors and implemented by the Director responsible for the internal control and risk management system, is based on the constant activity of identifying and assessing and possibly reducing or eliminating the main risks related to the Group's objectives, with reference to strategic, operational and financial areas.

The Top management is responsible for the periodical assessment of the management of the company's significant risks, by identifying the most efficient and effective control system and management programmes to ensure the correctness of the company's operations, whereas the risk itself is operationally managed by the manager responsible for the related process, based on the indications of the Top management.

The Corporate Risk Profile is the document within which the Company identifies the complete picture of the significant risks to which it is exposed, and the Risk Officer is responsible for monitoring and updating it, based on the information on risk assessment and management collected from the Group's risk owners. The results of the six-monthly risk assessment monitoring and annual update of the Corporate Risk Profile are shared, for that which falls under their competence, with the Senior Management of each company and are submitted to the Control and Risk Committee and the Board of Directors.

In 2017, the assessments carried out by the risk owners highlighted a positive picture of the suitability of the risk control and management activities adopted by the Company.

SARAS GROUP RISKS

The types of risks that Saras Group must manage are of **financial nature** – such as exchange rate, interest rate, credit and liquidity risk – as well as of **operational nature** – such as price fluctuations, procurement of raw materials, production breakdown, regulatory and cyber security risk. There are also risks related to **staff management, supply chain management, and environmental legislation compliance.**

Environmental risk

Due to the nature of its business, Saras is subject to numerous European Union, national, regional and local authority laws and regulations on environmental matters. Saras takes it as an absolute priority to conduct its activities in full compliance with what is required by each relevant legislation.

The obtainment of EMAS certification for the Sarroch refinery, associated with the most significant environmental risks within the Group, requires a periodic in-depth environmental analysis of activities conducted at the site and the identification of significant direct and indirect environmental aspects (see Tables 1 and 2).

Furthermore, Sarlux has prepared its own set of procedures aimed at defining the detailed rules for the identification and management of risks arising from the production process and operational changes, and in particular:

- the procedure “Determination and assessment of environmental aspects” identifies environmental risks arising from the life cycle of Sarlux products;
- the procedure “Risk assessment and analysis for health, safety and major accidents” defines the operating methods of performing/updating the analysis of the hazards and risks for health and safety in the workplace, and the prevention of major accidents;
- the procedure “Managing plant process changes” identifies the implementation procedures for process changes to plants located within the industrial site in Sarroch, owned by Sarlux.

Table 1: Sarlux direct environmental risks

SIGNIFICANT DIRECT ENVIRONMENTAL ASPECTS	ENVIRONMENTAL IMPACTS
RAW MATERIALS	
<i>Consumption</i>	Consumption of a non-renewable resource
<i>Storage, handling and use</i>	Risk of accidents (fires, explosions, releases into soil and at sea)
ENERGY CONSUMPTION	
<i>Self-generated fuels</i>	Emissions into the atmosphere from the site and consequential impacts
<i>Electricity purchased</i>	Indirect impacts in external sites for electricity generation
WATER CONSUMPTION	
<i>Seawater desalted internally</i>	Energy consumption and consequential impacts
<i>Water from industrial aqueduct</i>	Consumption of local natural resource
EMISSIONS INTO THE ATMOSPHERE	
	Influence on air quality on a local scale
	Contributions to effects on a vast scale (greenhouse effect, acid rain)
WASTE	
<i>Storage and treatments within the site</i>	Risk of releases into soil
<i>Treatments outside of the site</i>	Indirect impacts on external sites of disposal and recovery at the site
EMISSIONS INTO WATER	
	Influence on the quality of marine waters
RELEASES INTO SOIL AND SUBSOIL	
<i>Past activities</i>	Contamination of the soil and subsoil and groundwater at the site
<i>Prevention activities</i>	Reducing the risk of contamination of the soil and subsoil and groundwater
NOISE	
	Influence on the noise climate outside of the site (Sarroch zone)
ODOURS	
	Disturbance perceived outside of the site (Sarroch zone)
VISUAL IMPACT	
	Visibility of the site from the outside

Table 2: Sarlux indirect environmental risks

SIGNIFICANT INDIRECT ENVIRONMENTAL ASPECTS	ENVIRONMENTAL IMPACTS
PRODUCT DESIGN	
	Indirect Impact on air quality (fuel combustion)
OVERLAND TRANSPORT OF PRODUCTS, ANCILLARY MATERIALS, STAFF	
	Emissions into the atmosphere
	Road traffic, risk of road accidents
SEA TRANSPORT OF RAW MATERIALS	
	Emissions into the atmosphere
	Risks of accidents and contamination of marine waters
ENVIRONMENTAL BEHAVIOUR THIRD-PARTY COMPANIES	
<i>Internal waste management</i>	Risk of accidents and soil and subsoil contamination
<i>Road transport staff, materials, equipment</i>	Road traffic, risk of road accidents

Social risks and related to staff management

In the context of business processes related to human resources management, significant risks at Group level, their causes, possible consequences, the owner, mitigating factors and the consequent residual risk have been identified. These risks are included in the Corporate Risk Profile (see Table 3).

Table 3: Saras social risks

RISK	IMPACT
<i>Conflict and/or resistance from staff to accept changes of strategy, organisational or operating methods.</i>	Inconsistency between structure and strategy. Difficulties to adapt to new competitive scenarios with consequent loss of competitiveness and exclusion from the market.
<i>Organisational structure unable to support the strategy outlined.</i>	Loss of competitiveness in favour of competitors, linked to partial or non-achievement of strategic objectives.
<i>Key managerial positions vacant.</i>	Partial or lack of safeguarding of position. Failure to achieve the objectives of the department and/or business.
<i>Strike by employees and protests from corporate partners.</i>	Production slowdowns, delays and stoppages.
<i>Loss of warehouse staff with key skills or specific know-how.</i>	Loss of specific skills and loss of business know-how, difficulty replacing key skills.

Human rights risks

The screening of the risks relating to the respect of Human Rights conducted by Saras did not reveal any criticalities for the Group. Nevertheless, this result was confirmed by the materiality analysis, which showed that respecting Human Rights is not a material topic.

Corruption risks

Saras Group performed an analysis of the corruption risks to which the Group is potentially subjected to, and the departments most exposed to such risks; moreover, the Group adopted an Organisational Model and drafted the “Risk Analysis – Summary of Measures against Corporate Crime and Corruption Risks among Private Individuals”, which lists the risks, responsibilities and control measures, planned and adopted to prevent acts of corruption.

The types of crime provided for in the Organisational Model are listed below:

- False corporate communications from listed companies;
- Hindered control;
- Undue refund of contributions;
- Unlawful distribution of profit and reserves;
- Unlawful operations on the shares or stocks in the company or parent company;
- Operations prejudicial to creditors;
- Failure to disclose a conflict of interests;
- Fictitious capital formation;
- Unlawful influence on the shareholders’ meeting;
- Obstacle to exercising the functions of public supervisory authorities;
- Corruption among private individuals.

Prevention of corruption

Saras condemns corruption in all its forms and engages in promoting business legality and ethics.

The Group has a Code of Ethics and a Regulatory System consistent with it, set on Policies and Guidelines that guide and describe behaviours and processes also in relation to the prevention of corruption and fraud.

The purpose of the **Anti-corruption Compliance Guidelines** is to provide a systematic reference framework in the field of fighting corruption, designed and implemented to prevent corruption phenomena in relations with public or private subjects, besides guaranteeing compliance with the anti-corruption laws in force in the individual countries in which the Group’s companies operate. It indicates the rules of conduct and the general control principles, it identifies the main risks, sensitive areas and the specific control principles in these areas.

The **Compliance Guidelines on Fraud Prevention** completes the policy framework for ethical issues, framing the concept of ‘fraud’ in the business context by providing the general control principles, indicating the prevention, identification and management actions of fraudulent conduct, sensitive areas and specific control principles in these areas.

Also, for these issues, a channel of **communication and management reports** has been activated relating to potential irregularities (alleged breaches of the laws, of the Group’s Code of Ethics, of the Organisational Model and of what is provided for in the company’s Regulatory System) defined in an appropriate procedural document.

The audit work carried out in 2017 also covered issues related to the prevention of corruption, especially in areas considered to be most sensitive. In addition, between the end of 2016 and early 2017, when updating the Code of Ethics, specific training and communication were carried out on the subject of the organisation’s ethical compliance, anti-corruption and personal liability. The training, carried out at the end of 2016, involved Group managers for the role they perform in disseminating knowledge and the application of the Code of Ethics and related rules (230 hours in total). Upon completion of this activity, in early 2017, wide information was provided to all staff on the issuance of the updated Code of Ethics and its contents. Finally, in 2017 the activity of increasing employee awareness on the issue of transparency, conflicts of interest and anti-corruption continued. In 2017, no corruption incidents were identified.

KEY RISK INDICATORS (KRIS)

The Group has embarked on a path aimed at optimising and strengthening the company's internal control system by implementing risk indicators (Key Risk Indicators – KRIs) aimed at monitoring by department managers, of certain phenomena to intercept any anomalies or potential cases of fraudulent conduct. The KRIs are monitored by department managers and during audits, by the Internal Audit.

Between 2015 and 2016, an analysis was performed on the processes of: Procurement, sales in the Wholesale channels, Maintenance, and Materials Warehouse. The analysis was aimed at assessing anti-fraud measures used by the Company, in order to identify any points of weakness and define remediation actions.

The implementation of KRIs in some of the processes examined was suggested: in particular, for the Procurement process of Saras and Sarlux. In 2016 and 2017, risk indicators aimed at the continuous and automated monitoring of some phenomena related to the purchase of goods and services and management of related invoices and payments were identified and implemented. The KRIs for the Maintenance and Materials Warehouse processes were the subject of an analysis starting in the second half of 2017 and the activities will be completed in 2018.

Human rights

Saras operations have always been respectful of the human rights. The Group expresses its commitment to respecting human rights within its Code of Ethics and promotes it in all its subsidiaries.

Furthermore, the Group also protects human rights along the supply chain of goods and services necessary for the activities of each of its subsidiaries, through careful assessments of the suitability of suppliers and contractors.

In particular, in addition to ascertaining the existence of technical and financial capabilities, suppliers and contractors must comply with all the existing regulations in the areas of health, safety and environmental protection; furthermore, they all must sign for acceptance the Saras Code of Ethics, thereby assuming the same commitments as the Group, with regards to the protection of human rights.

OUR PEOPLE

Health and safety

“Safety is our energy. We want to see ourselves, and be seen, as an industrial group made up of people who live and promote a culture of safety through our daily actions.”

Saras Group has always been strongly committed to the promotion and dissemination of the safety culture at all company levels through various initiatives, ongoing training activities and checks that ensure maximum performance.

The Group constantly acts to ensure compliance with the principles, the best practices and the highest national and international workplace safety standards; moreover, the Group cooperates with Confindustria Energia (the General Confederation of the Italian Energy Industries), with INAIL – Istituto Nazionale Assicurazione Infortuni sul Lavoro (the National institute for insurance against industrial injuries), and with the Trade Unions, in order to ensure that the safety culture also spreads in the local community in which it operates – even more so among its suppliers and contractors.

With the aim of protecting health and safety of its employees, staff of contracting firms, as well as anyone else who has access to the Sarroch industrial site, the Group issued and adopted **H&S Policies** that manage every aspect of health and safety, from the upgrade of the safety requirements of the plants according to regulatory developments, to the regular risk assessments, training, promotion and other awareness-raising activities, both internally and locally.

In particular, Sarlux, the subsidiary that owns the operationally relevant site, has an **Integrated Management System**, which, as regards the protection of the health and safety of workers, includes the prevention of major accidents plan, the

safety report and the risk assessment, including those concerning interference, and the OHSAS 18001 Safety Management System.

SAFETY MANAGEMENT AND THE RELATIONS WITH SOCIAL PARTNERS

Legislative Decree No. 81/2008 establishes, among other things, that for some industrial sites¹ a Workers' Representative for Safety and the Environment (RLSA – Rappresentante dei Lavoratori per Sicurezza e Ambiente) is appointed for the site, and she is responsible – according to the law – for protecting the rights of workers in occupational safety matters. Elected by workers through the intermediation of the company's Trade Union Representatives, this function is also required by the National Collective Labour Agreement for Energy and Oil sectors, which is applied by Saras to its employees.

In the collective agreement adopted by the Group, result of the continuous and open dialogue with Trade Unions and Confindustria, a specific section dedicated entirely to HSE related regulations has been planned, which describes the strategies, objectives, responsibilities, activities and the industrial relations system built to manage HSE issues. In particular, provision has been made for the establishment of a Joint National Body – comprising Confindustria Energia, workers' and Trade Union representatives – intended to support and monitor any actions related to health, safety and the environment, including training and information activities.

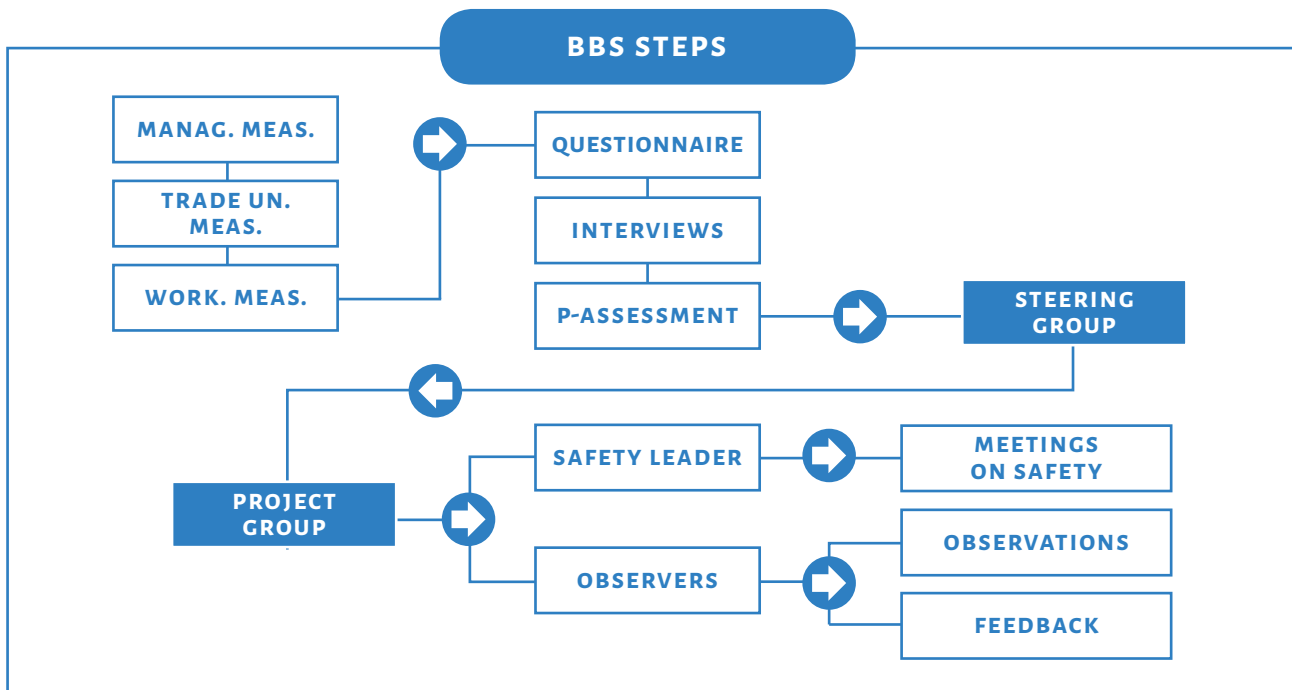
1. Identified in Art. 49 of the same Decree

INJURY RATES

In 2017, in a context of continuous improvement, the work of spreading the culture of safety went ahead and, starting from May, the BBS¹ (Behaviour-Based Safety) protocol was extended to all areas of the Sarroch site. The aim is to establish a single management tool to promote safe behaviour and consolidate the “zero accidents” objective.

The BBS protocol is divided into three phases:

1. All workers, in rotation:
 - observe the behaviour kept by colleagues while performing their duties;
 - record their observations about the behaviour in a dedicated sheet;
 - give feedback to the colleagues observed;
2. The HSE Implementation Committee (composed of Operation Managers, Operation Supervisors and HSE Analysts) once a month:
 - note and insert data and comments in the system.
 - analyses the report on the department's events;
 - analyses the graphs on observations and behaviour;
 - defines priorities for HSE maintenance activities;
 - defines behaviour improvement targets;
 - establishes the outline for the meetings between the Head of Shift and the Operators.
3. After the analysis of the HSE Implementation Committee, a team meeting is convened to communicate the findings of the analysis and define improvement targets.



BEHAVIOR-BASED SAFETY			
PARAMETER	2015	2016	2017
Observations carried out [no.]	2,320	6,230	16,940
Safe behaviour [%]	97%	98%	98%
Plant areas involved	Pilot: Energy, Utilities, Movement, Asset (Observation of Contractors)	Refining and Northern Plants added	Entire industrial site – all operating departments

1. The methodology of BBS behavioural safety, explains human behaviour through the branch of psychology (behaviour analysis) that, using Skinner's paradigm, puts behaviour in a causal correlation with previous stimuli [A] (which precede the behaviour [B] – also called discriminating stimuli) and “consequent” stimuli [C] (received after the behaviour). Basically, what drives, inhibits and modifies behaviour are consequent stimuli, and not previous stimuli, which instead merely evoke it, pushing the subject to conduct the behaviour the first time, only if already present in the subject's repertoire of learned responses. Therefore, through Skinner's paradigm (also known as “operating conditioning” and also as “model A → B ↔ C”) behaviour amending procedures can be achieved.

As a result of the activities carried out and the efforts devoted to the continuous improvement of the behaviour of workers, in 2017, Saras Group achieved the best performance in the past three years, in terms of the accident frequency rate, achieving a total value of 2.71.

Moreover, injury rates related to contracting firms (which actually operate mainly at the Sarroch site), show an improving trend in the three years under consideration, with regards to the Lost Day rate and the Near Misses (i.e. events that because of their specific characteristics have the potential to produce an accident), while for the injury Frequency Index they show a stabilisation towards low values.

SARAS GROUP'S INJURY RATES

PARAMETER	2015				2016				2017			
	ACCI-DENTS	FI ¹	LD ²	NEAR MISSES	ACCI-DENTS	FI	LD	NEAR MISSES	ACCI-DENTS	FI	LD	NEAR MISSES
<i>Sarlux</i>	5	2.89	0.11	86	4	2.34	0.06	35	4	2.10	0.11	41
<i>Saras Energia</i>	4	6	0.22	0	6	9	0.21	0	5	7.89	0.17	0
<i>Saras Spa</i>	0	0	0	1	0	0	0	0	0	0	0	0
<i>Sartec</i>	1	4	0.12	0	0	0	0	0	0	0	0	0
<i>Sardeolica</i>	0	0	0	0	0	0	0	0	0	0	0	0
<i>Saras Trading</i>	–	–	–	–	0	0	0	0	0	0	0	0
<i>Deposito di Arcola</i>	1	36.32	1.48	0	1	37.31	1.99	0	0	0	0	0
Total	11	3.53	0.13	87	11	3.55	0.09	35	9	2.71	0.09	41

CONTRACTORS' INJURY RATES

PARAMETER	2015				2016				2017			
	ACCI-DENTS	FI ³	LD ⁴	NEAR MISSES	ACCI-DENTS	FI	LD	NEAR MISSES	ACCI-DENTS	FI	LD	NEAR MISSES
<i>Sarlux</i>	4	1.3	0.1	23	2	0.47	0.09	59	3	0.69	0.07	20
<i>Saras Energia</i>	0	0	0	0	0	0	0	0	0	0	0	0
<i>Saras Spa</i>	0	0	0	0	0	0	0	0	0	0	0	0
<i>Sartec</i>	0	0	0	0	0	0	0	0	0	0	0	0
<i>Sardeolica</i>	0	0	0	0	0	0	0	0	0	0	0	0
<i>Saras Trading</i>	–	–	–	–	0	0	0	0	0	0	0	0
<i>Deposito di Arcola</i>	0	0	0	0	0	0	0	0	0	0	0	0
Total	4	1.21	0.09	23	2	0.45	0.08	59	3	0.66	0.06	20

1. Employees injury Frequency Index: (no. injuries x 1,000,000/total no. worked hours)
2. Employees injury Lost Day Rate: (no. days lost due to accidents x 1,000/total no. hours scheduled to be worked)
3. Contractors injury Frequency Index: (no. injuries x 1,000,000/total no. worked hours)
4. Contractors injury Lost Day Rate : (no. days lost due to injuries x 1,000/total no. worked hours) The frequency rate is calculated based on worked hours because only the actual working hours of contractors are known.

EMPLOYEE HEALTH

For Saras Group, employees' health management is a highly relevant topic and is mainly carried out via three activities:

- managing emergencies, via the emergency services;
- mandatory health monitoring;
- the provision of benefits in the form of additional medical services, which are not required by legal obligations.

At the Sarroch site, the mandatory health monitoring activities are performed by two doctors, and by some specialists who provide additional health services, not required by legislation. In particular, cardiologists, ophthalmologists and dentists are available to Sarlux, Sartec and Sardeolica employees.

The health monitoring activities for staff of the companies Saras (Milan), Deposito di Arcola (La Spezia) and Saras Energia (Spain) are under the care of specialists working at the respective relevant sites.

In the reporting period, no occupational diseases were reported among the Group's employees.

Mandatory health monitoring

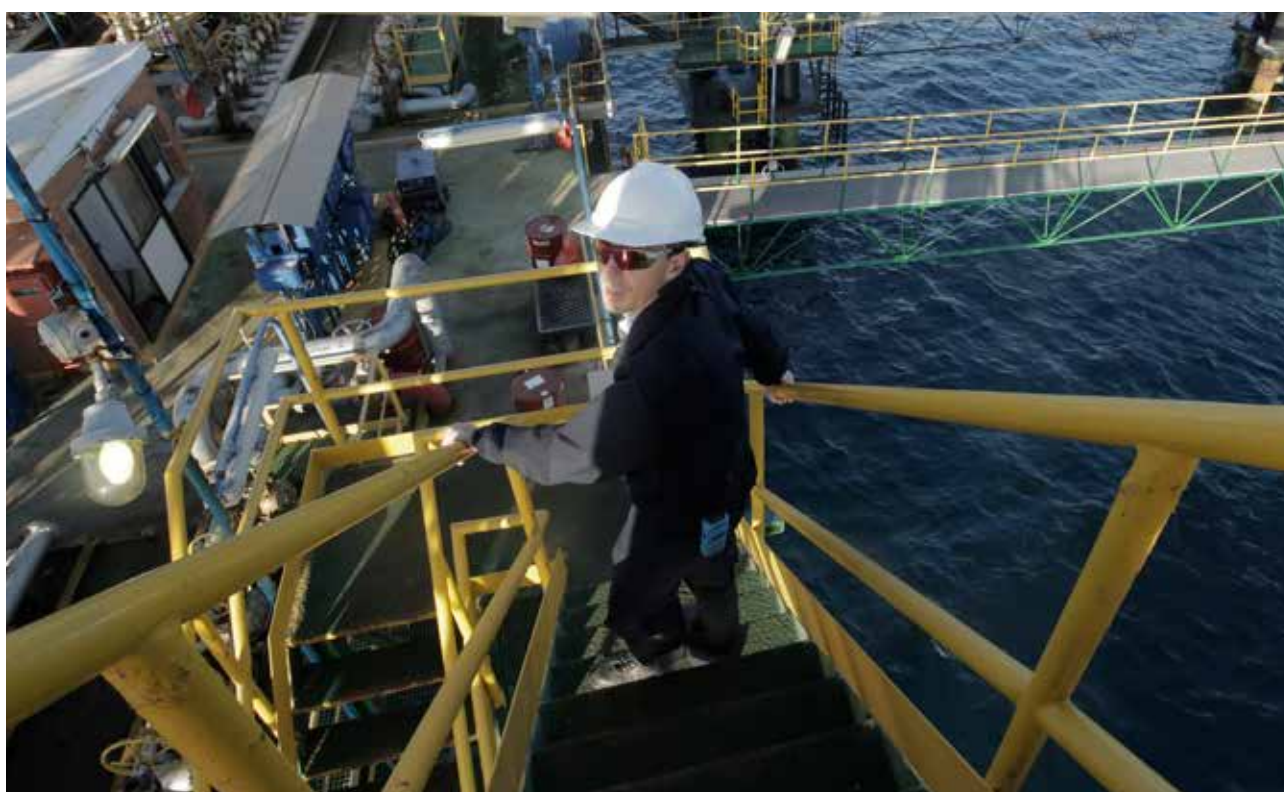
Mandatory health monitoring includes medical visits, blood chemistry checks, urinary metabolites check, spirometries to check lung function, and finally eye and audiometry tests.

Given the fact that, for some jobs, the frequency of visits for compulsory monitoring is every two years, in the financial years 2015 and 2017, about 5,600 compulsory health monitoring interventions were carried out at all the Group companies. Conversely, in the financial year 2016, the compulsory monitoring interventions were about 4,600.

The competent doctor also manages the "Exposed persons Register", which collects all information about employees most at risk in terms of health. Every 3 years, the working environment is monitored by the site's HSE manager to update the afore-mentioned Register and, finally, workers undertake biohumoral checks every 6 months.

Additional health services (benefits)

The Group provides to its employees also numerous additional health services free of charge, in addition to those that are legally required. On average, over the last few years, approximately 5,400 additional health benefits have been provided, of which approximately 65% involved dental care, 25% blood chemistry tests, approximately 3% cardiological services and the rest were split between mammograms and flu vaccinations.



Human resources management

Commitment, professionalism, dedication and the honesty of its people are fundamental elements for the Saras Group to ensure the growth and prosperity of its business and of the local community.

To this end, Saras bases relations with people on integrity and mutual trust, commending the professionalism and merit of its employees, ensuring – without any discrimination – the possibility of professional growth and development, while respecting the principle of recognising contributions, through remuneration systems that are fair and suitable for the responsibilities assigned.

The Group is also constantly committed to promoting a work environment that feeds the sense of belonging to an organisation capable of increasing the value perceived by the community it belongs to.

The companies of the Saras Group pay great attention to ensure the development of a professional dimension that suits its production and organisation needs, with a logic of sustainability over time of the “employability” of each employee. In this sense, it also explains how 97% of the Group’s workforce has a permanent employment contract.

Staff is selected based on the profiles of candidates matching the company’s needs, in accordance with the principles of transparency, fairness and equal opportunities.

Also for this matter, the reference documents are the Code of Ethics, the Policies and, in particular, the “**Human Resources Process Guidelines**”: this document, valid for the whole Group, aims to regulate the activities and processes related to the management of human resources, and the organisational system and internal communication. It also aims to identify the roles and responsibilities of the various actors involved in the human resources process.

In 2017, the Group’s workforce totalled 1,944 employees, most of whom work in Italy (83% of the total), and in particular in Sardinia (75%).

The Group Companies with the greatest concentration of staff is Sarlux, which employs 1,160 people (60% of the total); followed by Saras Energia in Spain (16%) and the parent company Saras (13%).

Women presence, notwithstanding a working context which is not common by its nature, stands at 372 women (19% of the total), of which 347 (93%) have a permanent employment contract; among men, the proportion of permanent employment contracts rises to 98%.

The highest proportion of fixed-term contracts (9%) is found in the Spanish subsidiary of the Group, Saras Energia, because service station management is subject to high seasonal variations.

Also, from the point of view of the type of employment contract, the Group shows a certain homogeneity: 93% of women and virtually all men have a full-time working contract. Where the organisational conditions permit it, there are no barriers in requesting part-time working.

EMPLOYEES BY COUNTRY

COUNTRY	2015	2016	2017
<i>Italy, of which:</i>	1,603	1,601	1,617
<i>Lombardy</i>	159	150	152
<i>Sardinia</i>	1,429	1,436	1,450
<i>Liguria</i>	15	15	15
<i>Spain</i>	312	309	309
<i>Switzerland</i>	–	14	18
Total	1,915	1,924	1,944

EMPLOYEES BY COMPANY

COMPANY	2015	2016	2017
<i>Deposito di Arcola</i>	15	15	15
<i>Saras Spa</i>	251	253	262
<i>Saras Trading</i>	–	14	18
<i>Sardeglica</i>	25	25	25
<i>Sarlux</i>	1,171	1,165	1,160
<i>Sartec</i>	141	143	155
<i>Saras Energia</i>	312	309	309
Total	1,915	1,924	1,944

EMPLOYEES BY TYPE OF CONTRACT AND GENDER

PARAMETER	2015			2016			2017		
	F	M	TOTAL	F	M	TOTAL	F	M	TOTAL
<i>Permanent</i>	342	1,542	1,884	346	1,535	1,881	347	1,539	1,886
<i>Temporary</i>	18	13	31	31	12	43	25	33	58
Total	360	1,555	1,915	377	1,547	1,924	372	1,572	1,944

EMPLOYEES BY TYPE OF CONTRACT AND REGION

PARAMETER	2015			2016			2017		
	PERMA-NENT	TEMPO-RARY	TOTAL	PERMA-NENT	TEMPO-RARY	TOTAL	PERMA-NENT	TEMPO-RARY	TOTAL
<i>Italy, of which:</i>	1,597	6	1,603	1,589	12	1,601	1,589	28	1,617
<i>Lombardy</i>	155	4	159	147	3	150	146	6	152
<i>Sardinia</i>	1,427	2	1,429	1,427	9	1,436	1,428	22	1,450
<i>Liguria</i>	15	0	15	15	0	15	15	0	15
<i>Spain</i>	287	25	312	279	30	309	280	29	309
<i>Switzerland</i>	–	–	–	13	1	14	17	1	18
Total	1,884	31	1,915	1,881	43	1,924	1,886	58	1,944

EMPLOYEES BY TYPE OF CONTRACT AND GENDER

PARAMETER	2015			2016			2017		
	F	M	TOTAL	F	M	TOTAL	F	M	TOTAL
<i>Full-time</i>	310	1,549	1,859	326	1,542	1,868	346	1,568	1,914
<i>Part-time</i>	50	6	56	51	5	56	26	4	30
Total	360	1,555	1,915	377	1,547	1,924	372	1,572	1,944

DIVERSITY AND EQUAL OPPORTUNITIES

Saras Group respects the principle of equal opportunities, without any discrimination.

From an analysis of the breakdown by category and gender, the most numerous component of the Group's workforce is made up by men (81%).

From the point of view of the age, employees between 30 and 50 years old represent the biggest category of the Group (71% of the total). Among executives and managers 59% are over 50 years old; in all other categories, most employees fall in the age range of 30-50. In general, the average age of the Group is 44 years old. No incidents of discrimination were identified in 2017.

PERCENTAGE OF EMPLOYEES BY CATEGORY AND GENDER 2017

PARAMETER	ITALY + SWITZERLAND		SPAIN		TOTAL		%	
	F	M	F	M	F	M	F	M
<i>Executives and Managers</i>	6	53	1	4	7	57	11%	89%
<i>Middle managers</i>	60	222	6	1	66	223	23%	77%
<i>White collars</i>	117	814	64	49	181	863	17%	83%
<i>Blue collars</i>	1	362	117	67	118	429	22%	78%
Total	184	1,451	188	121	372	1,572	19%	81%
		1,635		309		1,944		100%

PERCENTAGE OF EMPLOYEES BY CATEGORY AND AGE 2017

PARAMETER	ITALY + SWITZERLAND			SPAIN			TOTAL			%		
	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
<i>Executives and Managers</i>	0	23	36	0	3	2	0	26	38	0%	41%	59%
<i>Middle managers</i>	0	168	114	0	6	1	0	174	115	0%	60%	40%
<i>White collars</i>	36	671	224	5	81	27	41	752	251	4%	72%	24%
<i>Blue collars</i>	33	295	35	16	124	44	49	419	79	9%	77%	14%
<i>Total</i>	69	1,157	409	21	214	74	90	1,371	483	5%	71%	25%
			1,635			309			1,944			100%

WORKFORCE

In the last three years, Saras Group remained generally stable when considering the total number of employees; nonetheless, it still managed to take the opportunity offered by the limited turnover to improve the mix of skills of its employees.

It should be pointed out that at the end of 2014, with the acquisition made by Sarlux of a branch of the company Versalis (ENI Group), adjacent to the Sarroch plant, an integration project which involved approximately 220 people who worked in the activities subject to acquisition was launched, with the aim of achieving synergies useful to ensure operational efficiency and flexibility, compatible with the reference economic context.

This approach required a reorganisation process that mainly involved operating and service staff and was managed with regard to the social and work impact. Understandably, the training efforts that this operation required were also important.

TURNOVER

In 2017, out of 149 new hires (7.7% of the total employees), the vast majority (58%) were between 30 and 50 years old. From the gender point of view, 53% of the new hires were men (the remaining 47% were women).

In 2017, the turnover rate stood at 6.94%, and recorded a peak of employees leaving the company in the 30-50 age group, just like in the previous year.

The phenomenon continues to be present particularly in Spain, where a turnover rate equal to 6.12% was recorded, linked to the requirements of staffing the service station network, as well as the need to replace absences due to illness, paternity and maternity leave, and finally, also due to the need to adapt to seasonal changes of business activity.

NUMBER AND PERCENTAGE OF NEW HIRES BY AGE

PARAMETER	2015				2016				2017			
	<30	30-50	>50	TOTAL	<30	30-50	>50	TOTAL	<30	30-50	>50	TOTAL
<i>Italy + Switzerland</i>	24	211	23	258	5	13	4	22	20	14	2	36
<i>Spain</i>	32	59	5	96	40	79	9	128	28	72	13	113
<i>Total</i>	56	270	28	354	45	92	13	150	48	86	15	149
	2.92%	14.10%	1.46%	18.49%	2.34%	4.78%	0.68%	7.80%	2.47%	4.42%	0.77%	7.66%

NUMBER AND PERCENTAGE OF NEW HIRES BY GENDER

PARAMETER	2015			2016			2017		
	F	M	TOTAL	F	M	TOTAL	F	M	TOTAL
<i>Italy + Switzerland</i>	13	245	258	4	18	22	9	27	36
<i>Spain</i>	48	48	96	82	46	128	61	52	113
Total	61	293	354	86	64	150	70	79	149
	3.19%	15.30%	18.49%	4.47%	3.33%	7.80%	3.60%	4.06%	7.66%

TURNOVER BY AGE

PARAMETER	2015				2016				2017			
	<30	30-50	>50	TOTAL	<30	30-50	>50	TOTAL	<30	30-50	>50	TOTAL
<i>Italy + Switzerland</i>	1	15	17	33	0	3	6	9	1	7	8	16
<i>Spain</i>	10	24	1	35	37	83	11	131	33	74	12	119
Total	11	39	18	68	37	86	17	140	34	81	20	135
	0.57%	2.04%	0.94%	3.55%	1.92%	4.47%	0.88%	7.28%	1.75%	4.17%	1.03%	6.94%

TURNOVER BY GENDER

PARAMETER	2015			2016			2017		
	F	M	TOTAL	F	M	TOTAL	F	M	TOTAL
<i>Italy + Switzerland</i>	5	28	33	2	7	9	4	12	16
<i>Spain</i>	22	13	35	76	55	131	66	53	119
Total	27	41	68	78	62	140	70	65	135
	1.41%	2.14%	3.55%	4.05%	3.22%	7.28%	3.60%	3.34%	6.94%

TOTAL AND PERCENTAGE OF NEW HIRES AND LEAVINGS BY REGION IN 2017

PARAMETER	NEW HIRES		LEAVERS	
	NO.	%	NO.	%
<i>Sardinia</i>	19	0.98%	5	0.26%
<i>Lombardy</i>	15	0.77%	10	0.51%
<i>Liguria</i>	0	0.00%	0	0.00%
<i>Switzerland</i>	2	0.10%	1	0.05%
<i>Spain</i>	113	5.81%	119	6.12%
Total	149	7.66%	135	6.94%

Finally, in the two operationally significant locations¹ for the Group, the percentages of senior management² belonging to the local communities were:

- Sardinia (Sarlux): 50%
- Spain (Saras Energia): 75%

ABSENTEEISM

Concerning the company's absenteeism rate, it was calculated as the ratio between days of absence and the total number of theoretical workable days, also taking into account the differences in the total number of theoretical workable days among daily staff and shift staff (250 and 219 respectively). The calculation of the absenteeism rate does not include Executives and Managers.

In the calculation performed, absence were excluded when due to holidays, recovery of unpaid overtime hours, service reasons, business trips, and in general all types of compulsory abstention from work; on the other hand, absence due to any other reason was taken into account in the calculation of the absenteeism rate.

As seen in the following table, with regards to the financial year 2017, absenteeism rates ranging between 3% and 6% were recorded in the various companies of the Saras Group.

ABSENTEEISM RATE BY COMPANY IN 2017						
COMPANY	DAILY AND SHIFT WORKERS	DAYS OF ABSENCE	THEORETICAL-WORKABLE DAYS	AVERAGE ANNUAL NUMBER OF EMPLOYEES	ABSENTEEISM RATE %	WEIGHTED AVERAGE BY COMPANY %
Saras	D	2,356.76	250	222	4.25	—
Sarlux	D	6,140.26	250	461	5.33	5.14
	S	7,507.44	219	683	5.02	
Sardeolica	D	383.67	250	25	6.14	—
Deposito di Arcola	D	66.50	250	3	8.87	3.61
	S	60.44	219	12	2.30	
Sartec	D	1,470.59	250	150	3.92	—
Saras Energia	D	2,795.00	220	309	4.11	—

1. For the Group, locations considered "operationally significant" are the industrial site of Sarroch, belonging to the wholly-owned subsidiary Sarlux, which is the heart of all the productive activity with the greatest number of employees located in the same place of work, and the Spanish subsidiary Saras Energia, which employs the second largest number of workers.
2. Senior management refers to heads of functions, Managers and Executives within the organisation, who report directly to the Chairman or the CEO.

WORKFORCE EDUCATION LEVEL

Concerning the education level of Saras/Sarlux employees, the data in the table below show that 23% have a qualification equal to or higher than the University degree, 85% have at least a high school diploma and only 14% have a qualification below a diploma.

Focusing on graduates, the table below provides a breakdown by area of study. The data, as can be deduced, show that most graduates have a qualification of a technical nature (76%).

EMPLOYEES BY QUALIFICATION 2017									
COMPANY	UNIVERSITY DEGREE		DIPLOMA		MIDDLE SCHOOL CERTIFICATE		PRIMARY SCHOOL CERTIFICATE		TOTAL
	NO.	%	NO.	%	NO.	%	NO.	%	NO.
<i>Sarlux</i>	174	15%	908	78%	75	6%	3	0.3%	1,160
<i>Saras Energia</i>	15	5%	106	34%	188	61%	0	0%	309
<i>Saras Spa</i>	140	53%	114	44%	8	3%	0	0%	262
<i>Sartec</i>	92	59%	60	39%	3	2%	0	0%	155
<i>Sardeolica</i>	5	20%	19	76%	1	4%	0	0%	25
<i>Saras Trading</i>	18	100%	0	0%	0	0%	0	0%	18
<i>Deposito di Arcola</i>	0	0%	13	87%	2	13%	0	0%	15
Total	444	23%	1,220	63%	277	14%	3	0.2%	1,944

EMPLOYEES BY TYPE OF UNIVERSITY DEGREE 2017									
COMPANY	LEGAL, POLITICAL, ECONOMICS		ENGINEERING, ARCHITECTURE		SCIENTIFIC		HUMANITIES		TOTAL
	NO.	%	NO.	%	NO.	%	NO.	%	NO.
<i>Sarlux + Saras Spa</i>	56	18%	194	62%	45	14%	19	6%	314
<i>Saras Energia</i>	11	73%	2	13%	1	7%	1	7%	15
<i>Sartec</i>	2	2%	64	70%	24	26%	2	2%	92
<i>Sardeolica</i>	0	0%	3	60%	2	40%	0	0%	5
<i>Saras Trading</i>	11	61%	7	39%	0	0%	0	0%	18
<i>Deposito di Arcola</i>	0	0%	0	0%	0	0%	0	0%	0
Total	80	18%	270	61%	72	16%	22	5%	444



REMUNERATION SYSTEMS

Considering the high level of education, skills and professionalism required to the staff working in the Oil & Gas sector, the Energy and Oil National Collective Labour Agreement and the subsequent second-level negotiation agreements, places the Group's wage levels at the high end of the market, at values comparable with those of other national competitors, periodically checked through benchmarks made by external companies specialised in such kind of comparisons. Contractual wage levels are applied indifferently to all staff, strictly following the contractual arrangements, without any form of discrimination.

For staff employed in Italy, remuneration at first entry in the Group is higher than a value that ranges from a minimum of 15% to a maximum of 20% as defined by the reference National Collective Labour Agreement, as a result of the second-level negotiation with Trade Union Parties, which takes into account the different factors linked to the Group's overall productivity, including the achievement of particular operational objectives that the organisation intends to pursue, and the individual contribution of each employee, linked to the continuity of the service provided and presence at the workplace.

Finally, there are national rules also for staff employed in Spain, establishing minimum wage levels, updated annually. Saras Energia adheres to such rules during the identification and application of wage conditions to its staff.

WELFARE

Attention to the welfare of its employees is an element that has always characterised staff relations. Over the years, in almost all the Group's Companies, welfare instruments have been widespread, independently of developments related to recent regulations, which offer tax benefits for the company and the employee.

Because of the second-level negotiations, in particular, there is a structured welfare services plan able to meet key needs of Saras and Sarlux employees and their families. The main areas of such services are:

- health and social assistance through a fund, financed by the company and workers, which makes contributions and reimbursements for medical expenses or specialist visits;
- a contribution to the legitimate heirs or executors in the event of the employee's death, even when they are away from their place of work;
- medical and health prevention services additional to mandatory health monitoring (see section "Health");
- social assistance service guaranteed by qualified personnel;
- insurance against workplace and non-workplace accidents;
- subscriptions to public transport systems (consortium in Sardinia, public transport companies in Milan);
- company canteen at the Sarroch plant with meals provided also on continuous and rotating shifts and meal vouchers/restaurant tickets at other sites;
- various initiatives for employees and their families organized by the Company's CRAL (see the related box below).

NON-WORK ACTIVITIES FOR THE BENEFIT OF WORKERS AND COMMUNITIES

The Workers Company Recreational Club (CRAL) has been active since 1974 and involves all the companies of the Saras Group in the development of recreational, cultural, tourist and sporting activities of employees and members of their families, in addition to numerous initiatives of a social and community nature.

The initiatives are financially supported by membership fees by individuals, together with a company contribution, the amount of which is allocated annually, based upon the quality of the projects proposed, and occasionally even by donations from public or private entities.

In 2017, the CRAL had 1,060 members, of which 520 were supporters of the various specialist sports sections (sailing, canoeing, running, football, tennis and cycling) and of the musical section.

The head office hosts a comprehensive calendar of events dedicated to educational activities (i.e. courses

on domestic health & safety, cooking classes, oenology courses) and entertainment.

There are also numerous initiatives aimed at youngsters and in particular employees' children which are still attending school: merit-based scholarships, holiday camps and study trips abroad, as well as trips and excursions for families in the regional context.

Due to the commitment of members, including many pensioners, numerous voluntary work activities are carried out for the local communities, in addition to regular joint purchasing group campaigns, and fund raising.

Finally, just like all other traditional company clubs, Saras CRAL also offers its members a varied range of access agreements, on preferential terms, for the purchase of goods and services (car insurance, banking agreements, discounts on package tours, theatre and cinema tickets and subscriptions, etc.).

VOLUNTARY RETIREMENT

In all companies of the Saras Group the most used supplementary pension fund is Fondenergia. In 2017, 1,174 employees of Saras and Sarlux (excluding executives), were members of Fondenergia, equal to 86% of the population of the two companies. From 1st January 2017, all new members of Fondenergia are granted 100% of the maturing severance pay.



EMPLOYEE ENGAGEMENT SURVEY

To find out how people feel about performing their job and interactions in the work environment, an on-line survey was carried out in November 2017, in which all employees of Saras, Sarlux and Saras Trading were invited to participate on a voluntary basis, to anonymously express their opinion, in the form of various degrees of agreement/disagreement with 10 proposed statements.

59% of the invited population decided to take part in the survey: a large and varied sample of the company's population, statistically very relevant, and therefore capable of providing realistic indications on the level of motivation and involvement of the people. As such, it was then possible to interpret the data collected, and use them to implement targeted initiatives.

The high participation itself represents an important sign of interest of the employees with respect to corporate events, and it expresses their willingness to con-

tribute to understanding the Company, its continuous developments and the context in which it operates, with an active role in the potential change processes.

Moving on to the analysis of the responses, the evaluations expressed by the employees show an overall satisfaction with respect to their corporate experience. In fact, 60% of all the responses were positive. Further 23% were partially positive, thus allowing to identify possible areas of intervention. The remaining 17% of responses represents the minority of the evaluations, and showed disagreement.

This type of activity, which consists in the measurement of the performance also with indicators that are not just economic & financial, is rooted in the Group's Purpose, and provides a wider view to better support the definition of strategies, policies and, more broadly, of corporate decisions.

Training and development

The Saras Group Companies firmly believe that development, training and improving the skills and capabilities of its resources is a lever to create value, not only for the individual and for the Group, but more generally for the economic systems and the communities in which they operate.

Strengthened by this belief, the Group created and started training, improvement and development plans for human resources, capable of fostering internal growth in line with the policies, company reference values and the personal and professional characteristics specific to each employee. The entire process of managing the training and development of human resources is described and formalised in the Policies section **"Our people"** and in the **"Human Resources Process Guidelines"**.

Saras identifies, promotes and spreads know-how critical to achieve the firm's objectives, encouraging the integration of common knowledge to the various businesses, also by means of training on-the-job and retraining projects.

Training activities can be broken down into three categories:

- **Compliance training:** training and coaching activities on topics governed by legislation/external bodies (e.g. HSE training, training resulting from biofuels sustainability certification requirements, etc.);
- **Technical training:** training activities aimed specifically at particular professionals to develop specialist technical skills;
- **Cross-training:** training activities intended to develop cross-disciplinary skills for several company roles, linked to the approaches and behaviour that accompany the exercising of technical and/or managerial skills in line with corporate strategies and values. The topics are identified for each circumstance by the HR Department.

The main training activities developed in 2017 concern:

- HSE topics as requested by current regulations, always by developing behaviour and approaches which ensure that work is performed safely;
- technical-specialist content relating to plant changes resulting from investments, through training interventions aimed at operational line staff (Operations and Asset Management), aimed at developing the necessary skills for operation and maintenance;
- the skills of Maintenance staff, in relation to the tasks to be carried out while maintaining plants, infrastructure, production and handling systems, by means of a qualification training course aimed at skills certification according to the European Standard UNI EN 15628;
- the development of operational and management skills for Heads of Shift of the production plants, using a pilot project that involved the entire hierarchical line of the operations department. The aim of the training, carried out with the use of classroom hours, micro-coaching as well as on-the-job assistance, was to broaden the vision of the work in accordance with the reference market and scenario, taking into account also the transformation dynamics resulting from industrial digitalisation pro-

cesses. Such training intended to provide the capabilities for understanding how to better equip oneself to seize opportunities and manage, with a flexible approach, the dynamics of changes, both economic and organisational. More precisely, focused efforts were put into developing skills related to decision-making and delegation;

- Training measures in support of the #digitalSaras programme; various training initiatives have been organised to develop a culture that can facilitate the ongoing digital transformation, spreading knowledge of the “Agile methodology” to be applied to project management and providing the technical/specialist skills fundamental for the implementation of pilot projects and the subsequent industrialisation of technological solutions;
- actions to inform, involve and raise awareness among all plant employees on the objectives and principles of the EMS (Energy Management System) after Sarlux's decision to adopt an EMS in compliance with standard UNI EN ISO 50001:2011.

Finally, with reference to the “Transparency and conflict of interest” project, 3 sessions were conducted, lasting 2.5 hours each, which involved 48 employees (25 Sarlux, 16 Saras, 7 Sartec), over a total of 120 hours.

AVERAGE HOURS OF TRAINING BY GENDER

COMPANY	2015			2016			2017		
	F	M	TOTAL	F	M	TOTAL	F	M	TOTAL
<i>Sarlux</i>	23	43	42	17	31	31	31	35	35
<i>Saras Energia</i>	7	12	9	16	20	17	14	14	14
<i>Saras SpA</i>	4	6	5	11	9	9	7	11	9
<i>Sartec</i>	25	22	23	16	17	17	34	23	26
<i>Sardeolica</i>	15	25	23	0	0	0	19	89	77
<i>Saras Trading</i>	—	—	—	0	0	0	0	11	10
<i>Deposito di Arcola</i>	5	12	11	0	0	0	6	23	22
Total	7	34	29	14	26	24	9	29	25

AVERAGE HOURS OF TRAINING BY PROFESSIONAL CATEGORY

COMPANY	2015				2016				2017			
	SENIOR MAN-AGERS	JUNIOR MAN-AGERS	WHITE COLLARS	BLUE COLLARS	SENIOR MAN-AGERS	JUNIOR MAN-AGERS	WHITE COLLARS	BLUE COLLARS	SENIOR MAN-AGERS	JUNIOR MAN-AGERS	WHITE COLLARS	BLUE COLLARS
<i>Sarlux</i>	23	23	36	59	20	22	29	38	25	48	31	37
<i>Saras Energia</i>	25	55	14	3	48	77	8	19	91	56	7	16
<i>Saras SpA</i>	18	4	2	-	11	13	7	-	13	12	7	-
<i>Sartec</i>	-	3	24	162	-	0	0	0	-	22	28	16
<i>Sardeolica</i>	-	18	19	27	-	0	0	0	-	24	55	101
<i>Saras Trading</i>	-	-	-	-	0	0	-	-	5	13	-	-
<i>Deposito di Arcola</i>	-	-	11	17	-	-	0	0	-	-	21	28
Total	19	14	26	41	79	113	43	57	15	32	24	26

HSE TRAINING

Among the approximately 43,000 hours of training delivered in 2017 (Saras and Sarlux), 19,800 were dedicated to health, safety and the environment protection topics.

In 2017, BBS (Behaviour-Based Safety) training was extended to all roles involved in field operations. The objective of this training was to develop safe behaviour while performing operations in the workplace.

From an environmental point of view, the training provided concerned:

- the protection and safeguarding of the environment with particular attention in 2017 on operating procedures and instructions;
- specialist technical training impacts on environmental topics.

In 2017, HSE training hours were realigned towards values closer to the historical average. In fact, the high numbers recorded in 2015 and 2016 were affected, respectively, by the important commitment to training due to the acquisition of the branch of the company Versalis, and the expiry of the five-year period of the training obligation, pursuant to Legislative Decree 81/08, which required the entire employees' population being trained.

HOURS OF HSE TRAINING (SARAS GROUP)

PARAMETER	2015	2016	2017
<i>Environment</i>	8,573	5,466	4,643
<i>Health and safety</i>	21,958	22,536	19,717
Total	30,531	28,002	24,360

TALENT MANAGEMENT AND DEVELOPMENT PROGRAMMES

In 2017, development activities addressed to younger employees with great potential continued, by identifying and implementing coaching, training and job rotation paths, even between different Group companies, with the aim to cultivate specialist and managerial skills and, consequently, to ensure the adequate management of generational changes over time, as well as the opportunities to use such resources in projects and initiatives that concern the various Group companies.

For employees with managerial responsibility some initiatives to develop managerial skills were carried out, in order to create changes to key roles and allow the development of new projects of strategic importance.

Relations with social partners

Saras Group maintains an open, transparent and continuous dialogue with trade union organisations, in order to promote a constructive climate and one of mutual responsibility.

The correct management of relations with social partners is assured by promoting regular information, consultation and negotiation activities in line with the company's policies, the Code of Ethics and the national reference legislative framework.

In the wider context of industrial relations, the Group constantly strives to maintain an open dialogue with business associations and institutional stakeholders on matters regarding benefits, welfare and employment in the countries where it is present.

The principles that drive these relations are further specified in the Policies dedicated to Human Resources, in particular in the sections "Our people" and "Our stakeholders". The process of managing industrial relations is described and formalised in the section "Our people" of the Policies and in the "Human Resources Process Guidelines".

Relations with Trade Unions (both at local and regional level) are developed by the company's departments responsible for ensuring the uniqueness and consistency of messages with business strategies and objectives, not discriminating any stakeholder, so long as they are expressed through processes involving the constitution of democratic representation and in line with the rules in force. Relations that enable mutual interests and positions to be presented in a transparent, thorough and consistent manner, avoiding all forms of collusion.

In Italy – in particular, at the industrial site in Sarroch – the trade union negotiations, which have a significant impact on the organisation of work, normally involve discussions with the workplace Union Representation (RSU) and, when required by the nature of the topic, the activation of the appropriate mixed trade union and company technical committees.

The joint investment made in 2017 by the company and by trade unions should be highlighted: Indeed, both parties, with the support of influential external contributions, committed a significant amount of dedicated resources, in order to learn useful techniques and models, and to establish relations capable of promoting, as far as possible, the expected contribution from people in support of the changes required by the specific competitive scenario.

Such approach was recognized as being of strategic importance, also in the light of the first, clear signs of possible transformations, generated by the new digital technologies under implementation. The ongoing evolution is in fact determining a new way of conceiving work, making it necessary to clearly understand the needs of the employees, in order to share with them, wherever possible, the best solutions to be adopted, even in terms of Welfare.

In the last two years, Saras, together with the Southern Sardinia's chapter of Confindustria and the trade union organisations, have also developed a governance model of the local system of various categories of companies that operate as contractors within the refining sector. This "Governance pact", based on the work plans outlined by the client, establishes how to manage the relationship between the social partners, in order to seize the opportunities offered by the investment and development dynamics of the Sarroch site, through targeted actions to support the expected quality of work, the effective use of the professionalism available, the implementation of useful actions needed to support the competitiveness of companies operating in the region.

Also, in Spain, the chosen model of relations with the social partners resulted in each significant operational or organisational change falling under "Modificaciones sustanciales de las condiciones de trabajo", as defined by employment legislation. Such model requires, in respect of the times and methods defined, a comparison aimed at assessing the organisational and operational implications of the solutions identified.

SUSTAINABLE ENERGY

Today being a responsible company means combining business development with preservation of the natural environment where the company is located and operates. Since its foundation, the Saras Group pursued this objective on a daily basis, in all its operating areas.

In particular, Sarlux is the subsidiary that makes the greatest efforts in order to minimize its environmental footprint, because its peculiar business consists of managing one of the biggest integrated industrial sites in the Mediterranean basin.

It is therefore crucial for Sarlux to operate its numerous units efficiently, minimising energy use, reducing internal consumption, emissions and the production of waste, as well as optimising the use of all natural resources, and in particular water, which is an even more precious resource, within a region with as little rain as Sardinia.

Operating in respect of the environment is essential for our productivity and competitiveness on the markets.

Indeed, the Group's financial results can never be considered separately from the preservation of the natural environment in which the company operates. Therefore, Saras considers it essential to pursue industrial development in harmony with the environment and the region.

It is with this belief that the Group, in addition to always comply with the numerous regulations, decided to implement the most modern and effective management standards at the industrial site in Sarroch, inspired by the principles of precaution, prevention, protection and continuous improvement.

Energy efficiency and consumption CONSUMPTION

Energy consumption not only represents a high operating cost, but also an environmental aspect which the Saras Group pays particular attention to, especially with regards to the activity of the industrial site of Sarroch, whose 'energy footprint' matches almost entirely the Group's one.

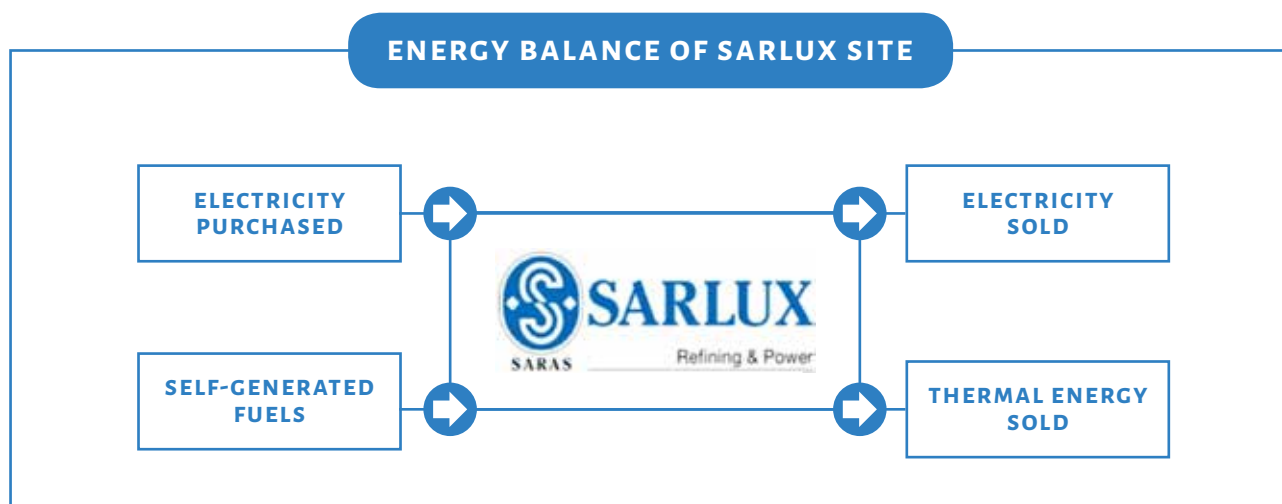
The Group has therefore decided to give the subsidiary Sarlux an Energy Policy within which are defined the energy goals, the performance and monitoring indicators, as well as the efficiency interventions and programmes to be implemented, based on a thorough analysis of the activities performed at the production site, to increase efficiency and to continuously reduce energy consumption for ever greater protection of environmental resources and of the local ecosystem.

Moreover, in a context of continuous improvement, in 2017, the subsidiary Sarlux implemented an Energy Management System with the objective of certifying it by 2018 according to ISO 50001 standards.

Energy consumption represents a significant environmental aspect with a considerable economic impact for the Sarlux site. Consumption is broken down into two large categories:

- **Self-generated fuels:** i.e. all fuels generated at the plant. This category includes:
 - **fuel gas:** self-generated gas from the refining cycle and which cannot be sold because of its very difficult condensation;
 - **fuel oil** with low-sulphur content;
 - **coke:** carbon residue with a high calorific value, produced and consumed within the FCC (Fluid Catalytic Cracking) unit;
 - **syngas:** fuel produced from the gasifiers that, after appropriate treatment, is used in the combined cycle turbines, in order to generate electricity and steam;
 - **diesel:** used exclusively for starting the gas turbines.
- **Energy purchased externally:** the only energy carrier purchased externally is the electricity, sourced from the National power grid.

The figure below shows the simplified diagram of the site's energy balance.



The following table presents the data for the three-year period 2015-2017 on energy input at the Sarlux site in Sarroch, split by self-generated fuels and electricity purchased from the grid.

ENERGY INPUT AT SARLUX SITE (GJ)

PARAMETER	2015	2016	2017
<i>Total fuels energy</i>	73,176,935	72,569,763	71,251,239
<i>Fuel Gas</i>	24,520,689	22,931,205	24,110,657
<i>Fuel Oil</i>	7,533,664	6,630,894	7,426,327
<i>Coke</i>	8,305,448	8,527,316	8,257,064
<i>Syngas</i>	32,688,621	34,414,863	31,161,511
<i>Diesel</i>	128,514	65,485	295,680
<i>Electricity from the grid</i>	3,758,387	3,621,165	4,026,418
<i>Total gross energy input</i>	76,935,322	76,190,927	75,277,657

In addition to finished oil products, there are two other energy carriers which represent the energy output from the Sarlux site:

- **Electricity:** produced both by IGCC combined cycle plant and by the cogeneration thermoelectric power plant of the Northern Plants, and sent mainly to the National power grid (except for a minimal part which is sold to companies located within the same industrial complex);
- **Thermal energy:** produced by the cogeneration thermoelectric power plant of the Northern Plants and sold to companies located within the same industrial complex.

The energy output values, separated into electricity and thermal energy (steam), are shown in the following table for the same three-year period previously taken under consideration.

ENERGY OUTPUT FROM SARLUX SITE (GJ)

PARAMETER	2015	2016	2017
<i>Total electricity sold</i>	16,274,237	16,733,159	14,959,977
<i>Sold to the grid</i>	16,076,432	16,583,335	14,869,095
<i>Sold to companies located within the same industrial complex</i>	197,806	149,804	90,882
<i>Thermal energy output</i>	93,809	81,419	51,859
<i>Total energy output</i>	16,368,046	16,814,578	15,011,836

The Specific Consumption Index (ICS), calculated as the ratio between net energy (i.e. the difference between total energy input and total energy output) and the total amount of crude and complementary feedstock processed in the year, is shown in the following table.

SPECIFIC CONSUMPTION INDEX (ICS)

PARAMETER	UoM	2015	2016	2017
<i>Total gross energy input</i>	GJ	76,935,322	76,190,927	75,277,657
<i>Total energy output</i>	GJ	16,368,046	16,814,578	15,011,836
<i>Total net energy</i>	GJ	60,567,275	59,376,350	60,265,821
<i>Crude and complementary feedstock processed</i>	Kt	15,576	14,560	15,351
<i>Specific Consumption Index</i>	GJ/t	3.89	4.08	3.93

ENERGY EFFICIENCY

The high cost of energy and the growing sensitivity about environmental topics have made energy efficiency increasingly central for Saras.

A further step to improve the company's energy efficiency performance is the achievement of full knowledge of the plant's energy consumption, in order to better identify all the potential areas of improvement in the short, medium and long term.

This is why the Energy Management Dashboard was created, a system for monitoring energy consumption which, using data directly from the field and processed according to logics related to the type of unit or to the type of energy carrier, allows to perform an overall or a detailed energy analysis.

THE ENERGY MANAGEMENT SYSTEM

Efficient energy management is one of the most significant strategic elements for Saras.

There is a constant commitment to ensure that all the people in the Group are aware of this importance.

As proof of the continuous commitment on this front, Sarlux decided to implement an Energy Management System that complies with standard UNI EN ISO 50001:2011, to improve its energy performance, reduce consumption, emissions and costs, and use units with high energy consumption in a more efficient manner.

In 2016, a Gap Analysis was performed to compare the current set-up with the reference requirements for the implementation of a complete Energy Management System. Starting from the results of the analysis, implementation activities for such System begun, and later, in the first half of 2017, the Energy Policy was issued, with the goal of obtaining ISO 50001 certification in 2018.

ULASSAI WIND FARM

Since 2005, the Saras Group is active in generating electricity also from renewable sources, through the subsidiary Sardeolica S.r.l., which is the owner of the Ulassai Wind Farm, located in central-eastern Sardinia.

The Group considers this activity important both in terms of business, and from the point of view of the commitment and value creation for the local communities involved. Indeed, the latter can benefit from the generation of renewable energy, and also from the employment and economic value created for the supply chain.

The mentality with which the Ulassai farm is managed is the same that characterises every activity of the Saras Group. Maximum production levels are ensured, the best solutions in the industry are adopted, always guaranteeing the protection of health and safety in the workplace and of the environment.

➔ KEY NUMBERS

48

Vestas V80 wind turbines

96 MW

total installed capacity

187 GWh/year

generation when fully operational

145,000

people annual equivalent energy requirements

23 out of 25

employees originate from Ulassai and neighbouring towns

2,624

days without injuries on 31/12/2017 (from October 2010, direct site management started)

Sardeolica achieved certification of its EMS – Environmental Management System, according to the international standard ISO 14001, since 2006. In 2012, the certification of the EMS was extended to Safety (OHSAS 18001) and to Quality (ISO 9001); in 2017, certification for the Energy Management System (ISO 50001) was also obtained.

One of the fundamental elements which characterised the Ulassai wind farm since its design phases is the attention to the territory within which it is located. Each aspect has been designed focusing on interests and needs of the population and the environment.

The site chosen for the construction of the wind farm was a land characterised by general environmental degradation, as well as by poor agro-zootechnical profitability; therefore, the installation of the wind farm made possible the generation of new forms of income for the region.

The existing road network has been exploited in the best way, thereby reducing the construction of new roads to just 1.5 km; moreover, the electricity line has been undergrounded near the edge of the road, minimising interference from electromagnetic fields and preventing any visual impact on the landscape. Finally, thanks to the proximity of the site, it was necessary to build a connection to the main grid of only 250 metres.



Since 2010, Sardeolica has taken on directly the Farm's management and maintenance: to do this, its maintenance technicians and administrative staff have been trained to develop specialistic know-how and skills.

Just like with the maintenance internalisation, Sardeolica always tries to favour, wherever possible, local contractors and suppliers for the procurement of goods and services. Moreover, Sardeolica maintains excellent relations also with local authorities and communities.

In addition to the employment and economic return created, Sardeolica forged important links with the Perdasdefogu professional & technical school, where most of the Farm's maintenance technicians come from. It contributed to the Ulassai Art Station Foundation which collects works by Maria Lai and is fully part of the local cultural and tourist circuits.

Finally, as for all Group companies, every aspect related to personal safety is also fundamental to Sardeolica.

The very significant result of 2,624 days without accidents is, in fact, the result of a safety culture geared towards training (with approximately 1,300 hours of dedicated training in 2017); such culture is always refreshed through daily and periodic monitoring and inspection tasks.

INITIATIVES FOR THE WIND FARM'S ENVIRONMENT

In compliance with requirements established during the authorisation procedures, Sardeolica performed – between 2004 and 2014 – targeted monitoring campaigns to ascertain the status of the main environmental components, with particular reference to vegetation, birdlife, noise and electromagnetic fields.

The main results of the afore-mentioned inspection activities carried out before the construction process, during the construction of the farm, and later also during the normal course of the operations, confirm the integration of the plant with the surrounding ecosystems. With regards to birdlife, no situations of incompatibility between the plant and the species, present

or nesting in the area, were detected. From the monitoring, carried out until 2014 on sample areas, there were no cases of birds or bats collisions with the turbines. Monitoring activities were also able to confirm the presence of at least one pair of golden eagles nesting in the area.

Also regarding the flora, no negative impact was recorded by the University of Cagliari (which followed up the monitoring). The presence of personnel in the area has also served as a deterrent to forest fires.

The monitoring of the noise component enabled confirmation, in respect of the Municipal Acoustic Zoning Plan, of a negligible impact: in particular the detectable noise at the base of the wind towers is, in conditions of strong winds, comparable with standard office noise.

The monitoring of electromagnetic fields confirmed full compliance with the regulations, with no impact on people or the environment.

In 2016, Sardeolica presented the “Maistu” project, which proposes the extension of the Wind Farm with the installation of 9 latest-generation turbines, with 30 MW of capacity. The project is currently in the process of Environmental Impact Assessment (VIA). The installation of the Maistu turbines will give industrial continuity to the existing initiative; indeed, the environmental assessments of this extension project, fully confirmed that this region is particularly suitable for wind generation.

Visits to the plant by tourists, students and occasional visitors continued in 2017, for a total headcount of approx. 230 people. The wind farm has in fact become a local attraction, together with the caves of “Su Marmuri” and the Art Station, and it is often one of the destinations to visit as an example of sustainable industrial facility.

Greenhouse gases and air pollutant emissions

One of the potential risk factors for health is linked to air quality. The development of human activity caused a significant increase, over the years, in air emissions (both pollutants and climate-changing agents), with direct and indirect harmful effects for human beings and for the various environmental media. The rational and efficient use of energy mitigates these effects and contributes to achieving a more sustainable life.

However, it is necessary to distinguish between emissions of pollutants, which have negative effects predominantly at local level, and emissions of climate-changing agents (the so called “greenhouse gases”), whose impact, on the contrary, can be felt on a global scale.

In particular, European Union includes among pollutant agents the following: sulphur dioxide (SO₂), nitrogen oxides (NO_x), carbon monoxide (CO), non-methane volatile organic compounds (NMVOCs), ammonia (NH₃), dust and fine particulates.

By contrast, the main anthropogenic climate-changing agent is carbon dioxide (CO₂), resulting from combustion processes. It leads to the so-called “greenhouse” effect, i.e. a global phenomenon that consists of an increase in the capacity of the Earth’s atmosphere to retain, under the form of heat, a part of the energy that comes from solar radiations. In turn, the heat retained leads to rising temperatures, with numerous environmental, social and economic implications.

In consideration of the local and global importance of the afore-mentioned phenomena, the Saras Group believes it is essential to carry out its activities as efficiently as possible, in order to minimise all types of emissions, be they pollutants or greenhouse gases.

Moreover, the refining and power generation sectors are among those that, due to their specific configuration, have a non-negligible impact in terms of emissions. Therefore, with this awareness, Saras implemented best practice systems and tools for the management, monitoring and continuous improvement of its emissions performance, including the ISO 14001 certified Environmental Management System and voluntary EMAS registration.

In concrete terms, the quality of the air outside the Sarroch site is controlled in real-time by two monitoring networks of detection units (one owned by Sarlux and the other owned by ARPAS – the regional agency for the environmental protection); as a result of this monitoring system, it is possible to identify changes to significant parameters for air quality, and to check that the concentration values of pollutants are always below the legal limits, being also able to intervene immediately, should there be any anomaly.

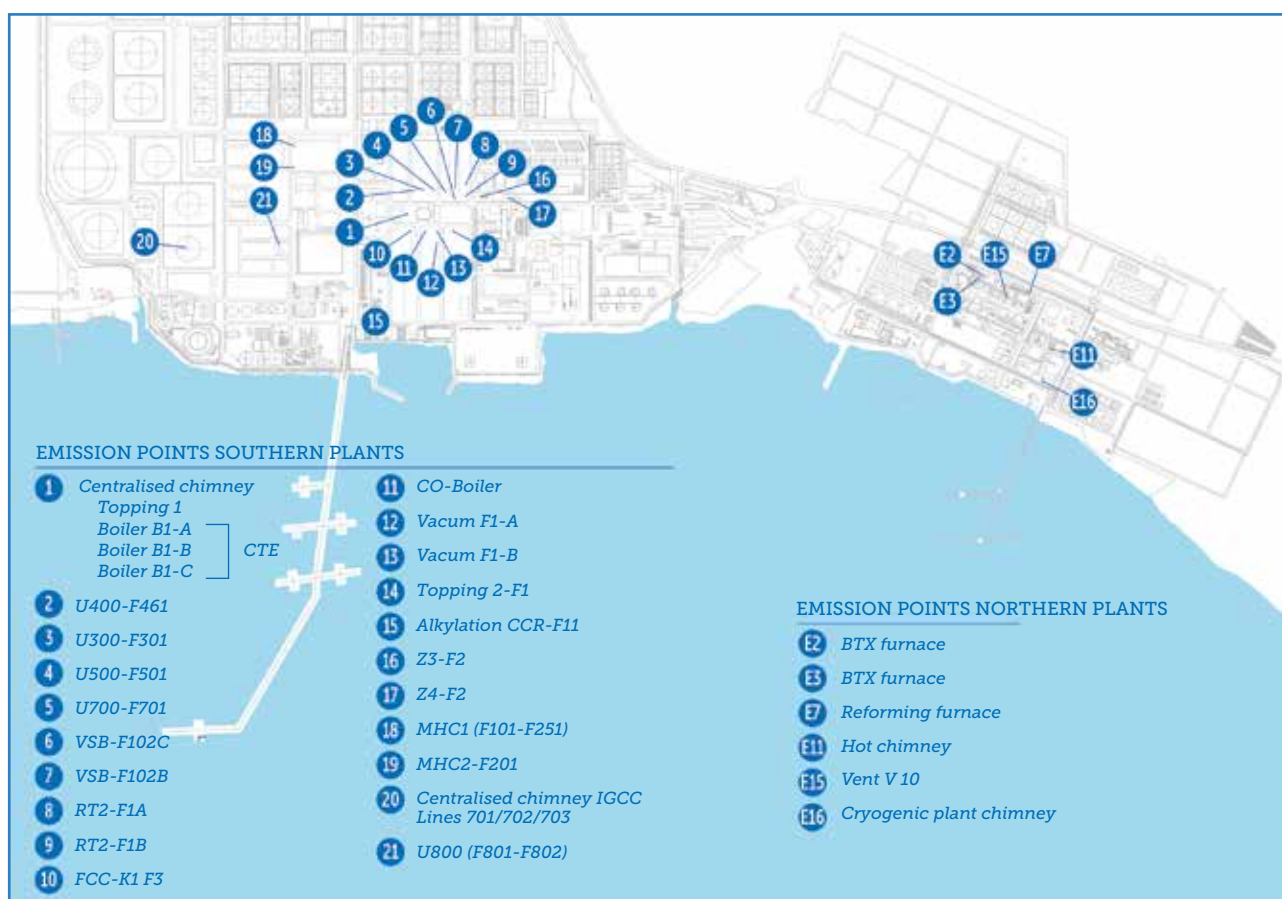
The regulatory reference for Sarlux site emissions into the atmosphere is the AIA Decree (Autorizzazione Integrata Ambientale – the integrated environmental authorisation), renewed in November 2017, as already mentioned in the chapter dedicated to “Group certifications”.

EMISSIONS CONVEYED

The Group’s total emissions come from the operationally significant site of Sarroch, and refer to:

- combustion processes that take place in the furnaces, to produce the thermal energy required for the operations;
- combustion processes necessary to generate electricity and steam (thermoelectric power plant of the Northern Plants, of the Southern Plants, and IGCC power plant).

The following figure shows the location of the conveyed emission points for the Southern Plants, the IGCC power plant and the Northern Plants.



The main pollutants present in the conveyed emissions are SO_2 , NO_x , CO and dust, while the main climate-changing agent is CO_2 .

The absolute emission values are primarily affected by the variability in the amount of raw materials processed at the plant (according to the various maintenance interventions carried out each year on the plant units) and also, to a lesser extent, by the variability in the chemical & physical characteristics of the feedstock (such as for example the sulphur content of the various types of crude processed).

EMISSIONS CONVEYED (T/YEAR)

PARAMETER	2015	2016	2017
SO_2	4,251	3,789	4,310
NO_x	3,474	3,064	3,253
Dust	300	240	208
CO	400	275	222

CONVEYED EMISSION INDEX PER FEEDSTOCK PROCESSED (T EMITTED/KT PROCESSED YEAR)

PARAMETER	2015	2016	2017
<i>Crude and complementary feedstock processed (kt)</i>	15,576	14,560	15,351
<i>SO₂ Emission Index (t/kt)</i>	0.273	0.260	0.282
<i>NO_x Emission Index (t/kt)</i>	0.223	0.210	0.212
<i>Dust Emission Index (t/kt)</i>	0.019	0.016	0.014
<i>CO Emission Index (t/kt)</i>	0.026	0.019	0.014

Consequently, in order to express a more qualified commentary on recent trends, emissions indexes should be introduced. They can be calculated by dividing the total amount of pollutant emitted by the total quantity of crude and complementary feedstock processed in the year (see table above).

As it can be seen, all parameters show an improving trend, with the exception of the SO₂ emission index, which (while still being largely within regulatory limits) increased slightly in 2017, due to the processing of crude with higher sulphur content.

The NO_x emission index showed a remarkable improvement between 2015 and 2016 and then stabilised in 2017. It depends in particular on the combustion technique, as well as other technological factors (such as for example the type of burners installed, with a low production of NO_x). Such improvements permitted a substantial reduction of NO_x emissions from the Sarroch plant.

The reduction of dust emissions is a direct consequence of specific treatments, including specialised external technology aimed at improving combustion and reducing particulate, as shown by the important results achieved in 2017. Furthermore, last year's positive results are supplemented by the optimisations achieved in the effectiveness and reliability of the instrumental monitoring systems.

Finally, the CO emission index, always below the regulatory limits, also confirms its decreasing trend over time.

GHG EMISSIONS

All the activities carried out at the Sarroch site fall under the scope of the European Emissions Trading Directive. The latter entered its third phase in 2013 (relating to the period 2013-2020), with a consequent change of the allocation rules.

The Group therefore updated its authorisation to emit greenhouse gases, as well as the "Detection, calculation and control Protocol", also taking into consideration the change in the perimeter of application, necessary to include the Northern Plants (acquired from Versalis at the end of 2014).

The rational use of energy and the adoption of efficient production systems represent the road chosen by the Group to control and reduce CO₂ emissions, which represent the main component of Saras' GHG emissions (other gases are not significant).

CO₂ emissions (whose variability largely depends on the quantity of electricity generated by the IGCC plant and on the total amount of raw materials processed in the refinery) show, nonetheless, a decreasing trend achieved thanks to the numerous energy recovery investments made at the site.

GHG EMISSIONS (T/YEAR OF CO₂)

PARAMETER	2015	2016	2017
<i>Refinery</i>	2,410,952	2,288,280	2,337,965
<i>IGCC</i>	3,761,314	3,838,644	3,593,099
<i>Northern Plants</i>	422,206	380,015	449,631
Total	6,594,472	6,506,939	6,380,695*

* Data may vary as a result of the certification process required by Directive 2003/87/EC. The extent of any potential change is estimated to be less than 1% of the value reported

GHG EMISSION INDEX PER FEEDSTOCK PROCESSED (T EMITTED/KT PROCESSED YEAR)

PARAMETER	2015	2016	2017
<i>Crude and complementary feedstock processed (kt)</i>	15,576	14,560	15,351
<i>CO₂ Emission Index (t/kt)</i>	423	447	416*

* Data may vary as a result of the certification process required by Directive 2003/87/EC.

ROADMAP TO INCREASE ENERGY EFFICIENCY AND CONSEQUENTLY REDUCE EMISSIONS

The Saras Group's commitment to cut emissions of greenhouse gases and pollutants is outlined in a short and medium term investment plan, aimed at improving units and processes, in order to ensure higher performances, not only in terms of emissions reduction, but also from an economic and energy efficiency perspective.

The main energy-efficiency measures that became operational in the three-year period 2015 – 2016 – 2017 are the following:

- **Thermal recovery of the furnace fumes T1-F101:** preheating of combustion air by recovering heat from combustion fumes (which were previously discharged directly into the atmosphere), with consequent fuel savings;
- **Energy integration between MHC and TAME units:** use of heat from the desulphurised gas coming from the MHC₁ unit, to heat the feedstock for the TAME unit, thus reducing the use of low-pressure steam in preheating exchangers;
- **Energy recovery for the compressors MHC C-103/C-103S:** installation of a new system for continuously adjusting the flow rate, instead of the old system of step-adjustments, with the result of eliminating the need to recycle the gas and the amount of gas unnecessarily processed by the compressors, thus reducing electricity consumption;
- **Upgrade of tempered water circuit and heat recovery in seawater desalter (DAM):** increase in the production capacity of desalinated water from the DAM desalter, with the use of tempered water only (heated by heat recovered

from other units) instead of low-pressure steam;

- **Use of Low-Pressure (LP) steam instead of Medium-Pressure (MP) steam in column RT2-T1 and in the lateral strippers:** replacement with low-pressure steam of the medium-pressure steam previously used on the main fractionators column (RT2-T1) of the topping RT2 and on the lateral strippers;
- **Fitting of Turbulators on T1-E107A÷H:** fitting of turbulators (helical rotating inserts) inside the piping of the feedstock preheating exchangers of the topping T1, which allow an improvement of the thermal exchange and therefore less need to burn fuel in the furnace;
- **Electrification of the Air Compressor of the Catalytic Cracking (FCC) unit:** replacement of the two air-blowers of the FCC unit, driven by steam turbines, with a single electrically-powered machine, in order to reduce the unit's high-pressure steam consumption;
- **Fitting of an inverter on the fans of the Power Plant (CTE) in the Northern Plants:** insertion of an inverter on the fans of the CTE in the Northern Plants. The installation of the inverter reduces electricity consumption.

Moreover, there are also several other important energy efficiency investments under implementation, such as the installation of some inverters on blower motors, which will reduce electricity consumption, and the replacement of some compressors driven by steam turbines with new compressors driven by electric motors. All these measures will be fully disclosed in future sustainability reports.

SUMMARY OF INTERVENTIONS AND INVESTMENTS ALREADY CARRIED OUT

PARAMETER	ENERGY SAVING (GJ/YEAR)	CO ₂ EQUIVALENT (TÓNNES/YEAR)
<i>Thermal recovery of furnace fumes T1-F101</i>	238,016	18,328
<i>Energy integration between MHC and TAME units</i>	327,010	25,154
<i>Energy recovery for compressors MHC C-103/C-103S</i>	15,656	1,205
<i>Upgrade of tempered water circuit and heat recovery in the seawater desalter</i>	192,347	14,796
<i>Use of LP steam instead of MP in RT2-T1 column and lateral strippers</i>	10,172	782
<i>Fitting of Turbulators on T1-E107A÷H</i>	153,877	11,850
<i>Electrification of the Air Compressor of the FCC unit</i>	230,230	17,700
<i>Fitting of inverter on Northern CTE fans</i>	46,967	3,613



Odours

One of the constant and fundamental commitments of the Group concerns the issue of the odours. The refinery's activities can in fact involve the presence of unpleasant odours that, although they do not have adverse health implications for people, do however have a negative impact on the perception of the plant by the community.

Odour monitoring activities were communicated to the Ministry of the Environment during the assessments for the Integrated Environmental Authorisation (AIA), since the very first authorisation procedure achieved in 2008-2009 (please refer to the dedicated box in the following page).

In the latest Authorisation Decree issued on November 2017, the Ministry of the Environment took into consideration the extension of the odour monitoring activities also in the Northern Plants (former Versalis).

Starting from the results of the monitoring plan and the campaigns performed, Saras initiated detailed studies and later, planned and implemented targeted investments aimed at minimising the impacts of odours and discomfort for the local community.

The main interventions include fitting sealed covering to the API¹ tanks, creating a double-seals between the cladding and the roof for all tanks with a floating roof, as well as further activities on tanks, currently under study.

1. API (American Petroleum Institute, the Institute that first established the design standard) tanks are devices for treating oily water, such as, for example, refinery discharges.

THE SARLUX PATH FOR MONITORING ODOURS

2004

first instrumental investigation, with the aim of identifying the sources of odours which could be smelt outside of the refinery perimeter, subsequently continued over the years with dedicated research and analytical studies.

2008

development of a monitoring methodology to identify events which can generate an olfactory impact on the local communities.

2009

implementation and communication to the Ministry of the Environment of the odour monitoring plan prescribed by the AIA. Sampling and analytical activities within the site (sources) and in sensitive points of Sarroch (receptors).

2011

study of the dispersion into the atmosphere of odorous emissions with the purpose of defining appropriate monitoring and analysis plans.

2012, 2013 and 2014

mapping of the concentration of the odour in the air samples collected in the proximity of the emitting sources and sensitive receptors, and mapping of the chemical compounds present.

2015

monitoring campaigns, which allowed to achieve the following objectives:

- Detection of possible correlations between chemical compounds and odour concentration;
- Check of the origin of the compounds responsible for the odours;
- Identification of the sources internal to the refinery mostly responsible for the olfactory impact.

2016

extension of the odour monitoring activities, with the existing technique in the Southern Plants, also at the Northern Plants (ex-Versalis).

2017

continuation of the site monitoring activities for odorous emissions; sensitive receptors of 2016 reconfirmed.

SEALING OF API TANKS

This activity derived from the “gap analysis” carried out in 2014 on the Sarroch site in comparison with the BAT (“Best Available Techniques”), from which it emerged that it would have been possible to further contain fugitive emissions from these oily water treatment tanks.

The following year, an upgrading study was carried out, with the aim of using floating aluminium panels with double-seal gaskets to cover over 1,200 square metres of the tanks’ surface area. This huge investment was then started in 2016 and it was finally completed in 2017.

In order to completely assess the effects of this investment, monitoring was performed before the start of the work, during the execution phase and after installation of the floating panels. The first measuring results, available to date, confirm a significant reduction of emissions of Volatile Organic Compounds (VOCs), as planned in the design.

INTERVENTIONS AND STUDIES ON TANKS

Over the years, investments have been made to fit double-seals between the cladding and the roof to all the tanks with a floating roof. At the moment there is a further ongoing emissions prevention activity (including olfactory emissions), which consists in sealing the guide-tubes and the ‘legs’ of the tanks, according to a multi-year activity plan, which will allow to further mitigate these olfactory sources (albeit they are already minor).

Finally, a study began in order to provide dedicated sampling for tanks that have been identified as possible olfactory sources. The sampling is carried out in particular operating conditions, different for each tank. The analytical/olfactometry results will collect the information needed to create adequate specific and automated systems for odours reduction.

Waste and spills

Saras Group constantly monitors and controls its activities with the aim of respecting regulations on environmental matters.

In particular, with reference to waste management, the subsidiary Sarlux, owner of Sarroch industrial site, is responsible

for the production of more than 98% of the total waste (hazardous and not) produced by the entire Group. For this reason, the Group codified and formalised all aspects concerning waste management and monitoring in its operationally relevant site, within the already mentioned Environmental Management System ISO:14001 certified, and the EMAS scheme.

WASTE GENERATED (T/YEAR)									
COMPANY	2015			2016			2017		
	HAZARD- OUS	NON- HAZARD- OUS	TOTAL*	HAZARD- OUS	NON- HAZARD- OUS	TOTAL*	HAZARD- OUS	NON- HAZARD- OUS	TOTAL*
<i>Sarlux</i>	37,416	15,002	52,418	56,790	22,970	79,760	50,338	28,750	79,088
<i>Saras Energia</i>	87	0	87	60	0	60	82	0	82
<i>Saras Spa</i>	0	0	0	0	0	0	0	0	0
<i>Sartec</i>	8	3	10	6	2	7	7	8	14
<i>Sardeclica</i>	5	144	149	4	152	156	3	135	138
<i>Saras Trading</i>	–	–	–	0	0	0	0	0	0
<i>Deposito di Arcola</i>	177	316	494	537	245	782	1,174	12	1,186
Total	37,693	15,465	53,158	57,397	23,369	80,765	51,604	28,905	80,508

It should be noted that the high variability of waste production over the years is related to the performance of the maintenance activities on units and tanks. These activities in fact generate different quantities of waste in relation to the specific kind of units and tanks involved.

As regards the types of waste produced, 64% of the total in 2017 was classified as 'hazardous', since it came almost entirely from industrial processes.

Finally, analysing the waste by destination, more than 90% was sent to appropriate forms of treatment and recovery, while only a minimum portion was sent for disposal in landfills.

As a further sign of commitment to waste management optimisation, from 2017, Saras started sending wood packaging to recycling, in order to achieve a better reuse of this resource, as compared with the recovery only for energy production purposes.

WASTE BY DESTINATION (T/YEAR)												
PARAMETER	2015				2016				2017			
	HAZ- ARD- OUS	NON- HAZ- ARD- OUS	TOTAL*	%	HAZ- ARD- OUS	NON- HAZ- ARD- OUS	TOTAL*	%	HAZ- ARD- OUS	NON- HAZ- ARD- OUS	TOTAL*	%
<i>Treatment</i>	37,446	11,886	49,332	93%	56,577	19,196	75,772	94%	51,225	24,010	75,235	93%
<i>Landfill</i>	246	3,540	3,786	7%	820	4,173	4,993	6%	378	4,895	5,273	7%
Total	37,692	15,426	53,118		57,397	23,369	80,766		51,603	28,905	80,508	

* Due to rounding, the totals may differ from the sum of the individual numbers.

SARLUX IN-DEPTH ANALYSIS

With reference to the figure below, the main waste management operating phases at the Sarlux plant, before being sent outside of the site for further disposal or recovery activities, are described below:

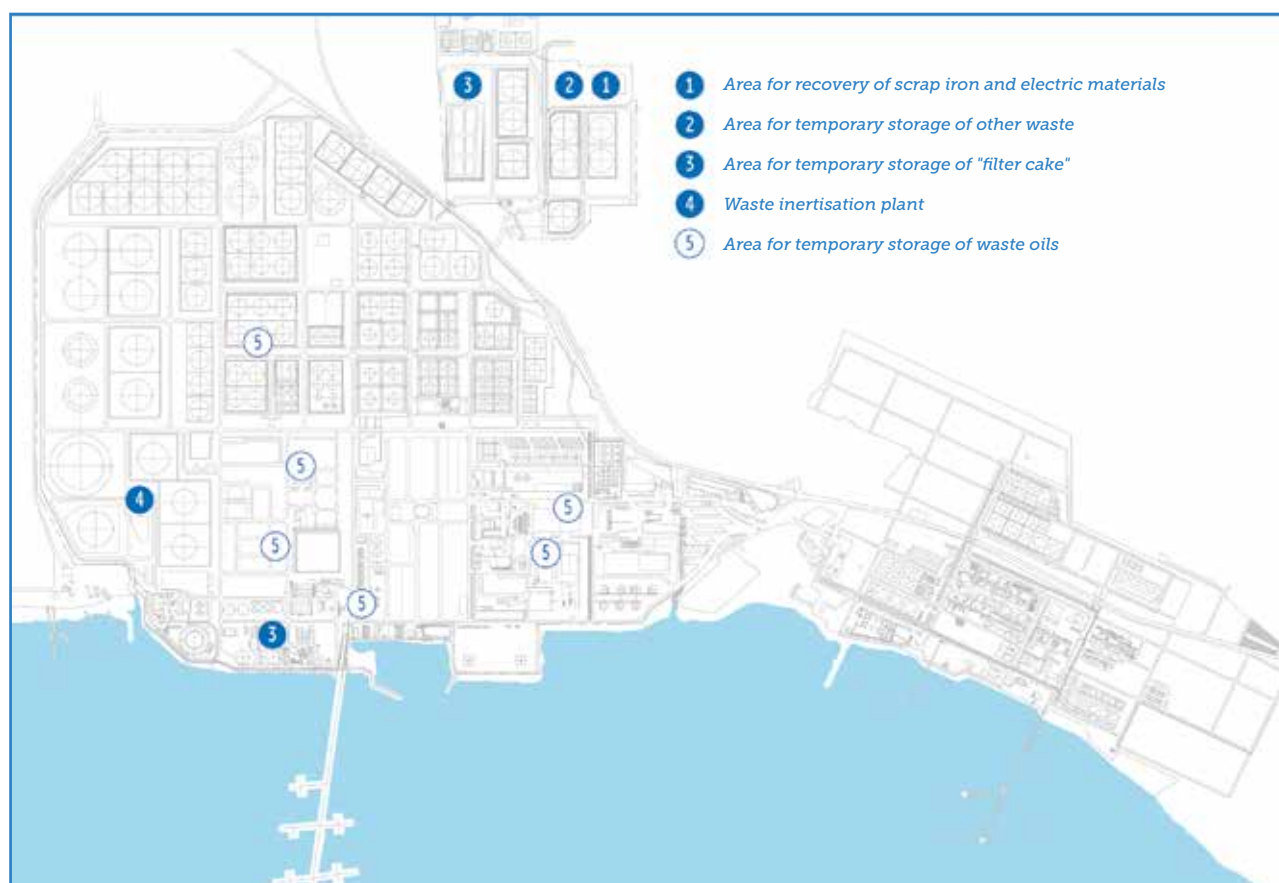
- the waste generated, properly divided into homogeneous categories, is generally sent to temporary storage areas (point 2);
- with regards to the filter cake from the IGCC unit, it can be stored in the dedicated temporary storage areas (point 3), before being sent outside for the recovery of the metals contained therein;
- in case of scrap iron, a recovery operation is performed in an appropriate area (point 1), managed by a third-party authorised firm, which performs a selection and reduction of volumes, without however altering type and quantity of the scrap;
- waste oils are stored in appropriate containers (point 5);
- waste consisting of plastic, glass, aluminium and paper is separately collected and conferred to a dedicated area, which is managed and operated by the Municipality of Sarroch;
- most of the waste generated, mainly comprising waste polluted by hydrocarbons, is sent to a plant located inside

the Sarlux site (point 4), which performs operations of separating the solid phase from the liquid phase (oily phase and aqueous phase); afterwards, the liquid phase recovered is conveyed to the wastewater treatment plant (TAS), while the solid phase is subject to a subsequent inertisation treatment.

The treatments carried out by the inertisation plant significantly reduce the amount of waste in mass and change its type, by mixing it with an inert matrix. The management of the plant in question is entrusted to a specially authorised third-party firm.

Two firms manage the waste deposited within the site and they report, in their annual declaration forms, the precise quantities of waste that they send outside, after the treatments carried out. These firms have been selected and are subject to periodical verifications, by means of specific audit activities.

Finally, with regards to the solid waste resulting from the filter-presses of the IGCC plant (named 'filter cake' because of its physical consistency), it contains a high percentage of metals such as iron, vanadium and nickel, and it is sent to Germany



for their recovery and subsequent use as a raw materials for the steel industry.

For this operation, authorisation for cross-border waste movement is annually requested, in accordance with regulation EC/1013/2006.

Finally, Sarlux is authorised to receive and treat waste comprising bilge waters, slop and ballast waters from ships. This activity is carried out as a completely free service for both ships that berth at Sarroch maritime terminal and also for ships that confer the above mentioned waste types to Sarlux by tank lorries from other regional ports.

The treatment of these types of liquid waste is performed at the ballast water treatment plant. Groundwater drained from the wells of the hydraulic barrier is also treated at the same plant.

The following table shows the quantities of output/treated waste at the Sarlux site, split by type.

As it can be seen, in 2017 the total waste production of Sarlux site is in line with the amount recorded for the year 2016.

Finally, in 2017, 26,475 tonnes of waste were sent for recovery or recycling, a higher amount than in 2016, mainly due to the increase in soil volumes deriving from remediation activities, filter cake sent abroad for recovery, and spent catalysts sent to companies specialising in metal recovery.

OUTPUT/TREATED WASTE AT THE SARLUX INDUSTRIAL SITE

PARAMETER	2015		2016		2017	
	TONNES/ YEAR	%	TONNES/ YEAR	%	TONNES/ YEAR	%
<i>Waste to internal inertisation plant</i>	32,351	61.72%	52,753	66.14%	47,220	59.71%
<i>Water from hydraulic barrier wells to wastewater treatment plant</i>	7	0.01%	5	0.01%	6	0.01%
<i>Filter cake to external recovery</i>	1,562	2.98%	1,641	2.06%	1,914	2.42%
<i>Other types of waste</i>	18,498	35.29%	25,361	31.79%	29,948	37.87%
Total	52,418		79,760		79,088	

WASTE GENERATED AT THE SARLUX SITE

PARAMETER	2015		2016		2017	
	TONNES/ YEAR	%	TONNES/ YEAR	%	TONNES/ YEAR	%
<i>Non-hazardous waste</i>	15,002	29%	22,970	16%	28,750	36%
<i>Hazardous waste, of which:</i>	37,416	71%	56,790	84%	50,338	64%
<i>Water from remediation activities</i>	7	0.02%	5	0.01%	6	0.01%
<i>Soil from remediation activities</i>	2,501	6.68%	367	0.65%	0	0.00%
<i>Hazardous waste from ordinary and extraordinary activities</i>	34,908	93.30%	56,418	99.34%	50,332	99.99%
Total	52,418		79,760		79,088	

TOTAL WASTE RECOVERED (INSIDE AND OUTSIDE THE SITE) (TONNES/YEAR)

PARAMETER	2015	2016	2017
<i>Waste sent to recovery</i>	15,859	20,581	24,561
<i>Filter cake</i>	1,562	1,641	1,914
Total Waste recovered	17,421	22,222	26,475

SEPARATE WASTE COLLECTION

The commitment to separate waste collection, implemented at Sarroch industrial site since 2006 (as an indicator to be monitored in order to achieve EMAS certification), and later extended to the whole Group, has the purpose of optimising the collection of assimilable urban waste, and of reducing unsorted waste.

At Group level, in 2017, 147 tonnes of waste, sorted by type, was collected in total; of that, 54% was paper and 30% was decomposables.

SEPARATE WASTE COLLECTION (TONNES/YEAR)

PARAMETER	2015	2016	2017
<i>Paper</i>	81	91	79
<i>Plastic</i>	16	11	15
<i>Glass and cans</i>	12	8	10
<i>Decomposables</i>	43	52	43
Total	152	162	147

93.7% of the Group's total separate waste collection is performed at the Sarroch site. One of the most interesting results achieved relates to the smaller proportion of unsorted waste produced, which in 2017, stood at 64% of the total amount of assimilable urban waste (-3% compared to 2016). This reduction certainly demonstrates the validity of the actions implemented, and the Group will remain committed to further improve.

To most correctly steer the behaviour of those who work at the site, initiatives have been established to raise awareness that, by acting correctly, people can really make a difference: for example, a training module on separate collection was introduced in the induction training for contractors' employees. It was also recently issued a HSE statement showing the main behavioural rules to be applied at the Sarroch site.

SPILLS

In 2017, there were no significant spills, neither at sea nor on the ground. This came as a result of a serious and constant commitment by the Group to ensure the reliability of both its own manufacturing processes, its assets (in particular pipelines and tanks for crude and oil products, purposely paved and equipped with containment basins), as well as the ships used for the transport of oil (all double-hulled and subject to a strict vetting policy, as detailed in the chapter below).

This approach has been adopted by all of the Group's subsidiaries. This is further confirmed by the decision in 2016 to achieve the certification for Arcola storage facility, which can now be considered a permanently safe site. In practice, the project required the construction of a partial physical barrier around the storage facility, and also the improvement of the already existing hydraulic barrier, with the construction of 3 new wells.

Sea

As regards transport by sea, given the high number of ships which perform loading or unloading operations at Sarroch site (about 800-900 ships per year), since 2009, the Group introduced a vetting policy to establish the criteria for selecting and checking the ships allowed to berth, with the aim of preventing accidents and releases into the sea of polluting substances.

In particular, the procedure foresees that the ships must have 'double-hull' fittings, a requirement that is enforced through monitoring both incoming and outgoing oil tankers headed for Sarroch's terminals and regular inspection activities conducted by Saras staff (also at other ports), according to international criteria and "Pre-mooring Inspection" on-the-spot, carried out in the harbour before mooring.

Ship inspections are carried out according to the "Minimum Safety Criteria" specification document, adopted by Saras first, and now by Sarlux, in line with the protocols for inspecting ships established by the OCIMF (Oil Companies International Marine Forum), an organisation that promotes the improvement of safety, responsible environmental management in the transport of oil and its derivatives, and in the management of maritime terminals.

Soil and subsoil

With regards to the protection of soil at the Sarroch industrial site, the Group put in place prevention initiatives according to a multi-year planning schedule, in order to avoid any problems related to accidental spills into soil and subsoil.

In particular, impermeable floorings were built in the containment basins of storage tanks and in the pipeways, along which the transfer lines of oil products stretch, connecting together the various tanks with the refinery units. These operations avoid any percolation of oil products in the soil and subsoil (in the case of accidental spills).

Similarly, the fitting of double bottoms in the storage tanks allows to avoid the above-mentioned percolation phenomenon in soil and subsoil, in case any problem would occur to the bottom of the tanks. During the transition period to double bottoms fitting, an inspection process for integrity check was carried out with ultrasonic techniques, thus allowing early detection of faults.

ARCOLA STORAGE FACILITY

*The activities at the Arcola site began in the 1960s,
with the construction of a refinery by the Società Petrolifera Italiana (SPI)
and the subsequent production of refined products such as gasoline,
gas oils and fuel oils.*

In 1986, SPI sold the plants to Arcola Petrolifera, which continued to operate until 1996, the year in which the refining activity was discontinued and the storage activity was developed.

In 2011, the company Deposito di Arcola S.r.l. was established, to perform storage activities.

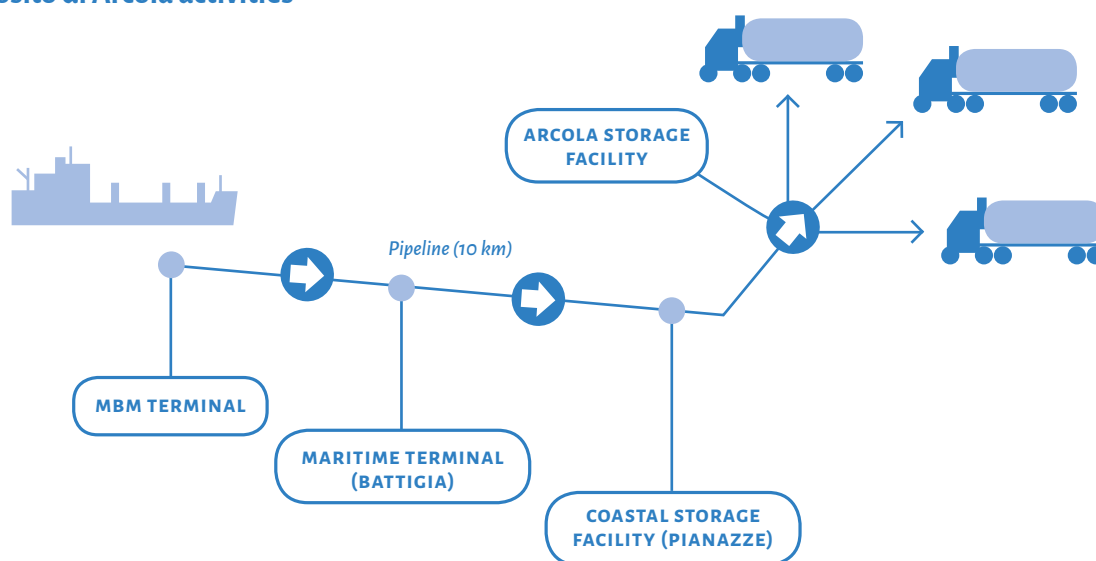
Currently, the company, which operates over an area of about 160,000 m² and has 15 employees, performs solely storage activities for gasoline and gas oils, using 26 atmospheric tanks above ground, with a total storage capacity of 181,600 m³.



The storage activity consists in the receipt of finished products via sea, mainly coming from the Sarlux refinery in Sarroch. The products arrive by ship to the Multi Buoy Mooring (MBM) terminal, located in La Spezia harbour and from there they are sent to the Arcola storage facility for storage in the intended tanks.

As shown in the figure below, the storage facility is connected to the MBM terminal by a pipeline about 10 km long in total, equipped with two booster pumping stations, located in Battigia and Pianazze respectively. The land transfer takes place by means of appropriate pumps that convey the oil products to the tanker trucks loading shelters.

Deposito di Arcola activities



GASOIL AND GASOLINE HANDLING (T)

PARAMETER	2015	2016	2017
Sales by tanker trucks	223,291	206,666	157,484

The Arcola storage facility operates with great attention to Health, Safety and Environmental aspects. As such, it obtained, with respect to these areas, the following certifications:

- Single Environmental Authorisation, pursuant to Presidential Decree 59/2013 and Legislative Decree 152/06 for wastewater discharges and fugitive emissions in the atmosphere;
- Certification of successful permanent securing of the industrial site, obtained through the construction of a physical barrier about 400 metre long, and the upgrades to the hydraulic barrier;
- Fire Prevention Certificate, issued by Provincial Fire Service Command of La Spezia on 30/03/2016.

Management of Water

Managing water resources has always been a topic of great attention and commitment for the Saras Group, which carries out its main business activities in Sardinia, a region characterised by little rainfall and frequent droughts.

Indeed, Sarroch industrial site uses water for several purposes, the main one being the production of steam for technological use (stripping with steam and electricity generation). Water is also used to supply the fire protection water network, to reintegrate losses from the cooling cycle, and also for other civilian uses.

Fully aware of the water resources scarcity in the region, the Group adopted policies at the Sarroch site to reduce the use of primary water sources of regional origin. Moreover, it continues to regularly monitor, manage and optimise the water footprint of the industrial site, thanks to its Environmental Management System and the EMAS Regulation protocol.

More specifically, the site's water consumption is defined as the amount of water required to guarantee operation of the plant and services linked to production. It is given by the sum of the following addends:

- untreated water from the industrial consortium;
- internal recovery water from sewage treatment units (*water reuse*);
- seawater (only for the quantity taken and not sent back into the sea).

In order to reduce usage of primary water, thus leaving a higher amount of untreated water available to the local communities, over the years numerous interventions have been carried out, both in the form of investments and in the form of process improvements, all aiming at gradually reducing the water requirements. In parallel, but with the same goal, the internal recovery of water, which would otherwise be discharged into the sea, has been maximised, and finally, also the installed capacity of desalination systems has been maximised over the years.

Among the main measures implemented in the past years to maximise the recovery of internal water (*water reuse*) the following can be recalled:

- In 2012, a 230 m³/h reverse-osmosis unit began service, with the capability of recovering purified water from sewage treatment units, then used to supply the cooling circuits of the production facilities;
- In 2015, with the acquisition of Versalis petrochemical plants, a further amount of purified water was recovered by filtration from the sewage system, for use in the cooling circuits;
- In 2017, start-up activities began for a 140 m³/h unit, capable of recovering water suitable for reuse in the cooling circuits, starting from process waters. This plant will fully enter service in 2018, allowing further reductions in the need for untreated water from the consortium.

In 2017, installation activities were completed for a 500 m³/h new desalination plant, capable of desalting seawater, and making it directly usable in the feed circuits of high-pressure boilers. Full operations for this unit is expected in the first few months of 2018. Moreover, the start-up of the new desalination plant, will allow to decommission some older desalination units, built in the 1990s and now no longer energetically efficient.

The table below shows the actual data for the last three years of the site's water consumption and the subsequent one provides a breakdown by supply source.

The column with the percentages represents, year by year, the incidence of each type of supply on total consumption.

The overall water use onsite is given by the sum of untreated water from industrial consortium and seawater. Furthermore, it should also be considered that most of the seawater is returned to the sea with practically the same qualitative characteristics of the water withdrawn, with just minor changes in its temperature and/or salt concentration.

WATER USE ONSITE (M³/YEAR)

PARAMETER	2015	2016	2017
<i>Water use onsite</i>	22,137,138	22,310,065	22,015,431

WATER USE ONSITE BY TYPES OF SUPPLY

PARAMETER	2015		2016		2017	
	MILLION M ³ /YEAR	%	MILLION M ³ /YEAR	%	MILLION M ³ /YEAR	%
<i>Internal Recovery water (water reuse)</i>	4.9	22.2	4.9	21.9	4.7	21.3
<i>Untreated water from industrial consortium</i>	9.5	42.9	9.2	41.4	9.1	41.3
<i>Seawater</i>	7.7	34.9	8.2	36.7	8.2	37.4
Total	22.1		22.3		22.0	

WATER WITHDRAWN BY THE SITE (M³/YEAR)

PARAMETER	2015	2016	2017
<i>Untreated water from industrial consortium</i>	9,515,332	9,174,341	9,136,330
<i>Seawater</i>	83,758,946	62,008,985	62,632,467
Total water extracted from the site	93,274,278	71,183,326	71,768,797

DISCHARGES

The Sarlux industrial site is responsible for almost all of the Group's discharges, all duly authorised. More specifically, discharges into the sea from the Sarroch site, are divided between those from the process following biological and neutralisation systems, and those coming from desalination and cooling systems.

While process discharges are properly connected to the production activities, desalination and cooling discharges are related to production services.

Finally, considering also the other Group companies, the table in the following page shows the complete water discharges breakdown by destination.

DISCHARGES INTO THE SEA (M³/YEAR)

PARAMETER	2015	2016	2017
<i>Discharges from desalination</i>	16,121,317	18,342,653	18,019,019
<i>Discharges from process</i>	6,803,656	6,646,157	6,871,892
<i>Discharges from cooling</i>	59,917,962	35,397,129	36,386,783
Total	82,842,935	60,385,939	61,277,694

WATER DISCHARGES BY DESTINATION (M³/YEAR)

COMPANY	2015				2016				2017			
	SEA	RIVER	SEWER	TOTAL	SEA	RIVER	SEWER	TOTAL	SEA	RIVER	SEWER	TOTAL
<i>Sarlux</i>	82,842,935	0	0	82,842,935	60,385,939	0	0	60,385,939	61,277,694	0	0	61,277,694
<i>Saras Energia</i>	474	0	0	474	714	0	0	714	365	0	0	365
<i>Saras Spa</i>	0	0	0	0	0	0	0	0	0	0	0	0
<i>Sartec</i>	0	0	11,000	11,000	0	0	4,000	4,000	0	0	6,294	6,294
<i>Saras Trading</i>	–	–	–	–	0	0	0	0	0	0	0	0
<i>Sardeglica</i>	0	0	0	0	0	0	0	0	0	0	0	0
<i>Deposito di Arcola*</i>	0	1,400,000	0	1,400,000	0	1,980,800	0	1,980,800	0	1,980,800	0	1,980,800
Total	82,843,409	1,400,000	11,000	84,254,409	60,386,653	1,980,800	4,000	62,371,453	61,278,059	1,980,800	6,294	63,265,153

* Water discharges to rivers are calculated from the flow rates of the suction pumps in the hydraulic barrier wells with the following formula:
 “pump nameplate flow rate” x “No. of hours in operation”

Biodiversity

The major impacts from the Group's activities, products and services on the biodiversity of the protected areas, or even on the biodiversity of other areas outside of the protected areas, relate to Sarlux, whose Sarroch industrial site is located on the coast, in proximity of protected terrestrial areas and it is therefore responsible for preserving marine flora and fauna.

TERRESTRIAL AREAS

The natural terrestrial areas surrounding the Sarroch industrial site are:

- “Gutturu Mannu” Regional Natural Park, located approximately 3 km west of the refinery;
- Cagliari Pond, located approximately 6.7 km east;
- Monte Arcosu Forest, located approximately 11 km west.

Good quality status of the air is the main land biodiversity preservation activity, and it can be monitored, besides using chemical indicators, also with the observation of specific biomarkers (biomonitoring) as, for instance, the abundance or shortage of different species of moss.

Since several years, the Botanical Science Department of the Mathematical, Physical and Natural Sciences Faculty of the University of Cagliari performs, on behalf of Sarlux, in a wide area of the Sarroch hinterland, a vegetation state of health inspection campaign. The picture that emerges from the analysis with the bioindicators, shows a quality status that fits in an intermediate position within the range of the assessment IAP (Index of Atmospheric Purity) index. Indeed, the results of the monitoring carried out at 10 control stations fall primarily into “class 3” and, only in few cases, into “class 4”.

In the same area, another monitoring campaign is also carried out periodically on the state of health of the vegetation (visual inspection and check of bioaccumulation of pollutants). From this monitoring it can be observed that the bioaccumulation of these substances is lower than the annual averages across Italy and Europe.

INDEX OF ATMOSPHERIC PURITY (IAP)

IAP CLASSES	IAP VALUES	AIR QUALITY RATING	NATURALNESS/ALTERATION
7	IAP = 0	Very poor	Very high alteration
6	1 < IAP < 10	Poor	High alteration
5	11 < IAP < 20	Low	Medium alteration
4	21 < IAP < 30	Mediocre	Low naturalness/low alteration
3	31 < IAP < 40	Medium	Medium naturalness
2	41 < IAP < 50	Fair	High naturalness
1	IAP > 50	Good	Very high naturalness

WATER

A regular seawater quality status monitoring survey is carried out now since many years, by marine biologists, in the sea in front of the Sarlux site area.

Monitoring of the Trophic Index (TRIX), an indicator that allows the quality status of seawater to be expressed in summary form, is used for the description of the seawater quality status.

In the entire period 2015-2017, the seawater quality status has been on the high end of the classification range (high), as a witnessing proof of the excellent results achieved by the Group's with its commitment to protect the sea.

In addition to the Trophic Index, also the CAM Index (Seawater Classification) was introduced several years ago, based on specific algorithms for the Sardinia Sea, which are capable of transforming the measured values into a summary rating of the sea quality status. In line with the TRIX Index results, in the three years under consideration, the CAM Index also showed a "high" quality for the seawater in all the surveyed areas.

TROPHIC INDEX (TRIX) WATER QUALITY AND CONDITION CLASSES

	SURFACE WATERS QUALITY LEVEL	BOTTOM WATERS QUALITY LEVEL
January 2015	high	high
July 2015	high	high
January 2016	high	high
July 2016	high	high
January 2017	high	high
July 2017	high	high

CAM INDEX (SPECIFIC FOR THE SARDINIAN SEAS)

	SURFACE WATERS QUALITY LEVEL	BOTTOM WATERS QUALITY LEVEL
January 2015	high	high
July 2015	high	high
January 2016	high	high
July 2016	high	high
January 2017	high	high
July 2017	high	high

Technological innovation

The oil refining and power generation sectors, in which the Group operates, are extremely important for the regional, national and international economic systems. Saras considers technological innovation one of the most important strategic levers to continue playing a leading role in the country's energy market, and to remain competitive also in the international context.

In addition, technological innovation is a crucial element in the search for appropriate solutions designed to increase operational efficiency, reduce consumption, losses and disoptimisations, while increasing quality of the refined products. As such, Saras carries out industrial development activities aimed at achieving operational excellence and maximising value creation, in the interests of all shareholders and in compliance with the highest safety standards for employees, the community and the region.

The industrial site managed by Sarlux in the Sarroch area is one of the most evolved at European level, with regards to integrated refining plants. It has technologically cutting-edge, flexible, versatile and high-conversion units. It's integrated, since 2001, with an Integrated Gasification Combined Cycle (IGCC) plant that produces electricity and provides the refinery with large quantities of hydrogen and steam. And finally, since the end of 2014, the Group became the owner of the petrochemical plants previously owned by Versalis, achieving a further integration along the value chain.

Finally, there are other interconnected industrial sites such as Sasol, Air Liquide and Liguigas, which developed over the years in symbiosis with the Saras Group, and they now represent important components of Sardinian industrial landscape.



INDUSTRIAL PLAN

The Group's Industrial Plan is focused on the development strategies of the Sarroch site, in a medium/long term perspective. It aims to ensure continuity and sustainability for the business and it includes the necessary initiatives to adapt to future evolutions in both the reference markets and the regulatory context.

In summary, the Plan identifies the most appropriate improvement and investment activities in the areas of energy efficiency, hydrogen production, long term management of the IGCC cycle, logistics structure, exploitation of the petrochemical units, as well as every other initiative required to ensure the full compliance with all environmental regulations.

In line with the above, the following technological improvements have been identified to optimise the production cycles:

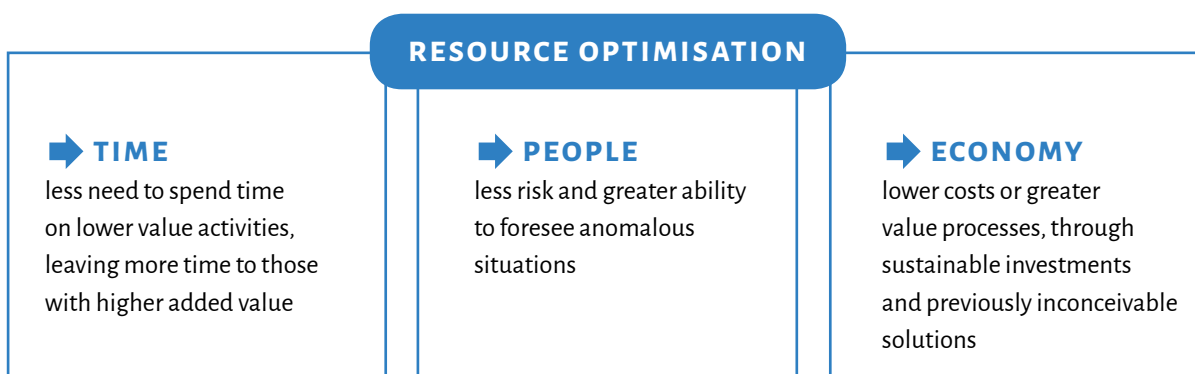
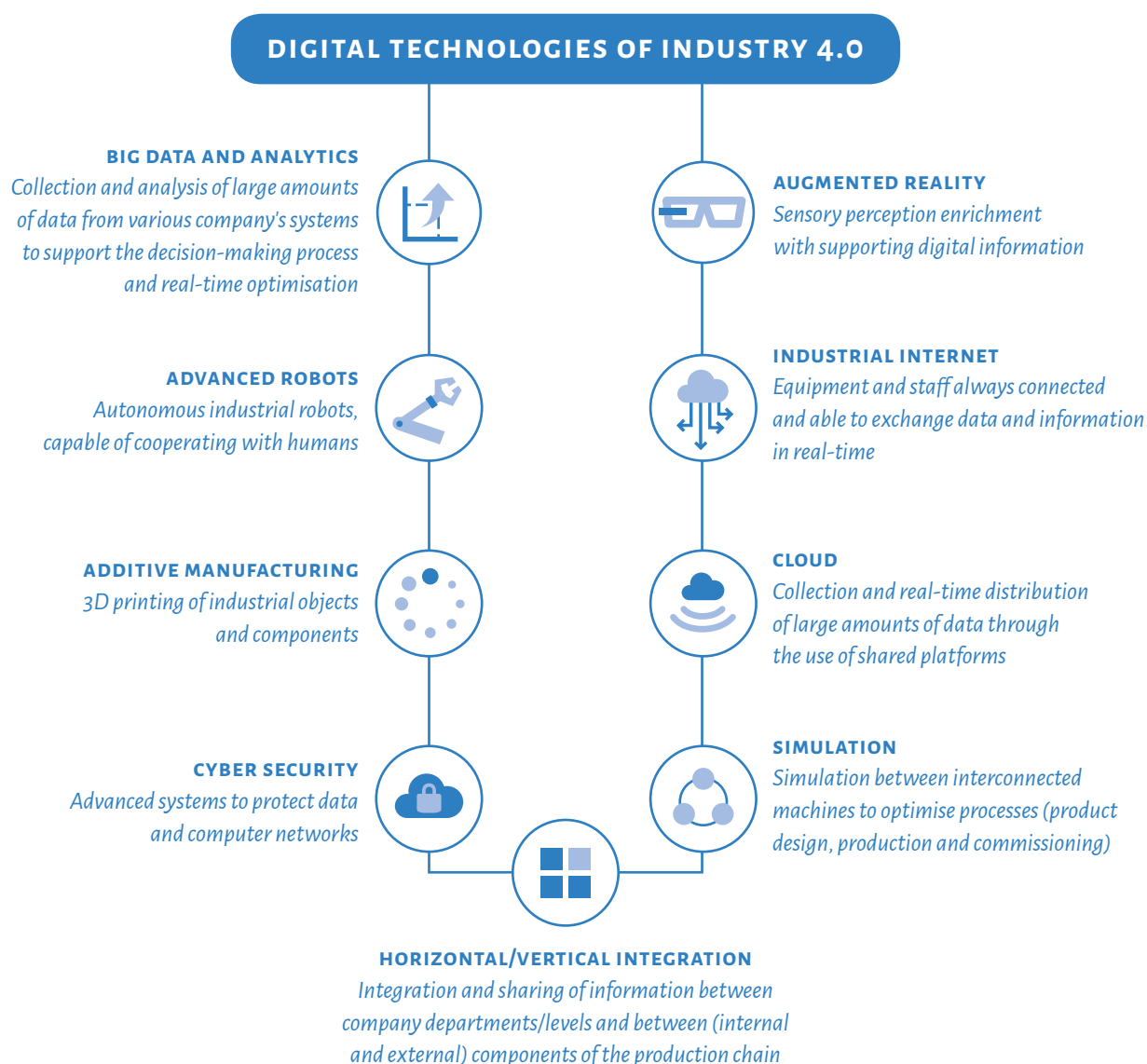
- **Maximisation of yields and conversion** with the implementation of technologies aimed at reducing constraints and limitations; for example, the extension of the oxygen network to the FCC unit, to allow the processing of heavier feedstock, and the optimisation of the hydrogen network, with its recovery from the fuel gas, to increase yields of the hydrocracking units;
- **Full exploitation of the petrochemical section**, with the production of intermediates for the petrochemical sector, thanks to interventions aimed at increasing the recovery of specific components (such as pseudocumene and orthoxylene);
- **Implementation of additional actions in the energy-saving field**, like for example the electrification of the FCC unit. This investment will deliver a significant reduction of steam consumption, thus allowing to reduce its production from the refinery's thermoelectric power plant, and improving the overall energy balance of the entire industrial site;
- **Initiatives to minimise the use of local water resources** by introducing new osmosis water treatment units, capable of catering for the needs of the industrial site, also optimising its entire water network.

The above result derives from the collaboration of refinery and headquarter departments, with a continuous sharing of goals and work criteria.

DIGITALISATION

Another front on which Saras is making important progress is the digitalisation and the technology and mindset step-change towards the “Industry 4.0”.

This step-change will take companies beyond the current developments in the fields of electronics, automation, robotics and informatics, and it will bring to the adoption of self-learning technologies, which will even suggest the best solutions to increase sustainability (environmental, economic and financial), while improving processes and using resources in an optimum manner.



The **#digitalSaras** programme was created within this framework, in December 2016 and, until now, it has been articulated into three phases. The first phase identified possible applications of digital technologies. The second one developed pilot projects, to verify the actual applicability and benefits of these applications. Finally, the third phase, currently ongoing, consists in the extension of the pilot applications on an industrial scale.

In parallel, the “digital units” initiative was launched, aimed at the application of a broad range of digital technologies to two specific units of the Sarroch site, embracing all aspects of their management (operations of the asset, performance optimisation, HSE compliance).

A dedicated team has been established with the responsibility of developing the programme. However, the ultimate scope is to involve an ever-growing number of people within the organisation, in order to promote the integration of the Group's traditional cultural base, with the new potential capabilities arising from the Industry 4.0.

#digitalSaras fits without discontinuity between the various ongoing initiatives, and it will allow to increase the Group's degree of reliability and efficiency, to keep pace with the international competition, and to successfully face the GIC – greatest imaginable challenge in our corporate Purpose, i.e. that of being “among the best and most efficient operators in our sector.”

#DIGITALSARAS PROJECTS

more than 30
digital initiatives started by the Group¹

Since the start of the programme, 10 pilot projects were identified and initiated and almost all the activities provided for in this regard were completed in 2017.

In all cases, the assessment of the projects results was positive. Moreover, for some projects the industrialisation phase has already started; for others it is currently ongoing the search of the most appropriate technology to be adopted.

When selecting the projects, the aim is to uniformly cover the areas of greatest impact on business performance (in particular Operations, Asset Management and Technology), choosing “use cases” that could involve a large part of the workforce in the industrialisation phase.

The pilot projects carried out are as follows:

1. use of explosion-proof tablets to record daily checklists and activities carried out by plant operators, delivering benefits to quality and timeliness of the controls carried out and allowing the construction of a database, which can be analysed to extract useful information;
2. use of explosion-proof tablets to simplify the recordings relating to sectioning and reinsertion of electrical equipment; as well as adding significant efficiency improvements, the new application removes any margin of error in this type of operations;
3. *Digital Safety Advice*, consisting of the use of wearable systems by plant personnel, with the functionality of automatic transmission of alarms in the control room when any safety faults arise;
4. continuous monitoring of the operating conditions of the IGCC gasification reactors, with the use of mathematical models, based on *big data* and *machine learning*, in order to predict the length of the operating cycle until the next maintenance intervention, and optimise the scheduling of production and maintenance activities;

1. This number also includes some projects initiated prior to #digitalSaras, which were appropriately incorporated in a context of harmonisation with the new digital directives.



5. continuous monitoring of the main machines in the refinery through *big data* and *machine learning* systems, to identify in advance any signs of faults, before they occur, and to minimise their impact on production;
6. monitoring of the plant's complex electrical network, by adopting state-of-the-art digital instruments and big data analysis, to identify consumption optimisation opportunities and support predictive maintenance analysis;
7. creation of a mathematical model, using advanced statistical techniques to predict particular properties of various types of crude oil processed in the refinery, with the aim of further increasing flexibility in the choice of raw materials;
8. creation of a collaborative platform between process engineers and operators in the control room, for the structured exchange of information concerning the selection of optimum operating parameters;
9. experimentation of 3D simulators in virtual reality, for the training of operators, specifically with regards to performing activities on critical equipment or in complex and unusual conditions;
10. development of an algorithm to predict the performance of the Visbreaking unit, both in terms of yield and length of the operating cycle, using a mixed methodology based on engineering modelling and *advanced analytics*.
This project is being carried out with the collaboration of the University of Zurich, and it constitutes an important example of Saras cooperation with top-level European universities.

SARTEC

ACTIVITIES

Sartec S.r.l. is the company of the Saras Group that deals with consultancy and solutions to improve industrial performance, with a wide offer aimed at both the oil, petrochemical and energy industry, and at the public administrations and the local communities. It is an Energy Service Company (ESCO) which develops energy audits and ISO 50001 energy management systems.

The following two main business areas can be identified:

- environmental protection (environmental engineering, environmental analysis and measurement systems, analytical services and environmental monitoring);
- industrial efficiency and energy saving (automation and plant engineering solutions, process control, energy-saving solutions and other activities in its capacity as an ESCo, supply of package systems, analysis systems and proprietary products).

Within its business areas, Sartec develops activities of technological product & process innovation, both directly and through the purchase of patents, know-how and commercial distribution licences from third-parties.

The strong focus on research and innovation is constantly fed by relationship with universities and research institutes.



HUMAN RESOURCES

Sartec employs over 150 people, approximately 60% of whom are graduates. Among these, some also had formal training abroad. Moreover, Sartec continues to maintain an important activity of continuous training, with the collaboration of the University of Cagliari, based upon a Memorandum of Understanding which includes a variety of possibilities – apprenticeships, internships, master's courses, etc.

In the local community, Sartec is mainly engaged in activities aimed at young people, such as the “school/work alternation” programme. Furthermore, Sartec is present in various events organised by institutions and associations, in order to showcase its professional contribution.

SOCIAL COMMITMENT

Sartec recently supported a humanitarian project carried out by an Onlus in support of a village in Burkina Faso, providing technical assistance as a company, along with the expertise of its human resources. Employees have also started collecting funds to economically sustain some production activities based in the village.

As previously mentioned, Sartec has been active in the so called “school/work alternation” programme over the years 2015/2016/2017 with:

- **“Michele Giua” High School (Cagliari)**
 - 400 h in 3 years (133 hours per year);
 - 39 youngsters (visits to Laboratories and Plants, field experiments and practical applications, lessons on specific company subjects at the school);
 - 5 internships
- **“Eleonora d'Arborea” Teacher Training School (Cagliari)**
 - 200 h in 3 years (67 hours per year);
 - 1 internship

IMPACT ON THE LOCAL COMMUNITY

Local community relations

Every company is born and it grows in a clearly identifiable region, and it is the relationship established with that region that characterises the future development not only of the company, but of the region itself.

Saras, today a solid international enterprise, set its origins and developed its activities in Sardinia, an island with a strong and proud identity, always deeply respected by the Group.

For this reason, since more than 50 years Saras is engaged in various initiatives and projects that are useful to support the social fabric, history and local traditions, always paying great attention to the needs of young people and the community.

The Group issued the policy **“Our stakeholders”** within which, among the various stakeholders, the community and the reference regions are recognised as partners of strategic importance, and Saras’ approach to managing its relationship with the local communities is outlined.

The selection of projects that the Group supports is based on the direct involvement of the stakeholders and the precise knowledge of their most important needs. Which is why, in addition to an ongoing dialogue with the stakeholders, that provides an extensive understanding of the regional needs, Saras also promotes projects of a social nature, which can generate value for the community. After an initial assess-

ment concerning both the economic aspects and the degree of accordance with the guidelines provided by the corporate Purpose, the choice falls on those projects considered to be of greater impact and value for the local communities.

The Group, particularly in recent years, established precise guidance in relation to the areas of intervention based upon two main directives: 1. the social context, i.e. the people deserving to be supported—especially young people, the elderly and the less well-off—and 2. the physical territory, i.e. the geographical reach that the Group wants to have.

One of the goals Saras focuses on with strong commitment is spreading the company’s culture and making people understand that it is still possible to ‘do business’ in Sardinia. To achieve this Saras promotes training activities for young people in schools, and it maintains continuous relations with universities, aimed at promoting social development that cannot ignore topics such as work, sustainability and economic growth, in a region weakened by emigration, especially of the younger people.

SARAS GROUP FOR THE SCHOOL

Sarlux, following the Group's indications, activated various "school/work alternation" programmes. Between 2013 and 2017, over 500 children gained access to Sarroch industrial site – according to various formats of cooperation – to closely observe the reality of a big company, participating in lectures on industry-related topics such as safety, environment, production processes, ICT, company organisation, etc. often with business simulations, and also to learn key concepts useful to exploit during job interviews.

Also Sartec, due to its strong orientation towards technological innovation, is supportive of these useful exchanges between school and industry: over the past 3 years, about 40 youngsters from the "Michele Giua" High School and from the "Eleonora d'Arborea" Teacher Training School visited the Group's laboratories and plants, experimenting in the field with practical applications and attending lessons on specific subjects, both directly at the company and at the schools.

Overall, the youngsters invested approximately 600 hours on corporate training, and 6 students were offered the opportunity to extend this experience through a company internship.

The contest for secondary school students "RAIn – Raccontami l'Avvenire e l'Innovazione" (i.e. "Tell me your views about the Future and Innovation") is dedicated to the ability to deal with change and new technologies; with this contest, the Group asked the students to experiment with a video camera, in order to tell stories about innovation.



SARAS GROUP FOR THE UNIVERSITY

Within the framework of the Memorandum of Understanding signed with the University of Cagliari, technical seminars are regularly organised. Such initiatives are useful to supplement the training of the future engineers. Furthermore, in 2017, Saras contributed to award scholarships to the graduates in Chemical Engineering, as part of a project designed by the Italian Chemical Engineering Association.

SARAS GROUP FOR THE COMMUNITY

Sport

Saras also supports the local communities by means of numerous sponsorships awarded to sport associations, both amateurs and professionals. Clubs such as the "Sarroch Polisportiva Volley", the "Gioventù Sarroch" football team and the rugby team "Amatori Capoterra" are typical expressions of the region, and the Group is proud to help them grow, to continue to represent genuine training centres for young sportsmen and sportswomen.

Furthermore, Saras is one of the partners of the "Dinamo Banco di Sardegna" basketball team and of the "Cagliari Football Academy". The latter was set-up with the aim of becoming a point of reference for young Sardinian footballers and guide them in their technical and personal growth, on a virtuous journey that allows sport to accelerate individual learning.

Attention to safety in sports is also a value that Saras wanted to communicate with the event called "Sport sicuro a Sarroch" (i.e. safe sport in Sarroch), designed to raise awareness among citizens on the medical check-ups needed in order to properly and safely deal with physical efforts. This event ended with the donation of 3 automatic defibrillators, intended for the sports facilities of the Municipality of Sarroch.

Lastly, using sport as a vehicle for communicating important messages, Saras organised the initiative called "Giganti al cubo, energia contro il bullismo" (i.e. Giants cubed, energy against bullying), an awareness day against cyber bullying that took place with the participation of the basketball champions from "Dinamo Banco di Sardegna" (Sassari) and the Cagliari Police Department.

Social and Safety

Saras makes available to many local businesses its extensive experience in the field of workplace safety, by organising training courses on HSE subjects aimed at disseminating a correct industrial culture, attentive to these fundamental principles.

In addition, courses on basic safety principles are organised for children and young people from the local schools, in collaboration with volunteers from the local Fire Brigade.

Employment and creation of local value

For a firm such as Saras, with a “glocal” vocation that simultaneously identifies with the global dimension of the oil markets and the local dimension of its reference community, it is of paramount importance to fully understand the economic benefits that characterise its activities, in particular with regards to the closer stakeholders, which are those located in Sardinia. Indeed, these are the stakeholders with the greatest influence on the Group, and which in turn are the most affected and influenced by the Group's activities.

The Group therefore started an important collaboration with Smart Lab, a spin-off of the University of Cagliari operating within the Business Intelligence field, and in particular data treatment and analysis, in order to precisely understand what economic impact the company has on the local communities.

More precisely, thanks to this partnership, a study was completed giving evidence of the direct and indirect economic benefits on Sardinia, deriving from the activities of Saras Group (i.e. Sarlux, Sartec, Sardeolica and Saras employees located in Sardinia), in the three-year period 2014-2016.

The study focused on three main components:

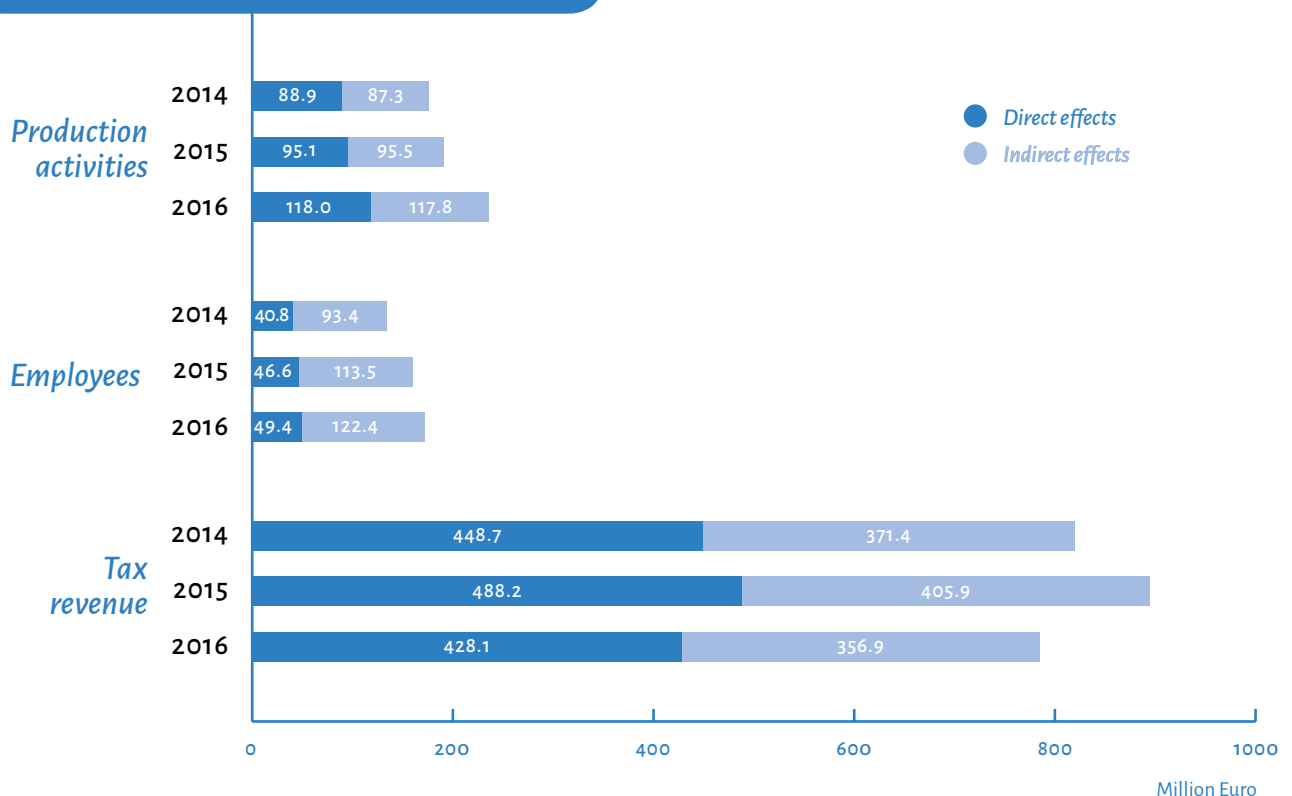
- Impact on the production activities of Sardinian suppliers;
- Impact of the remuneration paid to employees of the Saras Group based in Sardinia;
- Impact of the tax revenue paid by the Saras Group to the regional authorities.

GENERATED VALUE IN TERMS OF PAYSLIPS

Due to the methodology used for this study, it is possible to convert the economic value into “equivalent payslips”, attributable to the activities carried out in Sardinia by the Saras Group.

To the **1,438 payslips of the employees directly employed** by the Group, additional **10,800 indirect payslips** could be added, supported by the activity, expenses and investments Saras makes in Sardinia, for an overall total of **12,207 payslips**.

IMPACT OF THE THREE COMPONENTS



IMPACT STUDY 2014-2016

COMPONENT	IMPACTS	FINAL VALUE 2016
<i>Impact on production activities</i>	<p>Direct impact More than 350,000 accounting movements have been taken into account, relating to the expenses made by the companies Sarlux, Sardeolica and Sartec, for the purchase of goods & services from suppliers located in Sardinia.</p> <p>The analysis and reaggregation of the above data enabled the calculation of the direct impacts of the Group's companies; in particular, approximately 40-50% of these impacts were on the industrial and manufacturing sectors.</p>	<i>Direct impact amounting to approximately 118 million Euro</i>
	<p>Indirect impact To the direct impact it must be added the multiplier effect¹ deriving from expenses and investment that suppliers in turn make on the Sardinian production system.</p>	<i>Indirect impact amounting to approximately 117.8 million Euro</i>
<i>Impact of employees' salaries</i>	<p>Direct impact This analysis concerns the salary data of Group employees who work and reside in Sardinia. The companies included in the study are Saras, Sardeolica, Sarlux and Sartec.</p> <p>This study shows that the average gross salary of the Group's employees is greater than the average gross salary paid in Sardinia (source: Job Pricing Observatory).</p>	<i>Direct impact (which correspond to the net salary paid over the year) amounting to approximately 49.4 million Euro</i>
	<p>Indirect impact To the direct impact it must be added the multiplier effect² deriving from what each employee spends and consumes in the local territory.</p>	<i>Indirect impact amounting to approximately 122.4 million Euro</i>
<i>Impact of tax revenue</i>	<p>Direct impact These data relate to the tax revenue paid by the entire Saras Group to local authorities until 2016. The direct effects were calculated by Saras based on the rules of the Sardinian special administrative area and the amount of revenue transferred by the Italian State to the Sardinia Region or paid directly to local authorities.</p> <p>Over 40% of the total tax revenue from 2016 has an impact on production activities, under the forms of the purchase of goods and services and use of third-party goods.</p>	<i>Direct impact amounting to approximately 428.1 million Euro</i>
	<p>Indirect impact To the direct impact it must be added the multiplier effect³ produced by the expenses of the Region and Local Authorities in the local territory.</p>	<i>Indirect impact amounting to approximately 356.9 million Euro</i>

1. The multipliers used for the estimates are derived from the revision of the "Regional Input-Output Tables at 28 branches, valued at current basic prices for the Sardinia Region" provided by IRPET [Regional Institute for the Economic Programming of Tuscany] (latest year available is 2013).
2. The multipliers used for the estimates have been calculated based on the propensity for consumption and the tax burden, by means of which it was possible to estimate the propagation of the effects of expenses made by Saras Group employees. The direct and indirect effects were then brought back to the classes of regional consumption based on ISTAT (Italian National Statistical Institute) data.
3. The multipliers used for the estimates are those obtained from the previous two sections (production activities and staff).

Suppliers and procurement management

In the growth of the Saras Group, suppliers were always a fundamental partner with which to cultivate a relationship based on respect, loyalty, impartiality, equal opportunities, and the achievement of the maximum competitive advantage.

To meet this commitment “**Procurement Process Guidelines**” were issued, codifying for all the companies of the Group, the various phases and activities of the Procurement process for both goods & materials, and for contracts, services & consultancies. The Guidelines also codify the qualification process of the suppliers, and their regular monitoring. Moreover, the guidelines also provide precise rules and identify the roles and responsibilities of the main parties involved in the Procurement process.

In compliance with the above guidelines, the Group issued also the “**Qualification Procedure**”, with the aim of formalising the criteria and procedures for qualifying suppliers, and the “**operating instructions**”, that describe in detail each operating steps relating to the qualification process of goods and services suppliers.

The Group regularly discloses the Code of Ethics to all its suppliers, business partners and external collaborators and calls for its compliance when carrying out supply activities.

The Saras supply chain comprises two types of procurement:

- raw materials (mainly crude oil and also other complementary feedstock or semi-finished products);
- goods and services needed to conduct, in complete safety and regularity, all the activities of the various business segments in which the Group operates.

RAW MATERIALS

The raw materials entering the production cycle mainly comprise crude oil bought in more than 30 countries around the world, including primarily North Africa and West Africa, Caspian Sea & former Soviet Union, and the Middle-East; but also, to a lesser extent, North Sea countries, Latin America and North America. Of course, in the process of buying these raw materials, the Group respects all national and international laws concerning oil trades.

From an operational point of view, the Group continuously performs a fundamental scouting activity of the market, looking for raw materials which, from time to time, have the most favourable economic terms. To increase its effectiveness in this respect, the Group founded in Geneva in 2016 the company “Saras Trading SA”, a wholly-owned subsidiary that deals with purchases of raw materials and sale of refined products from Sarroch refinery. Thanks to its positioning in one of the main hubs for *oil commodities* trading, Saras Trading develops intense commercial relations with numerous counterparts, and successfully manages to seize the opportunities offered by the market.

In 2017, the Sarroch refinery processed a quantity of crude oil of approx. 14.06 million tonnes (Mton), divided into about 40 grades, which differ in their chemical and physical composition, thus confirming the great flexibility of its refinery. In addition, approx. 1.29 Mton of complementary feedstock were also processed.

REFINERY RUNS (KT/YEAR)			
	2015	2016	2017
<i>Crude oil</i>	14,550	12,962	14,060
<i>Complementary feedstock (semi-finished products)</i>	1,026	1,598	1,291
<i>Total refinery runs</i>	15,576	14,560	15,351

GOODS AND SERVICES

Plant maintenance activities and those relating to new constructions are the main items that contribute to the Group's expenditure on goods and services.

The activities carried out by contractors range from the simplest maintenance operations on parts of the plant, maintenance on large machines (such as compressors and turbines), on continuous analysis tools and on process control systems.

As regards the construction activities of new units or part of the existing units, these consist in the commissioning of metal and/or reinforced concrete structures, and in the prefabrication and installation of large mechanical, electrical, instrumental equipment, etc.

In all the above cases, the skills offered by the contractors cover all specialities needed by large industrial oil and petrochemical plants, ranging from civil and metal framing, to mechanical, electrical and instrumental specialities.

Contracting firms started-up their operations in Sarroch, and worked along with the site, while it progressively grew in size and complexity; most of them have been under contract with the Group since when the refinery was built, in the early 1960s.

Over the years some have grown considerably, specialised and acquired skills and know-how which allowed them to expand their activities, first to other industrial sites in Sardinia, and then also nationally and internationally.

As it can be seen from the table below, the vast majority of the Group's procurement refers to the subsidiary Sarlux, which manages the industrial site of Sarroch and that, right from the outset, assigned contracts to third-party companies for almost all plant maintenance and new building activities.

In 2017, the number of suppliers of goods and services for Sarlux amounted to 731, for a total procurement expenditure of 418 million Euro. 34% of the procurement expenditure goes to firms with registered offices in Sardinia. In particular, the percentage procured locally is greater for service providers (45% of the total).

In Spain, the local procurement expenditure of the subsidiary Saras Energia rises to 97% of the total. In particular, more than half of the expenses to suppliers are incurred in the provinces of Madrid (7 million Euro) where the company's registered office is located, and Murcia (1 million Euro) where the coastal hydrocarbons storage facility is located.

SUPPLIERS OF GOODS AND SERVICES

COMPANY	2015		2016		2017	
	NO.	€ M	NO.	€ M	NO.	€ M
<i>Sarlux</i>	693	258	720	340	731	418
<i>Saras Spa</i>	90	15	100	17	131	17
<i>Saras Energia</i>	547	18	496	17	444	15
<i>Sartec</i>	341	7	337	9	362	9
<i>Sardeolica</i>	89	2	79	2	84	3
<i>Deposito di Arcola</i>	138	6	106	3	102	3
Total *	1,760	300	1,838	385	1,752	465

* The total number of the Group's suppliers does not match the sum of the suppliers indicated for each individual company, because some suppliers are common to more than one Group company.

SARLUX LOCAL SUPPLIERS 2017

PARAMETER	MATERIALS			SERVICES			TOTAL		
	NO.	€ M	%**	NO.	€ M	%**	NO.	€ M	%**
<i>Local suppliers</i> *	57	22	14%	119	121	45%	176	143	34%
<i>Other</i>	339	130	86%	216	145	55%	555	275	66%
Total	396	152		335	266		731	418	

* Local refers to firms that have registered offices in Sardinia

**Percentage calculated on the total amount purchased, expressed in million Euro

SUPPLIERS ASSESSMENT

The assessment that the Group performs on current and potential suppliers takes many factors into account, the main ones being the quality of products, respect for the applicable regulations, and the sustainability aspects (environmental protection and compliance with health and safety in the workplace regulations).

Sarlux implemented adequate procedures to formalize the relations with the third parties which interact with the plant's activities, in order to ensure that the personnel working for the third-party companies complies with the Group's policies in the field of health, safety and environmental protection.

In particular, Sarlux highly values the commitment of third-party companies in the achievement and maintaining of quality, environment and safety management system certifications. In 2017, 65.8% of suppliers were ISO 9001 certified, 24.5% ISO 14001 certified, and 23.7% OHSAS 18001 certified.

Each supplier during the qualification procedure requested in order to be admitted to the Group's "vendors' list", is analysed and assessed for the typical activities of its category, and they shall demonstrate that they satisfy the basic legislative requirements regarding administrative, contributory and insurance regularity, and that they operate in a manner which

guarantees protection of health and safety, and respect for the environment, both inside and outside of the Sarroch industrial site.

Suppliers are constantly monitored, even during the stages of renewal and maintenance of their supply contract, and even more so, when approaching the expiry date of the documents and certifications which they provided to Saras.

Before entering the industrial site, the staff of third-party companies, in addition to operating in compliance with their own company's safety plan, receive further basic information on interferential risks regarding the areas of the site in which they shall carry out their activities.

Finally, the Group also performs continuous monitoring of the contributory regularity of its contractors ("DURC Documento Unico di Regolarità Contributiva", i.e. the Single Insurance Contribution Payment Certificate). This periodic activity, looking for "signs of weakness" that normally come before company defaults and identifying actions to be taken each time to minimise the impact of these possible criticalities, has the ultimate goal of keeping high, both the economic competitiveness of the region and the level of local economic development.

CERTIFIED SUPPLIERS BY TYPE OF CERTIFICATION (%)

PARAMETER	2015	2016	2017
<i>ISO 9001 certified</i>	63.5	65.5	65.8
<i>ISO 14001 certified</i>	23.5	24.9	24.5
<i>OHSAS 18001 certified</i>	20.1	23.1	23.7

Economic value generated and distributed

The Saras Group has an international dimension, deriving both from operations on global oil markets and from its shareholders being spread over a broad international scale, but it also has a strong local dimension, as it constitutes a fundamental driving force for the Sardinian economy, generating and distributing economic value to the various categories of stakeholders.

More specifically, in order to obtain the net economic value generated by the Group, one would have to start from total revenues plus the Excise duties collected on behalf of the Public Administration, and deduct the cost of raw materials, the changes in value of the inventory, the cost for services and use of third-party goods, other operating costs, and the net value of financial charges/income.

The large majority of the value generated is paid to the Public Administration in the form of Excise duties and taxes. Between 10% and 15% of value generated is retained by the company (of which most of it goes to depreciation and amortisation), and the remaining part is distributed to personnel, shareholders, capital providers, and the community.

As it can be seen in the table at the bottom of the page, revenues grew in the year 2017 with respect to the year 2016, mainly due to the rise in oil prices, which determine the sale prices of refined products. However, for the same reason, the purchase cost of oil-based raw materials also rose (crude and complementary feedstock).

Services and use of third-party goods also increased, mainly due to the higher cost of maintenance, technical and consultancy services. It should be noted that a significant part of these costs is paid to local suppliers, as detailed in the previous chapter. Other operating costs and Excise duties remained almost unchanged. And finally, the net value of financial charges/income, which includes the effect of derivatives on commodities, interest and exchange rates, turned into a positive contribution to the value generation in 2017, with respect to the negative contribution of the previous financial year. Proceeding in the analysis, an increase in the economic value retained by the company can be noted, equal to the sum of net profit for the year (net of dividends distributed), depreciation, amortisation and deferred taxes.

ECONOMIC VALUE (THOUSANDS OF €)				
		2015	2016	2017
Total revenues		8,237,793	6,869,807	7,687,102
<i>Costs for raw materials and inventory changes</i>		-6,965,696	-5,504,814	-6,401,154
<i>Costs for services and use of third-party goods</i>		-527,923	-534,498	-591,840
<i>Other operating expenses</i>		-28,477	-37,470	-35,557
<i>Net financial charges/income</i>		68,058	-47,855	25,934
<i>Excise duties collected</i>		2,006,204	1,800,020	1,723,100
Net economic value generated	A	2,789,959	2,545,190	2,407,585
Economic value retained	B	472,231	291,559	340,487
<i>of which depreciation and amortisation</i>		245,451	246,739	178,431
Economic value distributed	C=(A-B)	2,317,728	2,253,631	2,067,098
<i>of which to the PA for Excise duties paid</i>		2,001,440	1,796,070	1,718,947
<i>of which to the PA for taxes</i>		126,231	112,469	85,321
<i>of which to Personnel</i>		153,630	148,060	147,067
<i>of which to Shareholders</i>		0	159,122	93,601
<i>of which to Capital Providers</i>		34,785	35,129	20,354
<i>of which to the Community</i>		1,641	2,781	1,808



At last, from the analysis of the various items that comprise the Economic Value Distributed, it can be observed that in the year 2017:

- 83.2% (EUR 1,718.9 million) was paid to the Public Administration, in the form of Excise duties;
- 4.1% (EUR 85.3 million) was paid to the Public Administration in the form of direct and indirect taxes and income taxes;
- 7.1% (EUR 147.1 million) was distributed to the Personnel in the form of salaries, social security contributions, severance payment provisions and other staff costs. This amount translates directly into the spending power of families, thus contributing to generating additional value for the region;
- 4.5% (EUR 93.6 million) was allocated to remunerating Shareholders in the form of dividends;
- 1.0% (EUR 20.3 million) went to Capital Providers, to remunerate loans received. In this regard, we note an important decrease with respect to the year 2016, due to the renegotiation of some credit lines and to the early repayment of bonds (in 2016);
- Finally, about EUR 1.8 million was allocated to the Community in the form of donations, sponsorships, contributions and membership fees.

METHODOLOGICAL NOTE

Saras Sustainability Report for the financial year 2017 is the Consolidated Disclosure of Non-financial Information in accordance with the Legislative Decree No. 254/2016 (DNF), and represents the first document reporting the Group's non-financial impacts. More precisely:

- It has been drafted in accordance with the "Global Reporting Initiative Sustainability Reporting Standards" (in short GRI Standards), made available by the Global Sustainability Standards Board (GSSB), according to the option "In accordance – Core";
- Its purpose is to describe, as regards economic, social and environmental aspects, the activities carried out by the Group, the goals pursued, the performance achieved, and the related risks.
- the social data include the seven main companies of the Group consolidated in the Consolidated Financial Statements;
- the data about suppliers and about absenteeism have been reported by all the companies of the Group, with the exception of Saras Trading whose data are immaterial with regards to these topics;
- the percentage of local suppliers of the Group, calculated on the total amount of procurement expenditures, is only provided for the subsidiaries Sarlux and Saras Energia, as they represent the most significant entities;
- the environmental data, except where explicitly stated, refer to Sarlux because its environmental footprint almost entirely matches that of the Group;
- the air pollutant emissions are calculated from continuous measurements.

REPORTING PROCESS AND SCOPE

The topics addressed within this document are the result of different types of analysis and stakeholder engagement activities carried out by the Group (see section "Priorities for Saras").

The Sustainability Report will be published annually and will be distributed via the communication tools regularly used by the Company. The publication timing is the same as the one of the Financial Statements of Saras SpA and the Group's Consolidated Financial Statements. Furthermore:

- all data, initiatives and projects are related to the period between 01/01/2017 and 31/12/2017 and refer to the companies fully consolidated within the Group's Consolidated Financial Statements, as also required by Legislative Decree no. 254, except as otherwise indicated below or in the various sections of the document. Wherever possible, the same data relating to previous reporting periods are reported by way of comparison, in order to give more detailed information and highlight the main trends and changes that occurred;
- the economic data come from the Financial Statements of Saras SpA and from the Group's Consolidated Financial Statements and therefore include the seven main companies of the Group (Saras, Sarlux, Deposito di Arcola, Sartec, Saras Energia, Sardeolica and Saras Trading);

The calculation of CO₂ emissions from the Sarroch site is performed based on a suitable Monitoring Plan, defined in accordance with the specific European and Italian guidelines, which is based on the evaluation, by means of instrumentation that is constantly subject to checks and calibrations, of fuel consumption and on the application of specific emission factors for each type of fuel. The Monitoring Plan was approved by the Ministry of the Environment with Decision No. 47/2016-DEC ETS-REG with protocol No. 0000051 CLE dated 22/12/2016. The laboratory within Sarlux is one of the leading Italian laboratories operating in a refinery and the third in Italy to obtain accreditation necessary to carry out checks on certain fuels used.

Since this is the first year of the reporting of non-financial information, there are no adjustments or corrections of data, nor changes with regard to the material topics and/or the scope of this reporting.

The Sustainability Report, being the Consolidated Non-Financial Statement, is subjected to limited assurance by the independent company EY. The audit report describing the details of the principles adopted, the activities carried out and their conclusions is shown in the Appendix.

Scope

MATERIAL TOPICS	GRI STANDARDS ASPECTS	PERIMETER	
		INTERNAL	EXTERNAL
<i>Health and safety</i>	Occupational Health and safety	Group	Supply chain
<i>Air and greenhouse gas emissions</i>	Emissions	Sarlux	Supply chain
<i>Energy efficiency</i>	Energy, Emissions	Sarlux	Supply chain
<i>Technological innovation</i>		Group	
<i>Odours</i>	Local communities	Group	
<i>Waste and discharges Management</i>	Effluents and waste	Sarlux	Supply chain
<i>Training and development of human resources</i>	Training and education	Group	
<i>Human resources Management</i>	Employment Labor/Management Relations	Group	
<i>Employment and creation of local value</i>	Local communities Indirect economic impacts Procurement Practices Market presence	Sarlux	
<i>Local community relations</i>	Local communities	Sarlux, Sartec	
<i>Water resources Management</i>	Water	Sarlux	Supply chain

Finally, this DNF was approved by the Board of Directors of Saras S.p.A. on March, 12th, 2018.

Other topics are shown below which, although immaterial based on the analysis, are still considered relevant by Saras and have therefore been reported in the Sustainability Report,

also for the purposes of full compliance with the requests of the Legislative Decree No. 254.

With the exception of the topic linked to occupational health and safety, reporting is not extended to the supply chain.

OTHER RELEVANT TOPICS	GRI STANDARDS ASPECTS	PERIMETER	
		INTERNAL	EXTERNAL
<i>Anti-corruption</i>	Anti-corruption	Group	
<i>Compliance</i>	Environmental Compliance Socio-economic Compliance Customer health and safety	Group	Supply chain
<i>Supplier and procurement management</i>	Supply chain Materials	Group	
<i>Equal opportunities</i>	Diversity and equal opportunities	Group	
<i>Human rights</i>	Non-discrimination	Group	Supply chain
<i>Biodiversity</i>	Biodiversity	Sarlux	

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STANDARD DISCLOSURE		SECTION	PAGE
ORGANISATIONAL PROFILE			
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102-2	<i>Activities, brands, products and services</i>	· Group identity – The Saras Group	14-16
102-3	<i>Headquarters location</i>	· The Saras Group is headquartered in Sarroch (CA)	
102-4	<i>Location of operations</i>	· Group identity – The Saras Group	15
102-5	<i>Ownership and legal form</i>	· Group identity – The Saras Group	23
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GENERAL STANDARD DISCLOSURES

STANDARD DISCLOSURE	SECTION	PAGE
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102-40	<i>List of stakeholder groups</i>	· Sustainability at Saras – Priorities for Saras 11
102-41	<i>Collective bargaining agreements</i>	· Our people – Safety management and the relation with social partners 39, 41
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SPECIFIC STANDARD DISCLOSURES - MATERIAL TOPICS

MANAGEMENT APPROACH AND PERFORMANCE INDICATORS		SECTION	PAGE	OMISSIONS
ECONOMY				
Market presence				
103-1				
103-2	<i>Management approach</i>	· Our People – Human resources management	34	none
103-3				
202-1	<i>Ratios of standard entry level wage by gender compared to local minimum wage</i>	· Our People – Human resources management	41	none
Indirect economic impacts				
103-1				
103-2	<i>Management approach</i>	· Impact on the local community – Local community relations	75	none
103-3				
203-2	<i>Significant indirect economic impacts</i>	· Impact on the local community – Employment and creation of local value	77-78	none
Procurement practices				
103-1				
103-2	<i>Management approach</i>	· Impact on the local community – Suppliers and procurement management	79	none
103-3				
204-1	<i>Proportion of spending on local suppliers</i>	· Impact on the local community – Suppliers and procurement management	81	none
ENVIRONMENT				
Energy				
103-1				
103-2	<i>Management approach</i>	· Sustainability at Saras – Certifications · Sustainable energy	8, 48-49	none
103-3		· Sustainable energy – Energy efficiency and consumption		
302-1	<i>Energy consumption within the organisation</i>	· Sustainable energy – Energy efficiency and consumption	49-50	none
302-3	<i>Energy intensity</i>	· Sustainable energy – Energy efficiency and consumption	51	none
Water				
103-1				
103-2	<i>Management approach</i>	· Sustainability at Saras – Certifications · Sustainable energy	8, 48, 66	none
103-3		· Sustainable energy – Management of water		
303-1	<i>Water withdrawal by source</i>	· Sustainable energy – Management of water	67	none
303-3	<i>Water recycled and reused</i>	· Sustainable energy – Management of water	67	none

SPECIFIC STANDARD DISCLOSURES - MATERIAL TOPICS

MANAGEMENT APPROACH AND PERFORMANCE INDICATORS	SECTION	PAGE	OMISSIONS
Emissions			
103-1 103-2 103-3	<i>Management approach</i>	<ul style="list-style-type: none"> · Sustainability at Saras – Certifications · Sustainable energy · Sustainable energy – Greenhouse gases and air pollutant emissions 	8, 48, 54 none
305-1	<i>Direct (Scope 1) GHG emissions</i>	<ul style="list-style-type: none"> · Sustainable energy – Greenhouse gases and air pollutant emissions 	56 none
305-7	<i>Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions</i>	<ul style="list-style-type: none"> · Sustainable energy – Greenhouse gases and air pollutant emissions 	54-55 none
Effluents and waste			
103-1 103-2 103-3	<i>Management approach</i>	<ul style="list-style-type: none"> · Sustainability at Saras – Certifications · Sustainable energy · Sustainable energy – Management of water · Sustainable energy – Waste and spills 	8, 48, 60 none
306-1	<i>Water discharged by quality and destination</i>	<ul style="list-style-type: none"> · Sustainable energy – Management of water 	67 none
306-2	<i>Waste by type and disposal methods</i>	<ul style="list-style-type: none"> · Sustainable energy – Waste and spills 	60-63 none
306-3	<i>Significant spills</i>	<ul style="list-style-type: none"> · Sustainable energy – Waste and spills 	63 none
306-4	<i>Transport of hazardous waste</i>	<ul style="list-style-type: none"> · Sustainable energy – Waste and spills 	61-62 none
SOCIAL			
Employment			
103-1 103-2 103-3	<i>Management approach</i>	<ul style="list-style-type: none"> · Our People – Human resources management 	34 none
401-1	<i>New employee hires and employee turnover</i>	<ul style="list-style-type: none"> · Our People – Human resources management 	37-38 none
401-2	<i>Benefits provided to full-time employees that are not provided to temporary or part-time employees</i>	<ul style="list-style-type: none"> · Our People – Health and safety, Human resources management · Our People – Human resources management 	30, 33, 41-42 none
Labor/Management relations			
103-1 103-2 103-3	<i>Management approach</i>	<ul style="list-style-type: none"> · Our People – Human resources management 	34 none
402-1	<i>Minimum notice period regarding operational changes</i>	<ul style="list-style-type: none"> · Our people – Safety management and the relation with social partners 	46-47 none

SPECIFIC STANDARD DISCLOSURES - MATERIAL TOPICS

MANAGEMENT APPROACH AND PERFORMANCE INDICATORS	SECTION	PAGE	OMISSIONS
Occupational Health and safety			
103-1 103-2 103-3	<i>Management approach</i>	<ul style="list-style-type: none"> · Sustainability at Saras – Certifications · Our people – Health and safety 	8, 30 none
403-2	<i>Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities</i>	<ul style="list-style-type: none"> · Our people – Health and safety 	31-32 none
403-3	<i>Workers with high incidence or high risk of diseases related to their occupation</i>	<ul style="list-style-type: none"> · Our people – Health and safety 	33 none
403-4	<i>Health and safety topics covered in formal agreements with trade unions</i>	<ul style="list-style-type: none"> · Our people – Health and safety 	30 none
Training and education			
103-1 103-2 103-3	<i>Management approach</i>	<ul style="list-style-type: none"> · Our people – Training and development 	43-44 none
404-1	<i>Average hours of training per year per employee</i>	<ul style="list-style-type: none"> · Our people – Training and development 	44-45 none
Local communities			
103-1 103-2 103-3	<i>Management approach</i>	<ul style="list-style-type: none"> · Sustainability at Saras – Certifications · Impact on the local community – Local community relations 	8, 75 none
413-1	<i>Operations with local community engagement, impact assessments, and development programs</i>	<ul style="list-style-type: none"> · Impact on the local community – Local community relations 	76-78 none
Technological innovation			
103-1 103-2 103-3	<i>Management approach</i>	<ul style="list-style-type: none"> · Sustainable energy – Technological innovation 	70 none

SPECIFIC STANDARD DISCLOSURE – OTHER RELEVANT TOPICS

MANAGEMENT APPROACH AND PERFORMANCE INDICATORS	SECTION	PAGE	OMISSIONS
ECONOMY			
Anti-corruption			
103-1 103-2 103-3	<i>Management approach</i>	· Group identity – Prevention of corruption	28 none
205-2	<i>Communication and training about anti-corruption policies and procedures</i>	· Group identity – Prevention of corruption · Our people – Training and development	28, 44 none
205-3	<i>Confirmed incidents of corruption and actions taken</i>	· Group identity – Prevention of corruption	28 none
ENVIRONMENT			
Materials			
103-1 103-2 103-3	<i>Management approach</i>	· Impact on the local community – Suppliers and procurement management	79 none
301-1	<i>Materials used by weight or volume</i>	· Impact on the local community – Suppliers and procurement management	79 none
Biodiversity			
103-1 103-2 103-3	<i>Management approach</i>	· Sustainability at Saras – Certifications · Sustainable energy	8, 48 none
304-1	<i>Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas</i>	· Sustainable energy – Biodiversity	68-69 none
Environmental compliance			
103-1 103-2 103-3	<i>Management approach</i>	· Identity of the Group – Internal Control and Risk Management System	24-25 none
307-1	<i>Non-compliance with environmental laws and regulations</i>	· Identity of the Group – Internal Control and Risk Management System	25 none

SPECIFIC STANDARD DISCLOSURE – OTHER RELEVANT TOPICS				
MANAGEMENT APPROACH AND PERFORMANCE INDICATORS		SECTION	PAGE	OMISSIONS
SOCIAL				
Diversity and equal opportunities				
103-1				
103-2	<i>Management approach</i>	· Our people – Human resources management	34,36	none
103-3				
405-1	<i>Diversity of governance bodies and employees</i>	· Group identity – Governance · Our people – Human resources management	22 36-37	none
Non-discrimination				
103-1				
103-2	<i>Management approach</i>	· Our people – Human resources management	34	none
103-3				
406-1	<i>Incidents of discrimination and corrective actions taken</i>	· Our people – Human resources management	36	none
Customer Health and safety				
103-1				
103-2	<i>Management approach</i>	· Identity of the Group – Internal Control and Risk Management System	24-25	none
103-3				
416-2	<i>Incidents of non-compliance concerning the health and safety impacts of products and services</i>	· Identity of the Group – Internal Control and Risk Management System	25	none
Socio-economic compliance				
103-1				
103-2	<i>Management approach</i>	· Identity of the Group – Internal Control and Risk Management System	24-25	none
103-3				
419-1	<i>Non-compliance with laws and regulations in the social and economic area</i>	· Identity of the Group – Internal Control and Risk Management System	25	none



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Independent auditors' report on the consolidated disclosure of non-financial information in accordance with article 3, par. 10, of Legislative Decree December 30, 2016, n. 254 and with article 5 of Consob Regulation adopted with Resolution 20267 (Translation from the original Italian text)

To the Board of Directors of
Saras S.p.A.

We have performed a limited assurance engagement pursuant to article 3, paragraph 10, of Legislative Decree December 30, 2016, n. 254 (hereinafter "Decree") and article 5 of Consob Regulation adopted with Resolution 20267, on the consolidated disclosure of non-financial information of Saras S.p.A. and its subsidiaries (hereinafter the "Group") for the year ended on December 31, 2017 in accordance with article 4 of the Decree and approved by the Board of Directors on March 12, 2018 (hereinafter "DNF").

Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" ("GRI Standards"), identified by them, in the Methodological Note, as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or non-intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.



Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the GRI Standards. Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This standard requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant topics in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the DNF with those included in the Saras Group's consolidated financial statements;
4. understanding of the following aspects:
 - o Group's management and organization business model, with reference to the management of the topics indicated in article 3 of the Decree;
 - o policies adopted by the Group related to the matters indicated in art. 3 of the Decree, results achieved and related key performance indicators;
 - o main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

With regards to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below.



5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.

In particular, we have conducted interviews and discussions with the management of Saras S.p.A. and with the personnel of Sarlux S.r.l. and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

Furthermore, for significant information, considering the Group activities and characteristics:

- at Group level
 - a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
 - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- for the subsidiary Sarlux S.r.l. (Sarroch refinery), that we have selected based on its activities, relevance to the consolidated performance indicators and location, we have carried out a site visit during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Saras Group for the year ended on December 31, 2017 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

Other Information

The comparative information presented in the DNF for the years ended December 31, 2016 and 2015 have not been examined.

Milan, March 26, 2018

EY S.p.A.
Signed by: Alberto Romeo, Partner

This report has been translated into the English language solely for the convenience of international readers.

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*We would like to thank all the colleagues of the Saras Group
who worked together to create this Report.*



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