



**ANNUAL CORPORATE GOVERNANCE REPORT AND  
INFORMATION ON THE OWNERSHIP STRUCTURE –  
2021 Financial year**

PURSUANT TO ART. 123-*bis* OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY  
1998 (“TUF” – Consolidated Financial Law).

March 2022

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

## ISSUER'S PROFILE

Saras S.p.A. ("Saras" or "Company") adheres to the Corporate Governance Code approved by the *Corporate Governance* Committee promoted, among others, by Borsa Italiana S.p.A. published in January 2020 ("Corporate Governance Code" or "Code"). It provides, inter alia, that companies that adopt it “*apply it starting from the first financial year that starts after 31 December 2020, informing the market in the report on corporate governance to be published in 2022*”.

The Code is accessible to the public on the Borsa Italiana SpA website at <https://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>.

In consideration of application of the 2020 Corporate Governance Code starting from 1 January 2021, the following paragraphs clarify, where necessary, application of the respective recommendations and application methods, including those introducing improvement, resolved by the Board of Directors. Specifically, they describe - according to the “*comply or explain*”<sup>1</sup> principle, which is the foundation of the Code - the main features of Saras’ *corporate governance* system and the operation of its various components, especially as regards compliance with the recommendations contained in the Corporate Governance Code.

Saras is aware that an efficient corporate governance system is one of the essential elements for achieving the objectives of creating sustainable value. In particular, the Board of Directors of the Company plays a central role in defining corporate strategies and processes helpful for achieving the main objective of sustainable success aimed at creating long-term value for the stakeholders. The methods with which the Board interprets this role are explained in this Report, in particular in chapters 2 of Section I and 1 and 3 of Section II below, to which the reader is referred.

On the subject of sustainable success, in 2021 as well Saras not only published the non-financial statement pursuant to Italian Legislative Decree no. 254/2016 on a mandatory basis and its Sustainability Policy - as better described in chapter 2 of Section I - but it used the materiality analysis provided for by the GRI Standards to identify the areas of greater interest and with greater risks-opportunities for the purpose of developing business and creating sustainable value (as better described hereunder).

This report has been prepared in accordance with Article 123-*bis*, first paragraph of Legislative Decree no. 58 of 24 February 1998, as subsequently amended (“TUF” – Consolidated Financial Law).

This report was approved by the Board of Directors of Saras (“Board”) at the meeting on 14 March 2022, to be made available to shareholders, also by means of publication on the Company website (<https://www.saras.it/en>), in view of the meeting called to approve the financial statements for the financial year ended on 31 December 2021. The report refers

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<sup>1</sup> Adherence to the Corporate Governance Code is voluntary and issuers may neglect all or part of its Recommendations. Nevertheless, the reasons for any non-application are justified in the Corporate Governance Report in keeping with the *comply or explain* principle envisaged by Art. 123-bis of the TUF.

to the 2021 financial year and, where relevant, also to corporate events occurring in 2022 until its approval date.

Saras does not fall under the definition of SME pursuant to Article 1, paragraph 1, letter w-quater.1), of the TUF and Article 2-ter of Consob Regulation no. 11971/1999 as amended ("Issuers' Regulations" or "IR").

# Summary

Issuer's Profile	2
SEZIONE I	6
1. Assetti Proprietari	6
2. Organizzazione della Società	9
3. Compliance al codice di Corporate Governance (Gennaio 2020) (ex art. 123-bis, comma 2, lett. a) TUF)	11
SEZIONE II	122
1. Il Consiglio di Amministrazione	122
1.1. Ruolo e compiti del Consiglio di Amministrazione	12
1.2. Composizione del Consiglio di Amministrazione	14
1.3. Funzionamento e riunioni del Consiglio	19
1.4. Ruolo del Presidente del Consiglio di Amministrazione	19
1.1.4. Segretario del Consiglio	20
1.5. Deleghe all'interno del Consiglio	21
1.6. Informativa al Consiglio	21
1.7. Amministratori non esecutivi e indipendenti	22
1.8. Lead Independent Director e riunioni degli amministratori indipendenti	22
1.9. Gestione delle informazioni societarie	23
1.10. Valutazione sulla composizione del Consiglio e dei Comitati	23
2. Comitati interni al Consiglio	26
2.1. Comitato per la Remunerazione e le nomine	26
2.2. Comitato Controllo Rischi e Sostenibilità	29
2.3. Comitato Parti Correlate	32
2.4. Comitato di Indirizzo e strategie	33
3. Remunerazione degli amministratori e dei dirigenti con responsabilità strategiche	323
4. Il Sistema di Controllo interno e di gestione dei rischi	35
4.1. Responsabile della Funzione Internal Audit	37
4.2. Modello di Organizzazione ex D. Lgs. 231/2001	40
4.3. Società di Revisione	42
4.4. Dirigente preposto alla redazione dei documenti contabili	42
5. Trattamento delle informazioni societarie	43
6. Procedura Internal Dealing	444
7. Interessi degli amministratori e operazioni significative e con parti correlate	444
8. Informazioni Finanziarie Aggiuntive ai sensi del novellato art. 82-ter del Regolamento Emittenti	455

9. Collegio Sindacale	
466	
10. Rapporti con gli azionisti	48
10.1 Accesso alle informazioni	48
10.2 Dialogo con gli azionisti	48
11. Assemblee	49
12 Cambiamenti della chiusura dell'esercizio di riferimento	50
13. Considerazioni in merito alla Lettera del 3 dicembre 2021 del Presidente del Comitato per la Corporate Governance	50
<b>ALLEGATI</b>	
Table 1 – Information on the ownership structure as at 31/12/	55
Table 2 – Structure of the Board of Directors as at 31/12/2021	57
Table 3 - Structure of the board committees as at 31/12/2021	58
Table 4 - Structure of the Board of Statutory Auditors as at 31/12/2021	
59	

## SECTION I

### 1. Ownership Structure

The Company's subscribed and paid-up share capital comprises 951,000,000 ordinary registered shares, fully paid up, with voting rights at both ordinary and extraordinary shareholders' meetings.

Based on the findings in the shareholders' register and public information or information available to the Company on the publication date of this report, there are no parties whose Company share capital ownership exceeds 3%<sup>2</sup>, except (i) Massimo Moratti S.p.A. di Massimo Moratti, which owns a 20.011% stake in the Company's share capital (ii) STELLA HOLDING S.p.A.<sup>3</sup>, which owns a 10.005% stake in the Company's share capital, (iii) ANGEL CAPITAL MANAGEMENT S.p.A., which owns a 10.005% stake in the Company's share capital, (iv) PLATINUM INVESTMENT MANAGEMENT LTD, which holds a 5.208% stake in the Company's share capital, and (v) URION HOLDINGS (MALTA) LIMITED which owns a 3.010% stake in the Company's share capital.

By virtue of the shareholders' agreement signed on 30 March 2022 between STELLA HOLDING S.p.A., ANGEL CAPITAL MANAGEMENT S.p.A. and Massimo Moratti S.p.A. di Massimo Moratti (the "Saras Agreement") with regard to the shares they each own in Saras<sup>4</sup>, it should be noted that the three companies exercise joint control over the issuer (also available on the website, <https://www.saras.it/en>).

For detailed information on the above, please refer to Table 1 ("*Information on the ownership structure as at 31/12/2021*") annexed to this Report.

The company holds no treasury shares<sup>5</sup>.

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<sup>2</sup> In compliance with the provisions of Art. 117 of the Issuers' Regulations.

<sup>3</sup> It should be noted that, as per the press release of 1 July 2019 published on the site [www.saras.it](http://www.saras.it), on 24 June 2019, a deed was stipulated for the full non-proportional spin-off of the company Mobro S.p.A. ("Mobro") in favour of the companies Angel Capital Management S.p.A. ("ACM") and Stella Holding S.p.A. ("Stella"). The aforementioned spin-off determined the winding-up of Mobro and the allocation of Saras shares already held by Mobro to ACM and Stella, which became holders of 95,152,280 and 95,152,279 Saras S.p.A. shares respectively. From 3 July 2019, the effective date of the spin-off, Stella and ACM took over Mobro's position as the sole party of the original shareholders' agreement signed with Saras uninterruptedly.

<sup>4</sup> It is acknowledged that the shareholders' agreement originally signed on 1 October 2013 by Gian Marco Moratti S.p.A. di Gian Marco Moratti, later named Mobro S.p.A., and Massimo Moratti S.p.A. di Massimo Moratti (as afterwards amended and supplemented on 24 June 2019 to incorporate the effects of the total non-proportional demerger of Mobro S.p.A. in favour of Angel Capital Management S.p.A. and Stella Holding S.p.A.) was mutually terminated with the signing of the Saras Agreement on 30 March 2022.

<sup>5</sup> As a consequence of the resolution of the Shareholders' Meeting of 12 May 2021 on the 2018-2021 Stock Grant Plan, Saras SpA has assigned and delivered all treasury shares in its portfolio, on 31/12/2020, equal to 9,220,216, to the beneficiaries of this plan.

Furthermore, the following is noted:

- 1) there are no share transfer restrictions;
- 2) no shares or securities have been issued granting special control rights;
- 3) there is no specific mechanism for exercising voting rights in the case of employee share ownership;
- 4) there are no voting right restrictions;
- 5) there is a shareholders' agreement<sup>6</sup> pursuant to Art. 122, paragraph 5, letters (a) and (b) of the TUF filed with the Companies' Register of Cagliari on 1 April 2022, communicated to Consob and available as an extract on the website, [www.saras.it](http://www.saras.it);
- 6) based on the communications received from the Company pursuant to Art. 120 of the TUF, the subjects that are, either directly or indirectly, holders of relevant shareholdings (pursuant to Art. 123-bis, paragraph 1, letter c), TUF) that exceed 3% of the share capital subscribed and paid up, are those indicated in Table 1 attached to this Report;
- 7) the following is worth noting with regard to significant agreements entered into by Saras or its subsidiaries that could become effective, be amended or terminated in the event of a change in the Company's control:
  - the financing agreement signed on 12 February 2020, amounting to EUR 50 million and expiring in August 2023;
  - the revolving credit line signed with a pool of banks on 5 February 2020 for an amount of EUR 305 million and expiring in February 2025;
  - the private debenture loan of € 200 million signed on 28 December 2017 for a term of 5 years and expiring in December 2022;
  - the loan agreement signed with a pool of banks on 23 December 2020 for EUR 350 million and expiring in December 2024;

they provide for the right of withdrawal in favour of lending banks and the right for bondholders to ask for the early repayment of the debt securities held if:

(i) Messrs Massimo Moratti, Angelo Moratti, Angelomario Moratti, Gabriele Moratti, Giovanni Emanuele Moratti and their spouses, children and descendants individually or collectively, directly or indirectly (also through ANGEL CAPITAL MANAGEMENT S.p.A., STELLA HOLDING S.p.A.<sup>7</sup> and Massimo Moratti S.p.A. di Massimo Moratti) (the "Shareholders"), cease to hold more than 30% of Saras' shares with voting rights;

(ii) any person (other than a Shareholder) or group of people acting together (other than any group in which one or more Shareholders (a) represent the majority of the

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<sup>6</sup>See note 4.

<sup>7</sup> See note 2.

shares with voting rights or other interests in this group and (b) such Shareholders are owners or, either directly or indirectly, hold more than 30% of the Beneficiary's shares with voting rights) obtains the right (both directly and indirectly) to:

- (A) appoint or remove several directors (or other equivalent offices) of Saras with respect to those that the Shareholders have the right to appoint or remove; or
- (B) exercise, together, a percentage of votes at the ordinary shareholders' meeting of Saras, higher than the one that can be exercised by the Shareholders; or
- (C) exercise, in any case, control (as defined in Art. 93 of Legislative Decree no. 58 of 24 February 1998, as subsequently amended) over the Beneficiary.

- 8) there are no agreements between the Company and the directors providing for compensation in the event of resignation or dismissal without just cause or termination of the relationship as a result of a takeover bid;
- 9) the appointment and replacement of directors are governed by Art. 18 of the Articles of Association, published on the Company website (<https://www.saras.it/en>). Refer to the corresponding paragraphs (section II, paragraph 1.2) of this Report;
- 10) the Articles of Association may be amended by a resolution of the extraordinary shareholders' meeting. For the valid constitution of the shareholders' meeting, legal provisions apply and decisions relating to the amendment of the Articles of Association are taken by the extraordinary shareholders' meeting with the majorities required by the law;
- 11) mandates to decide on share capital increases pursuant to Art. 2443 of the Italian Civil Code have not been awarded to the Board



## 2. Company Organisation

The corporate organisation of Saras S.p.A. complies with the provisions of the Italian Civil Code and with other regulations specific to corporations, and in particular with those contained in the TUF, and reflects in its entirety, the adoption of the recommendations of the Code.

The Company has adopted the 'traditional' management system which comprises:

- a Board of Directors responsible for the business management, within which a Remuneration and Nomination Committee, Risk Control and Sustainability Committee and Steering and Strategies Committee have been established;<sup>8</sup>
- and a Board of Statutory Auditors, called, inter alia, (i) to oversee compliance with the law and the Articles of Association, as well as with management best practices when performing company activities and (ii) to also check the adequacy of the organisational structure, the internal control system and the Company's administration and accounting system;
- a Shareholders' Meeting - whether Ordinary or Extraordinary - which is authorised to resolve, inter alia, on (i) the appointment and removal of members of the Board of Directors and the Board of Statutory Auditors and related remuneration and responsibilities, (ii) the approval of the financial statements and the allocation of profit, (iii) the purchase and sale of own shares, (iv) the amendments of the Articles of Association and (v) the issue of convertible debentures.

On 28 April 2015, the audit firm EY S.p.A ("EY") was appointed by the Shareholders' Meeting to audit its annual and consolidated financial statements for the financial years 2015-2023, and undertake the limited audit of the half-yearly reports for the same period.

Also note that, in line with the assessment made by the Company, the subsidiaries Sarlux S.r.l., Saras Ricerche e Tecnologie S.r.l., Sardeolica S.r.l. and Deposito di Arcola S.r.l. also appointed EY to audit their financial statements for the 2015-2023 financial years.

Saras also prepared the Group Sustainability Report for the year 2021, which constitutes the Consolidated Statement of Non-Financial and Diversity Information (known as the DNF) pursuant to Italian Legislative Decree 254/2016, considered an important management tool for the sustainability and communication process with the Stakeholders.

This document was drafted according to the "*Global Reporting Initiative Sustainability Reporting Standards*" (GRI Standard), made available by the Global Sustainability Standards Board (GSSB), according to the "*in accordance - core*" option, and aims to describe, in relation to social, environmental and economic aspects, the activities carried out by the Group, the objectives set, and the performance achieved, as well as any risks associated with the non-achievement of the aforementioned objectives. The Group

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<sup>8</sup> The Remuneration and Nomination Committee was also conferred the duties that pertain to the Related-Party Committee to be carried out every time it should be necessary in accordance with the provisions of the related Procedure adopted by the Company pursuant to Art. 2391-bis of the Italian Civil Code as implemented by Consob Regulation adopted by resolution no. 17221 of 12 March 2010 as amended;

recognises the ever-increasing importance of ESG aspects in defining the value of the company, and has therefore undertaken a multi-year process of transparency, sharing and proactive comparison with all its stakeholders, in order to accurately represent, in detail, the strategies focussed on guaranteeing its economic growth and the sustainable development of its business.

In 2021, identification of the Sustainability topics was totally renewed to take into consideration any changes in priority caused by the lengthy two-year period of the pandemic. Therefore, a "long list of important topics" in the Sustainability area was drawn up and then subjected to a "*benchmark analysis*", i.e. compared with the topics primary Italian and international companies operating in industrial sectors similar to those in which the Saras Group is active have identified. As every year, in the 2021 financial year the Group used the materiality analysis required by the GRI Standards to identify the areas of greatest interest and with greatest risks-opportunities, for the purposes of business development and the creation of sustainable value.

15<sup>9</sup> significant topics were identified for the year 2021. Later, between December 2021 and January 2022, the "Engagement" process was carried out with 287 internal stakeholders<sup>10</sup> and an additional 75 external stakeholders<sup>11</sup>, and with this comparison the priorities were assigned and it was possible to establish the so-called "Materiality" as established by the GRI Standards.

The 2021 Sustainability Report of the Saras Group, available on the website <https://www.saras.it/en><sup>12</sup>, provides extensive details on these issues and is considered, also within the Board, a valuable tool that the Group shares with its stakeholders, to describe its own sustainable activity, and to represent its values and strategic objectives.

Furthermore, it is acknowledged that in consideration of the fact that in recent years the number of Italian and international companies that have a public Sustainability Policy easily accessible to all Stakeholders has grown, at the end of 2021 also the Saras Group prepared this document, previously submitted to the review of the Control, Risk and Sustainability Committee and finally approved by the Board of Directors of Saras at its meeting held on 16 February 2022.

The Saras Sustainability Policy, which applies to all Group companies, draws inspiration from the United Nations Sustainable Development Goals (SDGs) and from the Group's own values, as they are also expressed in the Code of Ethics and the corporate Purpose. It formalises the Company's strategies, objectives, models of conduct and commitments aimed at improving its Sustainability performance, optimum management of the "ESG"

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<sup>9</sup> These topics include (1) Protection of Health and Safety, (2) Emissions into the Atmosphere, (3) Greenhouse Gas, (4) Energy Efficiency, (5) Waste and Discharge Management, (6) Technological Innovation, (7) Creation of Shared Value and Participatory Relationships with the Stakeholders, (8) Supply of Electricity, (9) Management, Development and Upgrading of the Human Resources, (10) Management of the Water Resource, (11) Management of Suppliers, (12) Integration of the Principles of Circular Economy in the Business Processes, (13) Cybersecurity & Privacy, (14) Governance, Ethics, Anti-corruption and Respect for Human Rights and (15) Protection of Biodiversity

<sup>10</sup> Employees of different levels, middle management, managers and top management of the Company.

<sup>11</sup> Suppliers of goods and services, local communities, media, schools and universities, trade unions, entities, institutions and representatives of the international financial community.

<sup>12</sup> The 2021 Sustainability Report of the Saras Group, found on the Saras website at the link: [https://www.saras.it/sites/default/files/documents\\_attachments/bds-saras2020-11mag2021-medres.pdf](https://www.saras.it/sites/default/files/documents_attachments/bds-saras2020-11mag2021-medres.pdf)

topics in which the company is involved, and the creation of value shared with its Stakeholders.

The Saras Sustainability Policy is publicly available on the corporate website [www.saras.it](http://www.saras.it), in the Sustainability section.

### **3. Compliance with the Corporate Governance Code (pursuant to Art. 123-bis, paragraph 2, letter a) of the TUF)**

Saras adheres to and complies with the recommendations of the Corporate Governance Code published in January 2020 and promoted by, among others, Borsa Italiana S.p.A. currently in force and accessible to the public on the website of the Corporate Governance Committee at <http://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf>.

Saras is subject to the application, as a listed company, of the recommendations of the Code.

In particular, regarding the classification of the listed companies with respect with the categories identified by the Code, it is acknowledged that the recommendations specifically set forth for Companies with Concentrated Ownership<sup>13</sup> apply to Saras, but not those for Large Companies<sup>14</sup>.

This Report is also drafted on the basis of the format proposed by Borsa Italiana.

At the date of publication of this Report, non-Italian legal provisions which could potentially influence the Company corporate governance structure do not apply to Saras or its subsidiaries of strategic relevance.

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<sup>13</sup> Please see notes 2 and 3. In particular, note that pursuant to the Code, Companies with Concentrated Ownership are “companies in which one or more shareholders participating in a shareholders' voting agreement have, directly or indirectly (through subsidiaries, trust companies or third parties), the majority of votes they can exercise in an ordinary shareholders' meeting. Companies that lose the status of “Companies with Concentrated Ownership” can no longer make use of the proportionality measures established for such category starting from the second financial year after the relevant size condition occurs.”

<sup>14</sup> The Code defines Large Companies as “companies whose capitalisation was greater than EUR 1 billion on the last open market day of each of the three previous solar years. Companies that take on the status of “large company” starting from 31 December 2020 apply the principles and recommendations addressed to this category of companies starting from the second financial year after the relevant size condition occurs”.

## SECTION II

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

#### **1. The Board of Directors**

##### **1.1. Role and duties of the Board of Directors**

Pursuant to the law and the Articles of Association, the Company's management rests with the Board of Directors that operates and is organised in such a way as to guarantee the effective and efficient performance of its functions, since it is invested for that purpose with all the broadest management powers, apart from those that by law or the Articles are reserved to the Shareholders' Meeting.

The Board of Directors plays a central role in guiding and managing the Company. The definition of the duties of the Board of Directors takes account of the recommendations set out in Article 1 of the Code.

In particular, the Board, in addition to the other duties and legal powers:

- may delegate its powers to the Chair and/or one of the directors and/or an executive committee pursuant to Art. 2381 of the Italian Civil Code;
- may form one or more committees and/or boards to which specific functions or part of its powers can be delegated within the legal limits, also for the purpose of adjusting the corporate governance system to the Code;
- decides, having examined the proposals of the relevant committee and after consultation with the Board of Statutory Auditors, on the remuneration of managing directors and those who hold certain offices;
- examines and approves the business and financial plans of the Company and group to which it belongs ("Group"), also based on the analysis of the important topics for the generation of long-term value conducted with the possible support of a committee whose composition and functions are determined by the administration body;
- defines the Company's corporate governance system and the Group's structure;
- defines the nature and level of risk compatible with the Company's strategic objectives, including all elements that might become important in the perspective of the Company's sustainable success in its assessments;
- may resolve upon: (i) the merger in the cases provided for by Articles 2505 and 2505-*bis* of the Italian Civil Code; (ii) the establishment or closure of secondary offices; (iii) the indication of which directors, besides the chairman, have the power to represent the

Company, (iv) the reduction of the share capital in the event of the withdrawal of a shareholder, without prejudice to the case provided for in the last paragraph of Art. 2437-*quater* of the Italian Civil Code; (v) adjustments to the Articles of Association to comply with legal regulations; (vi) the transfer of the registered office within the national territory; (vii) the reduction in capital due to losses as stated in Art. 2446 of the Italian Civil Code;

- assesses the general performance of operations, especially taking account of information received from bodies with delegated powers, as well as periodically comparing the results achieved with those planned;
- examines and approves, in advance, the most significant transactions of Saras and of the Group, indirectly identified through the appropriate limits set on the powers conferred to the Chairman and the Chief Executive Officer;
- assesses the adequacy of the organisational, administrative and accounting structure of the Company and subsidiaries having strategic importance set up by the managing directors, with particular reference to the internal control and risk management system;
- in line with what Recommendation 22 of the Code suggests, performs, at least every three years in view of its renewal, an assessment of the functioning of the Board and its committees as well as their size and composition also taking account of the professional background, experience, including managerial, and the gender of its members, as well as their seniority in terms of office;
- expresses its guidance in relation to the maximum number of directorships and auditor posts held by its members in other listed companies, namely in financial, banking, insurance companies or large enterprises;
- appoints, after consulting the Board of Statutory Auditors, a Designated manager responsible for drafting company accounting documents choosing among the Company's executives with proven experience in accounting and finance;
- formulates proposals to be submitted to the shareholders' meeting and reports to the shareholders' meeting.

The following paragraphs provide a detailed description of the composition and functioning of the Board as well as its actual implementation of the tasks and duties listed above.

At the meeting on 14 March 2022, the Board assessed the general operating performance and the adequacy of the organisational, administrative and accounting structure of the Company and of the subsidiaries of strategic relevance, with particular reference to the internal control and risk management system.

In its first meeting on 19 May 2021 following the appointment by the ordinary shareholders' meeting held on 12 May 2021, the Board approved its Regulation in compliance with the suggestions of Recommendation no. 11 of the Corporate Governance Code. With the

adoption of said Regulation - implementing also the suggestion that emerged during the Board Evaluation regarding 2020 to bring forward and regulate the time frame necessary for sharing documentation preparatory for discussion and examination of the various items for discussion on the agenda with directors and auditors - the rules of functioning of the Board of Directors were predetermined and defined, including the methods for taking minutes of the meetings and the procedures for managing the pre-board disclosure to the directors and appointing a Secretary, in line with the suggestion contained in Recommendation no. 18.

## 1.2. Members or the Board of Directors

The Articles of Association state that the shareholders' meeting fixes the number of members of the Board of Directors between a minimum of three and a maximum of fifteen members.

The Articles of Association state that the Board is elected by the shareholders' meeting through a list voting mechanism to enable the list that obtained the second best result, and not in any way connected to the majority list, to choose a director.

The lists of candidates will be presented by shareholders who, alone or together with other shareholders, represent at least 2.5% (two point five per cent), or a different measure established according to legislation in force at the time, of share capital consisting of shares with voting rights at the ordinary shareholders' meeting.

The lists of candidates must be filed at the registered office no later than the 25th day prior to the date of the first call of the shareholders' meeting.

The number of members of the Board will be equal to the number of candidates (from three to fifteen) indicated in the list that obtains the most votes.

The Articles of Association state that declarations by each of the candidates, together with each list, must be filed at the registered office, attesting, under their own responsibility, to the non-existence of causes of ineligibility and incompatibility, as well as confirming compliance with the requirements of current legislation and the current Articles of Association relating to the role of Company director.

In addition to the above lists and declarations, shareholders are also invited to file the additional documentation required by Art. 144-*octies* of the Issuers' Regulations at the registered office. The names of the candidates, together with information about their background, will also be promptly published on the Company website and through the authorised storage mechanism the Company subscribes to.

In determining the composition of the Board of Directors and in complying with what Principle VII of the Code suggested, the Company applies the criteria of diversity, including with regard to gender, in respect of the priority objective of adequate expertise and professionalism of its members. In particular, the lists for election that present a number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that a quota of candidates (rounded up) at least equal to the

number prescribed by the applicable regulations governing gender balance belongs to the less-represented gender.

In addition, if that does not actually ensure a composition of the Board of Directors that conforms to the applicable regulations governing gender balance, the candidate from the less represented gender elected last in progressive order in the list that obtained the highest number of votes is replaced by the first candidate from the less-represented gender not elected from said list, according to the progressive order in which they appear. If this procedure also does not guarantee a Board of Directors that conforms to the regulations governing gender balance, the shareholders' meeting, based on a relative majority, shall make a replacement, based on the prior presentation of the applications of the persons belonging to the less-represented gender.

In fact, with regards to 2021, 5 of the 12 members of the Board of Directors are of the less-represented gender.

In order to ensure the election of at least one director from a minority group, the Company sets forth that in addition to the candidates from the list that obtained the highest number of votes (excluding the last one), the first candidate is also elected from the list that obtained the second highest number of votes and who is not connected, in any way, including indirectly, with the shareholders who presented or voted on the list ranked first in terms of number of votes.

Should one or more vacancies occur on the Board during the financial year, Article 2386 of the Italian Civil Code shall apply. Article 18, paragraph 12 of the Articles of Association regulates the possibility of replacing a departed director and, especially if the departed director had been taken from the second list that received the most votes, the replacement will be made by nominating a person taken, in progressive order, from the same list the departed director belonged to, if still eligible and prepared to accept the role. To confirm the director co-opted by Board resolution, i.e. by nomination of another director to replace them, procedures similar to those described above are followed at the subsequent shareholders' meeting. If the co-opted director, or the director they replace, had, on the other hand, been taken from a minority list, the shareholder representing the largest percentage of the share capital present at the meeting and shareholders linked to them, even indirectly, will not be able to vote. After the vote, the elected candidate will be the candidate with the most votes. The term of the new director will expire at the same time as that of the directors in place at the time of appointment, and they will be subject to the same laws and Articles of Association that apply to the other directors.

Every time that the majority of members of the Board resign their role for any cause or reason, the entire Board shall be deemed to have resigned and a shareholders' meeting must be called without delay by the directors remaining in office to reconstitute the Board.

Saras also communicates that it has not adopted Succession Plans for executive directors.

The Board in office on 31 December 2021, appointed with the list vote by the Saras ordinary shareholders' meeting on 12 May 2021, comprised a total of 12 directors, of which 2 were executive and 10 were non-executive directors (see table *sub I*), of whom six were

independent non-executive directors: Gilberto Callera, Adriana Cerretelli, Laura Fianza, Francesca Luchi, Monica de Virgiliis and Isabelle Harvie-Watt.

On 31 December 2021, therefore, the Board, whose term of office expires on the date of approval of the financial statements as at 31 December 2021, was comprised of the 12 members indicated below:

Massimo Moratti	Chair Member of the Steering and Strategies Committee
Dario Scaffardi	<i>Chief Executive Officer</i> General Manager Member of the Steering and Strategies Committee
Angelo Moratti	Director Chair of the Steering and Strategies Committee
Gilberto Callera	Independent Director Chair of the Remuneration and Nomination Committee Chair of the Control, Risk and Sustainability Committee <i>Lead Independent Director</i>
Adriana Cerretelli	Independent Director Member of the Control, Risk and Sustainability Committee
Angelomario Moratti	Director Member of the Steering and Strategies Committee
Gabriele Moratti	Director Member of the Steering and Strategies Committee
Giovanni Emanuele Moratti	Director Member of the Steering and Strategies Committee
Laura Fianza	Independent Director Member of the Control, Risk and Sustainability Committee Member of the Remuneration and Nomination Committee



Isabelle Harvie-Watt	Independent Director Member of the Control, Risk and Sustainability Committee
Francesca Luchi	Independent Director Member of the Remuneration Committee
Monica de Virgiliis	Independent Director Member of the Control, Risk and Sustainability Committee

The above table provides the relevant information on each member of the Board of Directors in office at the date of this Report. In addition, a summary of their respective professional profiles along with information on other assignments undertaken is available on the Company's website (<https://www.saras.it/en>).

For more information about the composition of the Board and the Committees, refer to the sections below, as well as to tables 2 and 3 annexed to the Report.

Upon appointment and every year, the Board of Directors verifies, during one of its meetings, the compatibility of the assignments undertaken by the Directors in other listed companies based on the examination and discussion of the individual positions declared by the Directors themselves. All Directors accept their offices when they believe that they can devote the necessary time to the diligent performance of their duties – taking account of both the number and quality of the offices held, outside the Company, in other companies listed on regulated markets (also foreign ones), in financial, banking, insurance companies or large corporations and the commitment required by the additional work and professional activities carried out and the association offices held – and devote the necessary time to the profitable performance of their duties, as they are well aware of the responsibilities inherent in the office held.

As regards the powers granted to the Board for 2021, also on the basis of the opinion expressed by the Remuneration and Nomination Committee and the Self-assessment carried out upon renewal of corporate offices in March 2021, the Board deemed it was inappropriate to define a numerical criteria, a priori, for the maximal number of offices held in other companies, and instead it believed it was fit to express an annual evaluation on the compatibility of the offices held in other companies by the same directors, with the possibility of effectively carrying out the duties associated with the office of director of the Company and of any member of internal Committees.

The evaluation is qualitative and is based on the examination and the discussion of the offices declared by the single Directors, taking account of the following criteria:

- Relevance of the office of Director or Statutory auditor held in other companies listed on regulated markets (also foreign ones), in financial, insurance companies or large corporations;
- Professionalism and independence of opinion shown by the Directors;
- Verification of the Directors' commitment and actual and constant participation in Board and Committee meetings, as well as their involvement in the Company's various management activities, also in light of their professional commitments.

For the 2021 financial year, the Board of Directors confirmed, based on the criteria set out above, that the offices held by the Directors in other companies are compatible with the effective performance of their office.

The directors perform their duties competently and independently, pursuing the priority objective of creating sustainable value in the medium-long term. They are aware of the responsibilities inherent in the office held and, like the statutory auditors, are kept periodically informed by the competent corporate functions on the main regulatory and self-regulatory developments concerning the Company and the exercise of their functions.

With reference to Recommendation no. 12, letter d) of the Code, it should be noted that during the 2021 financial year, and in consideration of the limitations imposed by the security measures for the containment of COVID-19 virus, the Company did not organise specific training programmes other than the periodic information on the development of the company business provided during meetings.

The Chairman of the Board of Directors, with the aid of the Board Secretary and in agreement with the *Chief Executive Officer*, ensure that the managers of the company and of the Group companies responsible for the competent corporate functions, according to the subject matter, attend the board meetings - also upon the request of the individual directors - to provide the appropriate detailed information on the items on the agenda (also refer to paragraph 1.4 below). In addition, in relation to the periodic information provided at Board meetings, in particular during the presentation of the periodic management reports to the Board, the Directors are trained and provided with relevant information so that they can gain adequate knowledge of the sector of business in which Saras operates, and of its products, of the dynamics of the company and their development, also in the perspective of the Company's sustainable success, and of its organisation, risk control and management system and the reference legal framework, main topics pertaining to Sustainability and the ESG parameters, as well as of the main issues that may have an impact on the Group's current performance and the growth strategy in the short, medium and long term. Furthermore, the Company envisages the possibility of focusing on specific actions based on the need for an in-depth examination of issues that have arisen at meetings.

### 1.3. Functioning of the Board and its meetings

Board meetings are also held at venues other than the Company's registered office, in Italy or in other EU countries. Board meetings are validly convened even if held by means of video conferencing and conference calling, provided that all the participants can be identified by the Chair and all attendees, that they can follow the discussion and participate in the discussion of the topics discussed and decisions in real time, that they can receive, send and review documents, and that all of the above is recorded in the minutes.

Board meetings are convened by registered letter, telegram, fax or email sent at least five days before (or, in the case of urgency, at least twenty-four hours before) the meeting, sent to all directors and auditors.

In the 2021 financial year, the Board held 7 meetings. So far there have been 3 Board meetings in 2022, including the meeting that approved this Report. The meetings were held on a regular basis and regularly attended by the various directors as well as members of the Board of Statutory Auditors, as detailed in the summary table 2 annexed to this Report, to which reference should be made.

On 25 January 2022, the Company released its annual calendar of corporate events, drawn up pursuant to Art. 2.6.2, paragraph 1, letter (b) of the Regulations of the Italian stock exchange. It anticipates at least 5 meetings for 2022.

The directors and auditors received the documentation and information necessary to express themselves in awareness on the matters submitted to their examination in observance of the terms for sending the pre-Board disclosure in advance set by the Board of Directors Regulation adopted by the Company in compliance with the provisions of Recommendation no. 11 of the Code. In the limited and exceptional cases in which it was not possible to transmit the documentation sufficiently in advance, complete information on the matter under examination was provided directly during the meeting, thus ensuring that the Directors could make informed decisions.

#### 1.4. Role of the Chairman of the Board of Directors

During its meeting held on 19 May 2021 following the ordinary Shareholders' Meeting held on 12 May 2021 that appointed the board members in the current structure, the Board of Directors appointed and confirmed Massimo Moratti as Chairman of the Board of Directors of Saras S.p.A. and confirmed his responsibilities as attributed by the law and by the Articles of Association, as well as the powers and functions previously awarded to him in previous terms of office because of the experience he has gained in the same role and his elevated and recognised professional and personal expertise and virtues.

In 2021, the Chairman of the Board, in observance of what the Code suggests, particularly in Recommendation 12, and of the Board of Directors Regulation, together with the support of the Board Secretary ensured that the Functions of the Company and Group would prepare complete and exhaustive supporting documentation - also summarised in the case of particularly complex topics - necessary to discuss the items on the agenda to make available to the directors and auditors in advance prior to the Board of Directors meetings in order to allow the directors to act in an informed manner in performing their roles.

Furthermore, as suggested by Recommendation 12 b) of the Code, the Chairman guarantees the coordination of the activities of the board Committees with those of the Board, personally liaising with the Chairman of each Committee, also with the support of the Secretary of the Board of Directors, and schedules the meetings of the Company's administrative body bearing in mind the responsibilities and powers recognised by the Code and by the respective Regulations of functioning recognised the Committees.

With the help of the Board Secretary, the Chairman, in agreement with the *Chief Executive Officer* - also upon the request of individual directors - ensured that the Group managers responsible for the competent corporate functions depending on the subject matter were also invited to the meetings of the Board and of the Committees held during 2021, in this way increasing the value of the board meetings as an occasion for all the Directors to acquire adequate information on the management of the Company and Group and the appropriate detailed information on the items on the agenda.

For more details on what letters c), d) and e) of Recommendation 12 suggest, please also refer to paragraphs 1.2 and 1.10 of Section II of the Report.

#### 1.4.1. Board Secretary

In adhering to what Recommendation 18 of the Code suggests, on 19 May 2021 the Board appointed as its Secretary Simona Berri, General Counsel & Corporate Affairs of Saras S.p.A. ("Secretary"). The Board Regulation defines the requirements and functions of the Secretary in line with the provisions of the Corporate Governance Code.

In 2021, the Board of Directors made use of the Secretary's support to organise its work.

More specifically, the Secretary supported the activity carried out by the Chairman of the Board of Directors to guarantee the completeness and exhaustiveness of the pre-Board disclosure, and the connection between the board activities and those carried out by the relevant Committees and the Board of Statutory Auditors. Furthermore, she supported the Chairman to guarantee that the corporate Functions competent in the areas of the items on the agenda attended the Board meetings, and supervised the adequacy and transparency of the Board's self-assessment process and the performance of the *induction* activities for the Directors as concerns the Governance topics, providing advice and assistance on the aspects important for proper functioning of the corporate governance system. In addition, the Secretary personally contributed to maintaining ongoing contacts between the Chairman, the Lead Independent Director and the members of the Board committees. She also contributed to the development, in agreement with the Chairman, of the initiatives aimed at digitizing the Board of Directors activities, and to supporting the interaction and coordination between the Board of Statutory Auditors and the Company's Supervisory Body established pursuant to Italian Legislative Decree 231/01. Lastly, the Secretary took the minutes of the meetings in compliance with the provisions of the Board Regulation.

#### 1.5. Delegations within the Board

Without prejudice to the powers of the Board summarily illustrated in par. 1.1 above, the Board, at meetings held on 6 November 2015 and on 19 May 2021, proceeded to reformulate the delegation of powers for the Company's operational management.

In particular, on 19 May 2021, the Board appointed Mr. Massimo Moratti as Chair of the Board of Directors and granted him extensive authority with consequent representation powers with respect to third parties with individual signing authority and the right to sub-delegate to implement the resolutions of the Board by proposing strategic guidelines and directives for the Company and Group companies, as well as certain ordinary operating powers. The Chair has powers of strategic guidance, direction, management and supervision of the Group's external relations and activities involving the search, exploration and assessment of possible extraordinary opportunities, as well as powers relating to funding or transactions involving shareholdings, companies, branches and relevant property.

It is noted that, also on 19 May 2021, the Board of Directors also decided to appoint Director Dario Scaffardi as *Chief Executive Officer* of the Company and to assign him extensive powers in terms of operational management. The Chief Executive Officer was also assigned the task of overseeing the operation of the internal control and risk management system.

Executive directors also perform the duties assigned to them by the law and the Articles of Association.

The Board has finally established that directors with the individual powers indicated above report to the Board quarterly on the activity performed in exercising the powers delegated to them. This information activity has been regularly performed by the executive directors together with that referred to below.

#### 1.6. Information for the Board

In accordance with Art. 2381 of the Italian Civil Code and Art. 150, paragraph 1 of the TUF, the Articles of Association state that the Board and the Board of Statutory Auditors should be informed by the bodies with delegated powers on the general performance of the Company, its outlook, any activities and operations of major economic, financial and equity importance carried out by the Company or its subsidiaries. In particular, bodies with delegated powers must report on operations in which they have an interest, on their own behalf or on behalf of third parties. The information is provided at least quarterly, during Board of Directors' meetings as well as, as regards the information provided to the Board of Statutory Auditors, by means of communication to the Chair of said Board.

With regard to the assessment by the Board of the general performance of operations, refer to the Report on Operations.

#### 1.7. Non-executive and independent directors

At the present time, the Board has six non-executive directors who possess the independent characteristics set out in Article 2 of the Code (as well as in Articles 147-ter, paragraph 4

and 148, paragraph 3 of the TUF), namely Gilberto Callera, Adriana Cerretelli, Laura Fidanza, Francesca Luchi, Monica de Virgiliis and Isabelle Harvie-Watt.

The number of directors who meet the independence requirements provided for by Art. 148, paragraph 3 of the TUF therefore complies with the provisions of Art. 147-ter, paragraph 4 of the TUF as amended by Legislative Decree no. 303 of 29 December 2006, in relation to boards of directors of listed issuers comprising more than seven members, as well as the provisions of Recommendation 5.

The satisfaction of the independence requirements, declared by each director when submitting the lists and when accepting the appointment, was established by the Board of Directors on 19 May 2021 at the first meeting after the appointment of the Shareholders' Meeting held on 12 May 2021, also based on statements and the information provided by the parties concerned.

The Board of Statutory Auditors ascertained the correct application of the assessment criteria and procedures adopted by the Board of Directors for assessing the independence of directors.

With reference to what Recommendation 7 of the Code suggests, the Board pre-agreed on the quantitative and qualitative criteria for assessing the meaningfulness of the significant circumstances pursuant to the Code in order to evaluate the independence of the directors at the beginning of its mandate in the meeting held.

As at 31 December 2021, in addition to the independent non-executive directors above, the Board of Directors included four additional directors who could be qualified as non-executive directors, namely Angelo Moratti, Angelomario Moratti, Gabriele Moratti and Giovanni Emanuele Moratti. In the light of the foregoing, the Board is currently comprised of a number of non-executive directors capable, also due to their authority, of having significant influence over Board decision-making.

#### 1.8. Lead Independent Director and meetings of independent directors

In line with the recommendation in Article 13 of the Code, on 19 May 2021, the Board appointed (thereby confirming the appointment thereof with respect to the previous term) the independent director Gilberto Callera as *Lead Independent Director*, assigning him the task of collaborating with the Chair of the Board to ensure that directors receive complete and timely information, with the power to convene, autonomously or on the request of other directors, special meetings of independent directors or non-executive directors to discuss issues related to the functioning of the Board of Directors or the management of the Company.

With respect to the 2021 financial year and the first three months of 2022, the *Lead Independent Director* confirmed to the Board that the independent directors have verified that Board meetings were properly convened, and that they had monitored the completeness of the information provided to the directors on the items on the agenda of the various meetings, confirming that the information provided to all directors was adequate and that supporting documentation for meetings was made available to them promptly. Furthermore, with respect to the period indicated above and with reference to the

Remuneration and Nomination Committee (of which three independent and non-executive directors are members) and the Control, Risk and Sustainability Committee (of which 5 of the 6 independent directors are members), the independent directors have checked that the activity of these committees was performed in a timely and satisfactory manner, in line with the tasks and responsibilities assigned to them.

Likewise, the flow and content of communications and *disclosure* to the market were considered satisfactory, both as regards the Company's website and the communications and meetings with operators.

In 2021, the independent directors have met once in the absence of the other directors, for the periodic assessment of the independence requirements.

There are no directors who qualified as independent at the date of their appointment who have lost this qualification during their term of office.

The independent and non-executive directors contribute to board and board committee discussions, bringing their specific skills and, due to their number, having a decisive influence on the decisions taken by the Board of Directors and the committees of which they are members.

#### 1.9. Management of corporate information

For more details on the procedure for the internal management and the external disclosure of documents and information regarding the Issuer, with particular reference to the insider information as suggested by Recommendation 1, letter f) of the Code, please see paragraph 5 below.

#### 1.10. Assessment of the composition of the Board and Committees

At the meeting held on 14 March 2022, in line with the recommendations of the Corporate Governance Code, the Board assessed the size, composition and operation of the Board and its internal Committees. The *Lead Independent Director*, supported by the Legal and Corporate Affairs function, coordinated the 2021 Board Evaluation carried out by sharing with the Directors a detailed questionnaire aimed at facilitating the collection of information deemed necessary for the self-assessment of the operation of the Board and its internal Committees, with a particular focus on their professionalism, composition and operation.

The assessment took account of the size and composition of the bodies concerned, and, more specifically, the professional characteristics, experience, including in management, gender of its members and seniority of office. By completing this a questionnaire, each Director could express their own evaluation, including any comments or recommendations for improvement they deemed fit, as regards the composition and operation of the Board and the Committees established by it. The analysis of the questionnaires filled in by each Director revealed that for the 2021 financial year the Board operated properly and effectively, ensuring substantial compliance with the Corporate Governance rules and the

objectives that it is designed to deliver, so as to ensure they are fit for purpose, also in light of changes due to the evolution of Saras's business and of the context in which it operates.

In addition, in line with the guidelines formulated by the *Corporate Governance* Committee, at the time of the Board Evaluation, the attention focused on the promptness, adequacy (and confidentiality) of the pre-Board information during the year was confirmed. Indeed, the Directors confirmed they received the preparatory documentation for the different Board meetings in full observance of the terms set out by the Board of Directors Regulation (also "Regulation") approved by the Board at its first meeting of 19 May 2021 following the appointment of the Shareholders' Meeting held on 12 May 2021, and required in compliance with what Recommendation no. 11 of the Corporate Governance Code suggests.

With the adoption of said Regulation - implementing also the suggestion that emerged during the Board Evaluation regarding 2020 to bring forward and above all regulate the time frame necessary for sharing documentation preparatory for discussion and examination of the various items for discussion on the agenda with directors and auditors - the rules of functioning of the Board were indeed predetermined and defined, including the methods for taking minutes of the meetings and the procedures for managing the pre-board disclosure to the directors, and the appointment of a Secretary (as better described in paragraph 1.4.1 above) was also envisaged, in line with the suggestion contained in Recommendation no. 18.

Considering his role of liaison between executive and non-executive directors and as on the other hand Principle X of the New Code requires and is better described in paragraph 1.4 above, to which the reader is referred - the Chairman of the Board of Directors also prepared the agendas of the various Board meetings and ensured, with the help of the Secretary, the promptness and completeness of the pre-Board disclosure for which in the meantime traceability and a high level of cybersecurity were also guaranteed. The Company provided itself with a special IT platform specialised in Secure Sharing that, to facilitate the preparatory work and subsequent research by the directors and auditors, allows the digital documentation to be shared, filed and systematized. In this way paper is eliminated and time and costs are optimised and, above all, at the same time traceability and a strengthened level of data security and protection from illegal consultation, disclosure or manipulation of the information contained therein are guaranteed.

Altogether, the members of the Committees believe they have interpreted their role well and have worked with autonomy and authority, effectively supporting the Board with the preliminary investigations on the topics of their expertise.

During the Board Evaluation, the Board considered the individual and collective composition adequate in terms of size, professionalism, broad and diversified skills, *diversity*, and number of independent directors. The Board also expressed its appreciation for the contribution of the non-executive directors by virtue of both their managerial experience and expertise, and of their diverse experience gained in different industrial sectors. The Board also positively assessed the contribution of the executive directors, who have ensured direct feedback from the operational reality by providing more tools for



understanding the strategic and competitive scenario that is emerging in the current difficult economic environment.

The Board, in view of the constant presence at meetings of directors who hold positions in other companies and their significant contribution to the proceedings and once it has been determined that this does not negatively influence the effective performance of their roles in the Company, has not adopted general criteria about the maximum number of offices<sup>15</sup> in other companies that may be considered compatible with effectively performing the role of director.

Lastly, taking account the current composition of the Board, the gender diversity provided by current regulations is adequate and can be considered useful for the Company's development and, furthermore, is also in line with what the Code recommends.

In addition to the administrative, management and control bodies, the value of diversity characterises the entire company organisation, with the methods and terms reported in the NFS Report included with the Company's annual financial statements (pursuant to chapter 2 of Section I of the Report above), to which reference should be made for further information.

In particular, and notwithstanding the approach to gender balance in the membership of the corporate bodies, on diversity issues and inclusion within the organisation of the company as a whole, and in consideration of the provisions of Art. 123-bis, paragraph 2, letter d-bis) of the TUF, the Company acknowledges that no specific policy on diversity has been adopted since, from the time Law no. 120 of 12 July 2011 came into force, valuing diversity and the principle of inclusion and gender balance have always been key elements of the Group's corporate culture, independently of the adoption of a specific policy on these issues.

In addition to what is illustrated in the Sustainability Report, an example of this are the Saras Articles of Association, which in Art. 18, paragraph 4 establishes that "*Upon the election of members of the Board of Directors, in compliance with the current regulations concerning the balance between genders, one proceeds on the basis of lists of candidates (...)*" as well as the Code of Ethics of the Saras Group, which, in Art. 3.5 reaffirms that the entire Group "*abides by the principle of equal opportunities, without distinction of race, gender, nationality, political opinion, sexual orientation, social status, age or religious beliefs*".

These principles were considered factors that underlie the medium- to long-term business sustainability, constituting a point of reference for both the employees of the Group and the members of the Saras Administration Body.

Lastly, the Board deemed adequate the flow of information ahead of meetings, and the documentation concerning company risks and controls, and expressed its satisfaction with the reporting provided to support Board meetings.

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<sup>15</sup> Also see in this regard the previous paragraph 1.2, chapter 1, Section II of this Report.

## **2. Board Committees**

The Committees set up within the Board have preliminary, propositional and/or advisory duties in relation to the matters with respect to which the need for in-depth analysis is particularly felt, so as to guarantee that, also on these matters, there can be an effective and informed exchange of views.

The Committees are appointed by the Board of Directors and remain in office for the entire term of office of the Board itself, meeting whenever their Chair deems it appropriate, or if requested by at least one member, the Chair of the Board of Directors or the Chief Executive Officer, and in any case with a frequency that is adequate for the proper performance of their functions.

### 2.1 Remuneration and Nomination Committee

In accordance with the provisions in Article 3, Recommendations no. 16 and 17 of the Code, the Board has established, in continuity with its previous mandate, an internal Remuneration Committee, which has also been assigned, as provided for by Recommendation no. 19 of the Code, the duties specific to the nomination committee referred to in Article 4 of the Code. The minimum rules on composition, duties and operation of the Committee are laid down in the relevant Regulations, as amended on 9 August 2012 to take account of the indications contained in the Corporate Governance Code in force at the time and new duties assigned to the Committee.

With regard to remuneration, the Remuneration and Appointments Committee provides advice and makes proposals to the Board, and also plays a leading role in the preparation and verification of the operation of the incentive systems for management (including any shareholding plans), intended as tools aimed at attracting and motivating resources of adequate level and experience, developing their sense of belonging and ensuring that they constantly strive to create value over time.

In particular, with regard to directors and managers with strategic responsibilities, it has the task of:

- formulating proposals to the Board of Directors for defining the remuneration policy;
- regularly assessing the adequacy, overall coherence and monitoring practical application of the remuneration policy by making use of, as regards managers with strategic responsibilities, the information provided by managing directors, formulating proposals on the following to the Board;
- performing preliminary activities and formulating proposals in relation to share-based payment arrangements.

Furthermore, in observance of the provisions of the Corporate Governance Code, the Committee submits proposals to the Board of Directors and expresses opinions on the remuneration of executive directors and other directors who hold particular offices as well

as for the identification of performance objectives related to the variable component of that remuneration, monitoring the implementation of decisions adopted by the Board of Directors, and verifying, in particular, the actual achievement of performance objectives. As regards appointments, the Committee:

- formulates opinions to the Board regarding the size and composition of the Board and expresses recommendations regarding the professionals whose presence on the Board is considered suitable;
- proposes candidates to the Board for the office of director in cases of co-optation where independent directors need to be replaced;
- formulates opinions to the Board on any activities carried out by the directors in competition with those of the Company;
- carries out, at the request of the Board, the preliminary activity on the preparation of the succession plans of executive directors if the Board considers it appropriate to adopt them.

The Committee, in performing the tasks entrusted to it by the Board of Directors, may use external consultants expert in matters of remuneration policies, provided that they do not simultaneously provide the *Human Resources* Department, directors or managers with strategic responsibilities with services of significance such as to effectively compromise the independent judgement of said consultants.

The Remuneration and Nomination Committee's regulations state that the Committee shall comprise three non-executive directors, the majority of whom are independent, and that at least one member of the Committee should have adequate knowledge and experience of financial matters.

Currently, as a result of the appointment by the Board at the meeting on 19 May 2021, the Remuneration and Nomination Committee is comprised of the independent non-executive directors, Gilberto Callera (Chairman), Laura Fianza and Francesca Luchi.

The meetings of the Remuneration and Nomination Committee are convened by the Chair, whenever they deem it appropriate. The Committee is validly constituted when the majority of its members are present and it acts by an absolute majority of those present. The meetings of the Remuneration and Nomination Committee can be attended by anyone that the Committee deems fit, on the understanding that no director shall attend Committee meetings dealing with proposals related to their own remuneration. Minutes are taken for the Committee meetings. The Committee is awarded the powers pursuant to Articles 4 and 5 of the Code.

During the 2021 financial year, the Remuneration and Nomination Committee held 3 meetings, while 2 meetings have been held in 2022 up to the date of publication of this Report. All members attended all meetings, as detailed in the attached summary table *sub I*, to which reference should be made. The Chair of the Board of Statutory Auditors and/or

an auditor designated by the Chair regularly participated in the meetings of the Committee. The Committee has used internal and external consultants while performing its functions.

In 2021, the Committee focussed its activities (i) on the proposals to amend the Remuneration Policy made necessary to update it in consideration of the amendments in the meantime introduced to the Issuers' Regulations (and to Annex 3A, Scheme 7 bis in particular), (ii) on the final assessment of the company results in order to recognise the short-term incentive, (iii) on defining performance objectives for the variable incentive plans and (iv) on the proposal of a new Performance Cash Plan ended for the 2021-2023 three-year period ("Long Term Incentive" or "LTI"). The Committee also examined the contents of the Corporate Governance Code and new regulatory provisions on remuneration prescribed in the Issuers' Regulations.

Committee meetings held in the second half of 2021 and in 2022, which were also attended by the Board of Statutory Auditors, mainly focused on assessing the adequacy, overall consistency and actual application of the Remuneration Policy adopted, on a proposal of the same Committee and pursuant to the Code, by the Company and the examination and analysis of the summary document of the self-assessment of the Board of Directors. The Committee also formulated its considerations on the Letter dated 3 December 2021 of the Chairman of the Borsa Italiana Corporate Governance Committee and on adhering to the new corporate governance code adopted by Borsa Italiana S.p.A., and it also examined the remuneration of the Key Managers in connection with the *performance* objectives to whose achievement payment of the short-term variable component was anchored.

With reference to the Remuneration of the Directors, please refer to what is illustrate in paragraph 3 of this Report below.

## 2.2 Control, Risk and Sustainability Committee

In accordance with the Recommendation 32 of the Corporate Governance Code, the Board of Directors has set up an internal Control, Risk and Sustainability Committee with the aim of providing advice and proposals to the Board.

During its meeting held on 19 May 2021, the Board of Directors, in continuity with its previous mandate, appointed the Control, Risk and Sustainability Committee and gave it the functions provided for by Recommendation 35 of the Corporate Governance Code as well as the sustainability functions.

In particular, the Control, Risk and Sustainability Committee shall:

- (a) provide advice to the Board regarding (i) defining guidelines for the internal control and risk management system so that the main risks relating to the issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, (ii) determining the degree of compatibility of these risks with the company's management in line with the strategic objectives identified, (iii) assessing, at least annually, the adequacy of the internal control and risk management system with respect to the company's characteristics and the risk profile assumed, as well as its effectiveness, (iv) approving, at least annually,

the work plan prepared by the head of the *internal audit* function, (v) describing the main features of the internal control and risk management system in the corporate governance report, and the arrangements for coordination between those involved, expressing its assessment of its adequacy, and (vi) assessing, after consulting the Board of Statutory Auditors, the results presented by the independent auditors in any suggestions letter and in the report on the fundamental issues arising during the audit;

- (b) assess 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 manager responsible for drafting company accounting documents and in consultation with the independent auditors and the Board of Statutory Auditors;
- (c) assess the ability of the periodic financial and non-financial information to properly represent the business model, the company's strategies, the impact of its activity and the performance achieved;
- (d) examine the content of the periodic non-financial information significant for the internal control and risk management system;
- (e) express opinions on specific aspects of identifying the main company risks;
- (f) review periodic reports that assess the internal control and risk management system and reports of particular importance drafted by the *internal audit* function;
- (g) monitor the autonomy, adequacy, efficacy and efficiency of the *internal audit* function;
- (h) if it considers it advisable, ask the *internal audit* function to carry out audits on specific operating areas, simultaneously informing the Chair of the Board of Statutory auditors;
- (i) report to the Board of Directors, at least half-yearly, when approving the annual and half-yearly financial reports, on the activities performed and the adequacy of the internal control and risk management system.
- (j) support, with an adequate preliminary activity, the evaluations and decisions of the Board of Directors relating to the management of risks deriving from adverse events which the Board of Directors has gained knowledge of;
- (k) examine the implementation of the guidelines and sustainability plans and subsequent processes;
- (l) evaluate the matters of sustainability with the interaction between company activities and *stakeholders* and formulate proposals regarding environmental and social initiatives, monitoring their implementation over time;
- (m) review the sustainability reporting submitted annually to the Board of Directors, with particular reference to the general approach of the sustainability report and the structuring of its contents, as well as the completeness and transparency of the information provided in said report;

- (n) monitor the international sustainability initiatives and the Company's participation in them, aimed at consolidating the Company's reputation on the international front;
- (o) express, at the request of the Board of Directors, an opinion on other sustainability matters.

As set forth by the Committee Regulation, and on the date of publication of this Report on Corporate Governance, the Control, Risk and Sustainability Committee is composed of non-executive directors, all of whom are independent.

The Control, Risk and Sustainability Committee has the following composition: Gilberto Callera independent director (Chair), and Adriana Cerretelli, Laura Fidanza, Isabelle Harvie-Watt and Monica de Virgiliis, all independent directors.

Control, Risk and Sustainability Committee meetings are convened by the Chair at least once every six months and, in any event, whenever they deem it appropriate. The Committee is validly constituted when the majority of its members are present and it acts by an absolute majority of those present.

The Board of Statutory Auditors, the Internal Audit Manager and the Internal Control, Planning and Reporting System Manager are invited to attend Committee meetings. *The Chief Executive Officer* and General Manager, the *Chief Financial Officer* (who is also the manager in charge of financial reporting) and representatives of the independent auditors also participate when topics within their sphere of competence are on the agenda. Any other person whose presence the Committee deems appropriate in relation to the matter to be discussed may also participate. Minutes are taken for the Committee meetings.

In the 2021 financial year, the Control, Risk and Sustainability Committee met 7 times.

The meetings were regularly attended by its members, as indicated in detail in the attached summary table under 1, to which reference is made, as well as members of the Board of Statutory Auditors, the Internal Audit Function Manager and the Manager of the Internal Control, Planning and Reporting System (part of the Internal Audit Function). In the first quarter of 2022, the Committee met two times. Invited to attend the meeting that discussed specific matters of interest were the *Chief Executive Officer* and General Manager, the *Chief Energy & Sustainability Officer*, the *Chief Financial Officer*, the *Head of Accounting & Tax*, the *Risk Officer* and representatives of the audit firm.

In 2021, the Committee:

- reviewed and expressed a favourable opinion of the "2021 Programme of Internal Audit Activities" and the "2021 Audit Plan" developed by the Internal Audit Department for Saras and its Subsidiaries, subsequently approved by the Board of Directors of each company and by the Board of Directors of the Parent Company;
- based on the information received from the Designated manager responsible for drafting company accounting documents and from the audit firm EY, assessed, together

with the Designated manager and having heard the representatives of the audit firm and the Board of Statutory Auditors, the correct application of the accounting standards and their standardisation for the purposes of drafting the consolidated financial statements and the half-yearly report for Saras and the Group;

- received information of the *Chief Financial Officer* on the significant economic-financial aspects regarding the periodic information;
- received periodic reporting from the *Internal Audit* Function Manager on the results of checks carried out and the implementation *status of the improvement actions* defined as a result of audits, at Saras and Group companies;
- received information on activities carried out by Supervisory Bodies of Saras and its Subsidiaries and by reference to the implementation and adjustment of the respective "*Organisation, Management and Control Models*" (see below);
- examined the half-yearly reports prepared by the *Internal Audit* Manager pertaining to activities carried out by the Internal Audit and the assessment of the internal control and risk management system;
- received information from the CEO and General Manager, the *Chief Financial Officer* and the *Risk Officer* regarding the risk management system;
- received information from the *Chief Energy & Sustainability Officer*, from the CFO and from the Planning & Sustainability manager on the main contents and new items introduced in the 2020 Sustainability Report, on the Key Performance Indicators system in the Environment Social and Governance area (ESG KPIs) and on the activities in progress for drawing up the 2021 Sustainability Report, and it examined and assessed the Group Sustainability Policy to submit to the approval of the Board of Directors of the parent company;
- received updates, in relation to the COVID-19 epidemic, on the measures undertaken by the Group companies for the prevention and mitigation of contagion risk and on Cybersecurity;
- received information from the *Chief Financial Officer* on financial reporting in light of Consob provision 6/20 of 9 April 2020 (COVID 19 - Drawing attention to financial reporting);
- received updates from the Chief Financial Officer on the essentiality regime of the IGCC plant of Sarlux and on the ARERA Resolution of 1 April 2021;
- prepared and approved, every six months, the "*Report on the Internal Control and Risk Management System*", for the Board of Directors, pertaining to the activity carried out by the Committee and containing the assessment of the adequacy of the internal control and risk management system.

In the month of March 2022, the Committee drew up the "*Report on the Internal Control and Risk Management System*", for the Board of Directors, reporting on the activity undertaken by the Committee in 2021 and on the assessment of the adequacy of the internal control and risk management system. The report was prepared based on information received from *management* and from the Half-yearly report prepared by the *Internal Audit* Function Manager on its activities and on the internal control and risk management system.

Said *Report on the internal control and risk management system* was presented to the Board of Directors during its meeting held on 14 March 2022.

### 2.3. Related Parties Committee

With the resolution passed on 19 May 2021, the Board of Directors gave the Remuneration and Nomination Committee also the specific functions of the Related Parties Committee, to be carried out every time it should become necessary in compliance with the provisions of the "*Procedures for transactions with related parties*" adopted by the Company.

In 2021, the Related Parties Committee met once to adapt the Procedures to the new regulatory regime applicable following issue of Italian Legislative Decree 49/2019 of 10 May 2019 implementing Directive (EU) 2017/828 (so-called "Shareholder II" or "SHRD2" and consequently Consob Regulation no. 17221 of 12 March 2010 as amended, and to present the updated and amended text to the Board of Directors, which adopted it during its meeting held on 8 June 2021.

### 2.4 Steering and Strategies Committee

The Steering and Strategies Committee, composed of the directors Massimo Moratti, Angelo Moratti, Dario Scaffardi, Angelomario Moratti, Gabriele Moratti and Giovanni Emanuele Moratti, has advisory, proposal-making and support functions for the Board of Directors in specifying strategic business guidelines, including regarding finance, as well as sustainability guidelines, and is chaired by Angelo Moratti.

In the 2021 financial year, the Steering and Strategies Committee met once.

## **3. Remuneration of directors and managers with strategic responsibilities**

The Group's management remuneration system aims to attract, retain and motivate highly qualified profiles with the professional skills necessary to successfully manage the Company and pursue its long-term interests, to incentivise management to create value for shareholders and promote the sustainability of the Company in the medium to long term and to ensure that remuneration is linked to the results actually achieved by the Company and management. This remuneration system is therefore defined in such a way as to align the interests of the management with those of the shareholders, pursuing the priority objective of creating sustainable value in the medium-long term through an effective and



verifiable link between remuneration, on the one hand, and individual and Group performance on the other.

The process for defining the Policy (contained in Section I of the Report on remuneration and remuneration paid) (the "Policy") involves the Shareholders' Meeting, the Board of Directors and the Remuneration and Nomination Committee, as well as a series of company departments, including in particular the HR and Legal and Corporate Affairs departments. The Policy is therefore defined by the Board of Directors on the proposal of the Remuneration Committee on the basis of the guidelines and principles prepared and approved by the latter periodically.

The Shareholders' Meeting, convened to approve the annual financial statements pursuant to art. 2364, par. 2 of the Italian Civil Code, resolves with a binding vote on the Policy and expresses itself with an advisory vote on the Second Section of the Report. In its meeting on 30 March 2021, the Board of Directors resolved to again submit the First Section of the Report to a vote of the Shareholders' Meeting, scheduled for 12 May 2021, despite the three-year duration of the Report approved by the 2020 Shareholders' Meeting. This is being done to update the Remuneration Policy also in light of the changes made in the meantime to the Issuers' Regulation (and in particular to Annex 3A, Schedule 7-bis), which specifies a duration of one year.

On 12 May 2021, the Shareholders' Meet approved the Report on remuneration and remuneration paid ("2021 Report")<sup>16</sup>, broken down into a Section I containing an explanation of the remuneration policy ("2021 Policy")<sup>17</sup>, and Section II containing an explanation of the remuneration paid, in compliance with what is provided for (i) by art. 123-ter of the TUF, as amended by Italian Legislative Decree no. 49 of 10 May 2019 implementing EU directive 2017/828 of the European Parliament and Council, of 17 May 2017 (Shareholder Rights Directive II), as well as, except for what is specified herein, (ii) with the Corporate Governance Code to which the Company adheres.

For more detail on the changes made to the Policy, for information on the remuneration of the executive directors, the other directors vested with special offices, and the managers with strategic responsibilities, as well as for the information required by Art. 123-bis, paragraph 1, letter i) of the TUF, see the remuneration report published pursuant to Art. 123-ter of the TUF, as amended by Legislative Decree no. 49 of 10 May 2019 in implementation of directive EU 2017/828 of the European Parliament and Council of 17 May 2017 (Shareholder Rights Directive II). Several specificities in applying some criteria of Article 5 of the Corporate Governance Code according to the "*comply or explain*"<sup>18</sup> principle are pointed out hereunder.

With reference to Recommendation no. 27, letter a)<sup>19</sup> under Article 5 of the Corporate Governance Code, please note that in 2021 the Chairman of the Board of Directors and the

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<sup>16</sup> Available on the Company's website at the link: [https://www.saras.it/sites/default/files/meetings/relazione-sulla-remunerazione-2021\\_finale\\_-20.04.2021-.pdf](https://www.saras.it/sites/default/files/meetings/relazione-sulla-remunerazione-2021_finale_-20.04.2021-.pdf).

<sup>17</sup> Please see the previous note.

<sup>18</sup> See note 3.

<sup>19</sup> Recommendation no. 27, letter a) under Article 5 of the Corporate Governance Code states that "*The policy for remunerating executive directors and top management defines a) a balance between the fixed component and the variable component adequate and consistent with the strategic objectives and the risk management policy of the company, taking into account characteristics of the business activity and the sector in which it operates, in any case providing that the variable portion is a significant part of the total remuneration*".

Chief Executive Officer held the office of executive directors. In this year, the Board of Directors resolved to not assign the Chairman of the Board of Directors any annual remuneration (pursuant to art. 2389, paragraph 3 of the Italian Civil Code) in addition to the remuneration established by the Shareholders' Meeting, and this is in light of the proposal made by the Chair himself to allocate the amount conjectured by the Remuneration and Nomination Committee as remuneration pursuant to art. 2389, paragraph 3 of the Civil Code to the initiatives to undertake to the benefit of the Group employees who had been laid off. On the other hand, the Chief Executive Officer received only the basic remuneration for the office of director since he is remunerated as part of the parallel relationship as General Director.

To this regard, please note that - as is on the other hand already explained in the 2021 Policy - the Chairman, similar to what has occurred in previous years, will not be beneficiary of a form of variable remuneration in connection with his administration relationship since, as everyone knows, he is still today the reference shareholder of Massimo Moratti S.a.p.A. di Massimo Moratti which, by virtue of the shareholders' agreement<sup>20</sup> signed on 30 March 2022 with the companies Angel Capital Management S.p.A. and Stella Holding S.p.A. regarding the shares each company owns in Saras S.p.A., he exercises joint control of the Company with the aforementioned companies.

The interests of the Chair were therefore necessarily and intrinsically aligned with the pursuit of the priority objective of creating value for all shareholders of the Company during the year (as they are still today). In fact, the positive or negative results achieved by the Chair as executive director of the Company were able to reproduce effects on the value of their relative majority holding, thus generating the drive to achieve more than satisfactory results for the company.

On the other hand, with reference to the Chief Executive Officer, although he was not the beneficiary of any incentive system as part of his administrative relationship, he participates and has participated in the Saras Group incentive systems as part of the distinct office of General Manager he holds at the same time. This participation guaranteed an alignment of his interest with that of the Company, particularly with the long-term interest, although with reference to the distinct - albeit complementary - office of General Manager. Indeed, the General Manager not only participated in the annual MBO plan relating to 2021, but is also beneficiary of the Performance Cash Plan launched in 2021, which concerns assessment of the Company's long-term performance, adapted to the Group's industrial strategy as it was reformulated following the market difficulties that took place in 2020.

With reference to Recommendation no. 27, letter d)<sup>21</sup> under Article 5 of the Corporate Governance Code, it is specified that the total "variable component" of the remuneration of the Company's top management breaks down - within the scope of the 2021 Policy, in

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<sup>20</sup>See note 3.

<sup>21</sup>Recommendation no. 27, letter d) under Article 5 of the Corporate Governance Code states that "*The policy for remuneration of the executive directors and top management defines (...) d) an adequate period of time of deferment - from the moment of accrual - for payment of a significant part of the variable component, consistent with the characteristics of the business activity and with the associated risk profiles*"

line with past years - into a short-term variable system (i.e. the 2021 MBO plan) and into a long-term variable system (i.e. the 2021-2023 Performance Cash Plan, or "PCP").

Consistent with the Corporate Governance Code, the long-term variable system includes a disbursement mechanism in part deferred (while, on the other hand, in line with the more widespread practice amongst comparable companies, the annual 2021 MBO system pays any accrued bonus in its entirety following the performance measurement period, albeit applying *clawback* mechanisms). More specifically, disbursement of 20% of any amount accrued as part of the PCP at the end of the performance period is deferred by one year starting from payment of the first tranche in May 2024 (i.e. until May 2025). This deferment percentage was deemed adequate in connection with, among other things, the fact that it is a "single" plan (and not instead "rolling", that is with new cycles beginning every year), with a three-year performance period (what already intrinsically implies, in fact, a considerable deferral in disbursement of the long-term portion of the variable component).

With reference to Recommendation no. 28<sup>22</sup> under Article 5 of the Corporate Governance Code, as previously explained in the paragraphs above, the shares that the 2021 Stock Grant concerns were assigned concomitantly with approval of the Plan in a single instalment (although with the lock-up terms and the conditions of remaining in service as explained above). This method of assigning shares is however intrinsically tied to the particular reasons, nature and aim of this stock grant, provided against the waiver of the beneficiaries to their rights associated with the previous stock grant plan, in addition to in consideration of the results achieved in the first two performance years of that previous plan, and with the concomitant launch of a new long-term monetary plan (PCP).

Members of the Board of Statutory Auditors are paid exclusively a fee, determined from time to time by the shareholders' meeting pursuant to Art. 2402 of the Italian Civil Code, at a fixed amount that is appropriate with respect to the responsibility, professionalism and commitment required by the relevance of the role covered and the size and sector characteristics of the company and its situation.

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

The Board is responsible for the internal control and risk management system, establishing the guidelines and periodically assessing their adequacy. To do this, the Board relies on the Control, Risk and Sustainability Committee (the "Committee") and the *Internal Audit* Department.

For more details on the composition and functioning of the Control, Risk and Sustainability Committee, please refer to what is explained in paragraph 2.2 above.

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<sup>22</sup> Recommendation no. 28 under Article 5 of the Corporate Governance Code states that "*The share-based remuneration plans for the executive directors and top management create incentives for alignment with the interests of the shareholders over a long-term time horizon, establishing that a prevailing part of the plan has a total period of accrual of rights and of keeping granted shares equal to at least five years*".

In 2021, the Control, Risk and Sustainability Committee reported at six monthly intervals to the Board of Directors on the activities it had carried out and, during the meetings on 24 March and 28 July 2021, expressed its opinion (in relation to the year 2020 and the first half of 2021) on the adequacy of the internal control and risk management system with respect to the characteristics of the enterprise and the risk profile assumed, as well as on its effectiveness, in light:

- of the updates received from the CEO (responsible for the institution and maintenance of the Internal Control and Risk Management System), the CFO and the Risk Officer on the suitability of the control and risk mitigation activities adopted by the Company, also in response to the effects linked to the pandemic event and the complex global scenario;
- of the information from the Internal Audit Manager on the activities carried out and on the evaluation of the suitability of the internal control and risk management outlined in the half-yearly report;
- of the judgment expressed by the Designated manager responsible for drafting company accounting documents, the representatives of the independent auditor, which was appointed to conduct the independent audit engagement pursuant to Legislative Decree no. 39 of 27/1/2010, and by the Board of Statutory Auditors regarding the correct use of the accounting standards and their consistency for the purposes of drafting the consolidated financial statements;
- of the information received from management on the measures implemented by the Group companies for the prevention and mitigation of risks from Covid-19 (regarding health and safety at work, cybersecurity and the management and organisation of work activities in order to guarantee business continuity);
- of the information received from the management on the activities carried out and in progress to improve the internal control and risk management system.

In accordance with Recommendation no. 32 of the Code, the Board has identified among its members:

- (a) the *Chief Executive Officer* – CEO, tasked with establishing and maintaining the internal control and risk management system (Recommendation 34);
- (b) the Control, Risk and Sustainability Committee, having the characteristics indicated in Recommendation 35, with the aim of supporting, with appropriate preliminary activities, assessments and decisions of the Board of Directors concerning the Internal Control and Risk Management System.

#### 4.1 Internal Audit Department Manager

The *Internal Audit* Function reports directly to the Board of Directors and reports on its activity to the Control, Risk and Sustainability Committee, the Board of Statutory Auditors and the Supervisory Body established pursuant to Legislative Decree 231/01. It has the specific task of verifying the operation and adequacy of the internal control and risk

management system through independent and objective activities, and of assessing and improving the effectiveness of *governance*, risk management and control processes of the Company and the other companies of the Saras Group.

The Company's *Internal Audit* Function Manager is Ferruccio Bellelli.

In 2021, the *Internal Audit* Manager prepared (i) periodic reports on the results of the verifications performed and (ii) half-yearly reports to provide information on its activities, on how risk management is performed and compliance with the plans defined for their containment and an assessment regarding the suitability of the internal control and risk management system.

These reports, also discussed in the Control, Risk and Sustainability Committee, were sent to the chairs of the Committee, of the Board of Statutory Auditors and of the Board of Directors, and to the *Chief Executive Officer* and, in relation to the results of the audits of the Organisation, Management and Control Model, to the Supervisory Bodies of each company.

In particular, with reference to the coordination activities and the exchange of information flows between the various parties involved in the internal control and risk management system, Saras communicates that this exchange of information flows is guaranteed in order to maximise the efficiency of the system, reduce duplications of activities and ensure effective performance of the respective tasks:

- The Board of Statutory Auditors and the Manager of the Internal Audit Department are invited to attend meetings of the Control, Risk and Sustainability Committee. The Chief Executive Officer, the Chief Financial Officer, the Risk Officer and the representatives of the independent auditor are also called to participate, at least once every six months; the Control, Risk and Sustainability Committee reports to the Board of Directors twice a year.
- The Company Supervisory Body's members include the internal audit function manager and a member of the Board of Statutory Auditors; it reports to the Board of Directors on its activities in half-yearly reports, sends to the members of the Board of Statutory Auditors the reports and documentation examined and discussed at its meetings, and takes part, through its delegates, in the meetings of the Board of Statutory Auditors;
- The Internal Audit Manager is also the Risk Officer, who helps to further focus the activities of the Internal Audit Department on a risk-based approach; in addition to taking part in all the meetings of the Control, Risk and Sustainability Committee, this manager is invited to the meetings of the Board of Statutory Auditors; they have periodic meetings with representatives of the independent auditor. They form part of the Company's Supervisory Body and report at the Control, Risk and Sustainability Committee also on the updating of the Organisational, Management and Control Model and the activities aimed at verifying its implementation.

The *Internal Audit* function has monitored, with the functions concerned, the implementation/progress status of the improvement actions agreed with said functions during the audits, through the use of an IT platform which allows each manager (or their

delegate) to access the database of actions within their competence, updating their implementation status or proposing their closure following implementation; the Internal Audit function also sent, on a monthly basis, to each Line manager a *follow-up report* of the actions within their competence of the reference area. The implementation status of the improvement actions has been the subject of periodic *reporting* to the Committee and, as far as falling within the scope of their responsibility, to the Supervisory Bodies of each company.

In line with the provisions of the Corporate Governance Code and *best practices* for the sector, at the proposal of the Committee, the Board approved a document containing the guidelines of the internal control and risk management system. On the basis of this document, the "*Internal Control and Risk Management System*" Guidelines were drawn up, which define the phases of design, implementation, monitoring and updating of the system over time, using the "CoSO Report" as the reference framework, and describe, inter alia, the model of reference, the sub-processes and the activities necessary for the implementation of the internal control and risk management system in the companies of the Saras Group, in order for the management of the company to be sound, correct and consistent with the established objectives, through an adequate process for identifying, measuring and monitoring the main risks.

The policy followed by the Company in relation to the management and monitoring of the main corporate risks concerning, in particular, strategic risks, *compliance* risks, financial risks, liquidity risks, credit risks, IT risks and operational risks is based on the identification, assessment and management of the main risks associated with the Group's objectives, with reference to strategic, financial and operational areas. The management policy followed by Saras requires the main risks to be reported and discussed by the Group's senior management, in relation to their management as well as the assessment of the acceptable residual risk.

Risk management is based on the principle whereby risk is managed by the person in charge of the related process, based on the indications of senior management, while the control function measures and controls the level of exposure to risks and the results of actions to reduce such risk.

With particular reference to the financial disclosure process, the risk management and internal control system is targeted at ensuring the reliability, accuracy and promptness of financial disclosure. Therefore, the processes which are significant for the purposes of the drafting of the financial disclosure documents, the main risks and controls in place to prevent/mitigate said risks have been identified. Tests on the key controls identified in the appropriate "Risk and Control matrix" are then carried out periodically, in order to verify their effective implementation and correct design.

In addition, as set forth in regulation 262/2005 and the Regulation of the manager responsible for drafting the company accounting documents adopted by the Company, the "Financial Statements and 262 Compliance" department, part of the group's broader administrative division, collects the certifications of the adequacy of the design process and of the correct implementation of the controls required by the company regulatory documents from the administrative process *Control owners* and *Process owners* every six

months. On a half-yearly basis, the Designated manager responsible for drafting company accounting documents informs the Board of Directors, through an appropriate report, of the activities carried out regarding the internal control and risk management system of the financial disclosure process.

The Company has also identified a complete picture of the significant risks facing the Group (*Corporate Risk Profile*) and has identified the Risk Officer, who reports to the Chief Executive Officer and General Manager, who is responsible for overseeing all the activities aimed at monitoring and updating the "*Corporate Risk Profile*", periodically collecting the information on risk identification, assessment and management made available by each risk owner, and at the same time formalising the appropriate reporting.

During 2021, as previously took place in 2020, the assessments of the risk portfolio made by the risk owners took account of the direct and indirect effects of the pandemic event and the complex scenario that emerged during the year, and consequently evaluated not only the impacts but also the suitability of the risk management measures adopted by the Company.

The management confirmed that the pandemic and the related health crisis also led to significant changes in the context *assumptions* for Saras too, and, in particular, for the refining sector, which had a significant impact on the Company's *economics*.<sup>23</sup>

The in-depth analysis with the *risk owners* also revealed that the controls put in place for the management and mitigation of risks were substantially adequate and resilient, including when faced with the global effects of Covid-19; in 2021, in fact, out of 44 Covid-related risks (i.e. risks potentially impacted by the new scenario in terms of risk assessment and changed reference operating context), only 8 risks saw the introduction/confirmation of new and/or extraordinary mitigation actions.

The results of the annual monitoring of *risk assessment* were shared with the *senior management* of each company, for those issues within their sphere of activity, and with the CEO. They were also presented to the Control, Risk and Sustainability Committee.

Ferruccio Bellelli was appointed *Risk Officer* on 30 June 2016, while also continuing to hold the office of Internal Audit Manager.

As evidenced, also in the Control, Risk and Sustainability Committee, the role of the *Risk Officer* as a collector of information on the main business risks does not include any operating responsibility for the defining of tools for risk management, or for their implementation; this role therefore allows the Internal Audit Manager to focus more on Internal Audit activities with a *risk-based* approach without compromising their organisational independence.

The results of the half-yearly monitoring of the main risks were also used by the Internal Audit Manager to define the audits included in the 2021 Audit Plan, which, after the opinion of the Control, Risk and Sustainability Committee had been obtained, was submitted to the approval of the Board of Directors of Saras and, for the audits pertinent to the subsidiaries, to their Boards of Directors.

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<sup>23</sup> This context also impacted the Group's Corporate Risk Profile (which includes a total portfolio of 92 risks) with an increase in the assessment, in terms of probability and impact, between 2020 and 2021, of 13 risk events (of which 9 top risks, i.e. with a medium or medium-high rating) and with the introduction of three new risks: "biological/pandemic risk", risk linked to an inadequate formalisation and management of the "Crisis Management Model", and "risk of effects in relations with financial institutions and economic-tax risk" linked to proceedings in progress.

The Code of Ethics<sup>24</sup> of the Saras Group is a fundamental element of the internal control system; it contains the values, principles and behavioural rules that Saras and its subsidiaries must follow to carry out their business activities.

#### 4.2 Organisational Model pursuant to Italian Legislative Decree 231/2001

The internal control system described above was further strengthened by the adoption of the organisation, management and control model of Saras (the "Model"), approved by the Board of Directors on 11 January 2006 and updated on several occasions in implementing the rules relating to the "Regulations governing the administrative liability of companies" pursuant to Legislative Decree no. 231/2001, in order to arrange a management and control system intended to prevent the risk of committing offences referred to the same Legislative Decree no. 231/2001.

The Saras Model was drawn up in compliance with the guidelines formulated by Confindustria and consists of a "general part" (which describes, inter alia, the objectives and functioning of the Model, the tasks of the internal control body called on to supervise its operation and compliance, and the sanctions scheme) and "special parts", concerning the various types of offences mentioned in Legislative Decree no. 231/2001.

The special parts have been prepared relating to the following offences:

- offences against public authorities;
- corporate and corruption offences between private individuals;
- offences with the purpose of terrorism or to subvert the democratic order and offences against public trust;
- manslaughter and serious or very serious bodily harm offences committed in breach of health and safety at work regulations;
- market abuse offences (abuse of insider information and market manipulation);
- cyber crime and illegal data processing;
- environmental crime;
- offences involving receiving stolen goods, money laundering and self-laundering;
- organised crime offences and transnational offences;
- induction not to make statements or to make false statements to the judicial authorities;
- crimes against the fundamental rights of freedom;
- employment of third country individuals with irregular permits of stay;
- crimes against industry and trade;
- tax offences;
- contraband offences.

The latest update was made on 2 August 2021 following updates involving Italian Legislative Decree 231/01, and the new "Special parts" regarding tax offences and contraband offences were added. The Special Part "cyber crime and illegal data processing" was also updated following organisational changes that took place in the meantime.

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<sup>24</sup>This can be obtained from the *link*: <http://www.saras.it/en/governance/documents-and-procedures/laws-and-company-articles>



By implementing the Model, guidelines and procedures have been updated and issued over time, including:

- Compliance Guidelines - Internal regulations to manage insider information and establish a register of people who have access to it
- Code of Conduct for *Internal Dealing*
- Procedures for transactions with related parties
- Guidelines on relations with Public Authorities
- Guidelines on managing extraordinary operations
- Guidelines on relations with Public Supervision Authorities and management companies of regulated markets for financial instruments
- Guidelines on external communication of corporate information and documents
- Guidelines on ICT (Information and Communication Technology)
- Guidelines on combating bribery
- Guidelines on fraud prevention
- Guidelines on Procurement (which also governs the management of consultancy contracts)
- Guidelines on Administration and Financial Statements.

The Supervisory Body was established to promote the effective and correct implementation of the Saras Model.

The Saras Supervisory Body is composed of Alberto Carreri (*Head of Accounting & Tax* with the role of Chair of the SARAS Supervisory Body), Paola Simonelli (external member and member of the Board of Statutory Auditors), Simona Berri (*General Counsel and Corporate Affairs*) and Ferruccio Bellelli (Internal Audit Manager).

Group companies (Sarlux s.r.l., Sartec s.r.l., Deposito di Arcola s.r.l., Sardeolica s.r.l.) have adopted and updated their Organisation, Management and Control Models; the companies have also established their respective Supervisory Bodies. Furthermore, the Spanish subsidiary Saras Energia SAU, by reference to the Código Penal, has adopted and updated its “*Manual de Prevención de Riesgos Penales*” and appointed a *Comitè Etico* and, likewise, Saras Trading S.A. (set up on 4 September 2015 in Geneva), by reference to the Swiss Criminal Code, has adopted its own “Organisational Model” and appointed the Internal Audit Manager with “Supervisory” duties.

#### 4.3 Audit Firm

With reference to the Audit Firm, please refer to what is set forth in paragraph 2 of Section I above of this Report.

#### 4.4 Designated manager responsible for drafting company accounting documents

Since it listed its shares in May 2006, the Company, after appropriate amendments to the Articles of Association in accordance with the provisions of Art. 154-bis of the TUF, appointed a designated manager responsible for drafting company accounting documents.

Presently, the Designated manager is the Company's *Chief Financial Officer*, Franco Balsamo, who was called to fill this role by the Board of Directors at a meeting held on 6 November 2015.

The designated manager performs the tasks laid down in Art. 154-bis of the TUF, for which the Board has awarded him all the necessary or appropriate powers.

## 5. Processing of corporate information

Saras has adopted and consolidated over time a complex set of rules and procedures for the correct management of corporate information, in compliance with the regulations applicable to the various types of data. The processing of information, in particular, is supported by the information systems and processes linked to their development, maintenance and operation, on which specific requirements and rules insist, subject to a dedicated organisational supervision.

In execution of the provisions laid down regarding insider information and the associated disclosure obligations laid down in Regulation (EU) no. 596/2014 (known as the "MAR") and associated implementing provisions - including the Delegated Regulations (EU) 2016/522 and 2016/960 and the Implementing Regulations (EU) 2016/959 and 2016/1055 - entered into force on 3 July 2016 and concerning, respectively, the regulation of market abuse and related sanctions, as well as national legislation, including regulations, in force from time to time, on Information Regulated by the TUF and by the Issuers' Regulations, the Company has amended its existing procedures concerning the management of Insider Information and *Internal Dealing*, also in light of the fact that they are based on Legislative Decree no. 231/2001 for the prevention of Market Abuse offences.

More specifically, we acknowledge that with reference to the obligation laid down in Article 18 of the MAR Regulation, as well as, until its abrogation with Art. 3 of Legislative Decree no. 107 of 10/08/2018, and also to Art. 115-*bis* of the TUF, to create of a register of people who have access to insider information, as well as to the recommendations contained in Article 4 of the Code (which find justification in Article 114 of the TUF and in the implementing regulation), the Board has adopted, since May 2006, a set of "Internal regulations to manage insider information and establish a register of people who have access to it" ("Regulations"). These Regulations (now called "*Internal regulations to manage insider information and establish a List of people who have access to it*") were integrated and amended by the Board of Directors of the Company, to implement the provisions set out in Art. 17 of the MAR, and Execution Regulation (EU) 2016/1055 of the European Commission of 29 June 2016, as well as the recommendations of Borsa Italiana and international best practice, firstly on 10 January 2017 and subsequently on 2 March 2020 and 4 November 2020, taking into account, inter alia, the Guidelines on the Management of Insider Information published by Consob in October 2017.

The Regulations, incorporated into the appropriate Compliance Guidelines issued by the Company in accordance with the Group's Regulation System, contain procedures for the identification, internal management, access by external subjects and, depending on the case, external communication of insider or relevant information concerning the Company and its subsidiaries, with particular reference to "*price sensitive*" information, in order to prevent, inter alia, its communication from occurring selectively, in an untimely manner, or in an incomplete or inadequate manner.

The dissemination of statements is handled by the Investor Relations function.

## 6. Internal Dealing procedure

Also with the aim of adapting Saras's *corporate governance* to the rules applicable to listed companies, the Board has also adopted, since May 2006, its "*Internal dealing procedure*"<sup>25</sup> as updated on 1 August 2016 to the latest regulatory changes made by the MAR Regulation, directly applicable in Italy, which also transposes and gives application (where not conflicting with the aforementioned MAR) to the provisions of Art. 114, paragraph 7 of the TUF and Articles 152-sexies and following of the Issuers' Regulations, to ensure correct and adequate transparency of information in respect of the market in relation to transactions on its securities carried out by persons internal to the Company.

This Procedure lays down precise rules of conduct and communication in relation to transactions in shares or debt securities, derivatives or other financial instruments linked thereto issued by Saras and performed by relevant subjects (specifically the Company's directors and auditors, any senior executive with standard access to insider information and with the power to take management decisions that could impact the market trend and future prospects of the Company and any direct or indirect shareholder who owns at least 10% of the share capital of Saras) and people closely associated with these relevant subjects. In line with *best practice*, the Procedure also prohibits such relevant subjects or people closely associated with them, to perform transactions in the Company's securities in certain periods.

## 7. Directors' interests and significant transactions with related parties

The Board of Directors has adopted procedures for transactions with related parties in accordance with the "Regulations regarding transactions with related parties" adopted by Consob (Resolution no. 17221 of 12 March 2010 - the "Regulations"), also in consideration of that indicated in Consob Communication no. DEM/10078683 of 24 September 2010. The procedures ("RPT Procedures") are available on the Company website.<sup>26</sup>

This applies to directors, their families and entities related to one or other of them, in the definition of a relevant related party for the purposes of the application of the Regulations. The procedures adopted by the Company represent suitable safeguards for managing situations in which a director has an interest on their own behalf or on behalf of third parties, notwithstanding the interest of a director not concerning a transaction with a related party, the director will also be required to disclose this pursuant to Art. 2391 of the Italian Civil Code.

Following the promulgation of Directive (EU) 2017/828 (the "Shareholders' Rights Directive 2" or "SHRD 2") - implemented in Italy with Legislative Decree 49/2019 - and at the end of a specific consultation procedure on the implementation of SHRD 2 at regulatory level, it should be noted that Consob amended regulation no. 17221/2010 (the Related Party Transactions Regulation) with effect from 1 July 2021. The new text of the Related Parties Regulation therefore came into force on 1 July 2021, entailing the

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<sup>25</sup> Available from the following link: <https://www.saras.it/en/governance/internal-dealing>

<sup>26</sup> The Procedures on the subject of transactions with related parties are available on the company's website at the link: [https://www.saras.it/sites/default/files/in\\_page/saras\\_procedureparticorrelate.pdf](https://www.saras.it/sites/default/files/in_page/saras_procedureparticorrelate.pdf)

introduction of significant changes such as, by way of example and not limited to: (i) the alignment of the current definition of “related party” to the definition envisaged by the applicable international accounting standards (opting for a mobile postponement instead of a fixed postponement); (ii) the introduction of mandatory abstention for directors and/or shareholders involved in the transaction with related parties; and (iii) the redefinition of some exemptions from the application of the Related Parties Regulation and the related internal procedures of the issuers.

The Board of Directors on 8 June 2021 amended the procedures and adopted the new text, adapted to and aligned with the new regulatory regime applicable following issue of Italian Legislative Decree 49/2019 of 10 May 2019 implementing Shareholder II and Consob Regulation no. 17221 of 12 March 2010 as amended.

The Board has also approved a “*Code of Conduct for directors of the Group*”, which was also positively assessed by the Control, Risk and Sustainability Committee and the Board of Statutory Auditors, the primary purpose of which is to provide the directors it is intended for with homogeneous conduct criteria to enable them to perform their office within a comprehensive framework of reference, respecting the legal provisions on the interests of directors and the principles of *corporate governance* and, when possible, in line with the interest of the Saras Group.

## **8. Additional Financial Information pursuant to the amended Art. 82-ter of the Issuers’ Regulations**

The Board of Directors of the Company, in exercising the powers recognised by Art. 82-ter of the Issuers’ Regulations<sup>27</sup>, decided to proceed with the voluntary publication, starting from 10 January 2017 and until it decides otherwise, of the information relating to business developments for the first and third quarter of each year that will be subject to the approval of Board of Directors meetings to be held within 45 days after the closure of the first and third quarter of each year.

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<sup>27</sup> As a result of the transposition of the Transparency II Directive (2013/50/EU), Consob has repealed the requirement to publish the interim operating statements and has introduced the new Art. 82-ter to the Issuers’ Regulations concerning additional periodic financial information thereby providing that listed companies could choose, on a voluntary basis, whether to publish additional periodic financial information or not (with respect to annual and half-yearly reports).

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

As set out in the Company's Articles of Association, the Board of Statutory Auditors is comprised of three standing auditors and two alternate auditors.

The Articles of Association require auditors to be appointed on the basis of a list voting system that ensures the minority can appoint a standing auditor (who will be appointed Chair of the Board of Statutory Auditors) and an alternate auditor. The lists of candidates can be submitted by shareholders who represent at least 2.5% (two point five per cent), or a different measure established according to legislation in force at the time, of the share capital consisting of shares with voting rights at the ordinary shareholders' meeting. Together with each list, before the submission deadline at the registered office, the following must be submitted: (i) exhaustive information about the personal and professional background of the candidates, and (ii) declarations in which the individual candidates accept their nomination and attest, under their own responsibility, that there are no grounds for ineligibility and incompatibility (including not exceeding the regulatory limits regarding the number of offices held), as well as the existence of the requirements laid down by law and the Articles of Association for the office of company auditor. The office of standing auditor is incompatible with the performance of similar offices in more than three other companies listed on Italian regulated markets, with the exclusion of the Company and its subsidiaries.

In determining the composition of the Board of Statutory Auditors, the Articles of Association lays out the criteria of diversity, including gender, in respect of the priority objective of adequate expertise and professionalism of its members. In particular, the lists for election that present a number of candidates equal to or greater than three must be composed of candidates of both genders, so that a proportion of candidates at least equal to the proportion prescribed in the applicable regulations on gender balance belong to the less represented gender. In addition, if that does not actually ensure a composition of the Board of Statutory Auditors, in terms of its standing members, compliant with relevant regulations in force governing gender balance, the Company makes the necessary replacements, choosing the candidates for the office of standing auditor from the list that obtained the highest number of votes, according to the progressive order in which the candidates are elected.

In fact, with regards to 2021, at least one third of standing and alternate members of the Board of Statutory Auditors was composed of statutory auditors from the less represented gender.

Based on the Articles of Association, the lists of candidates must be submitted to the registered office by at least the 25th day prior to the Shareholders' Meeting date and must be made available to the public at the Company's registered office, on the website and with the other procedures laid down by Consob with regulations at least twenty-one days before the Shareholders' Meeting date.

For more information concerning the procedure for appointing the Board of Statutory Auditors, refer to the Articles of Association and the rules laid down in Articles 144-*ter* and following of the Issuers' Regulations.

The Board of Statutory Auditors currently in office - which was appointed by list voting at the meeting held on 12 May 2021 with a term of office that ends on the date of approval of the financial statements as at 31 December 2023, comprises the following members at the date of publication of this Report:

Giancarla Branda	Chair
Fabrizio Colombo	Statutory auditor
Paola Simonelli	Statutory auditor
Pinuccia Mazza	Alternate auditor
Andrea Perrone	Alternate auditor

In the financial year 2021, the Board of Statutory Auditors held 17 meetings.

In 2022, up to the date of publication of this Report, the Board of Statutory Auditors has met 5 times. The meetings were regularly attended by the standing auditors, as analytically indicated in the attached summary table *sub 2*, to which reference should be made.

Based on the statements provided by the Auditors and in observance of the provisions of the “*Rules of conduct of the board of statutory auditors of listed companies*” published by the Italian accounting profession in May 2019, which the Board of Statutory Auditors decided to adhere to, the Board of Statutory Auditors carried out its self-assessment by internal verification of its independence requirements pursuant to the law and based on the criteria set forth in the ode with reference to the directors both following its appointment and afterwards each year, and the verification had a positive outcome. Therefore, the Board of Statutory Auditors on 14 March 2022 ascertained that each member of the Body possesses and continues to possess the independence requirement established by law and by the codes of conduct which the Company has declared it follows, affirming that during 2021 and until the date mentioned above, no facts able to jeopardise full possession of the aforesaid requirement have emerged.

The attendance of the Board of Statutory Auditors at the meetings of the Control, Risk and Sustainability Committee ensures the necessary coordination with the Committee and with the *Internal Audit* Department.

The auditor who, on their own behalf or on behalf of third parties, has an interest in a given Company operation, shall immediately and comprehensively inform the other auditors and the Chair of the Board of the nature, terms, origin and scope of their interest.

With reference to the remuneration envisaged for the members of the Board of Statutory Auditors, please refer to what is described in paragraph 3 of Section II of this Report above.

## 10. Shareholder relations

### 10.1 Access to information

The Corporate Governance of Saras is functional for creating value for the shareholders and for reconciling the interests of the Company's Stakeholders. Saras ensures the monitoring of the issues of mutual interest and observance of the rules, and promotes constructive dialogue with its Stakeholders, with the ultimate aim of directing its actions towards the creation of shared value.

The Company maintains a regular dialogue with shareholders in general and institutional investors in compliance with, in addition to the existing legislation and principles contained in the "*Guidelines for information to the market*" published by Borsa Italiana S.p.A., the Regulations for the management of relevant information and inside information and the setting up and management of the Insider Register.

In order to promote the dialogue mentioned, the Company, in accordance with the recommendations referred to in Art. 9 of the Code, proceeded to select a person responsible for managing relations with shareholders and institutional investors.

In particular, in 2021 like in the previous year, the Covid-19 emergency made recourse to electronic tools (telephone, video conferencing, website) necessary, and they totally replaced face-to-face meetings. It was on the other hand necessary to intensify frequency of the interactions to guarantee the financial community (investors and analysts in particular) a regular update on the reference market conditions and resulting Group strategies.

### 10.2 Dialogue with the shareholders

In its first meeting of 2022, with the aim of further promoting the dissemination of financial information, and in compliance with the recommendations of the Corporate Governance Code, the Board of Directors of Saras S.p.A. approved its "*Policy for managing dialogue with shareholders and other stakeholders*" (also "Engagement Policy")<sup>28</sup> - where the term "other stakeholders" refers to institutional investors, professional and retail, financial analysts and proxy advisors.

This Policy sets out to explain the general principles, management methods and content of the dialogue between Saras, its shareholders and other stakeholders, also taking into account engagement policies adopted by the institutional investors and asset managers. The Engagement Policy describes the methods with which Saras guarantees constant interaction with the entire financial community through tools that comprise both the ordinary communication channels (e.g. publications and updates on the Company's website, ongoing dialogue with the market through the Investor Relations department, the Shareholder's Meeting, the use of tools such as *webcasting* / conference calls, etc.), and also dialogue between the Board of Directors and the stakeholders.

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<sup>28</sup> It can be found on the Saras website at the link: <https://www.saras.it/it/investitori/politica-di-engagement>



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

Saras S.p.A. – Investor Relations, Galleria Passarella 2 – 20122 Milan  
Toll-free number: 800511155 – e-mail: [ir@saras.it](mailto:ir@saras.it)

## **11. Shareholders' Meetings**

The Company considers shareholders' meetings to be a special time to establish a worthwhile dialogue between shareholders and the Board of Directors and as an occasion to communicate Company news to shareholders, obviously in line with the rules on insider information, and to ensure shareholders receive adequate information about the necessary elements so they can take the decisions required of shareholders with full knowledge of the facts.

Shareholders' meetings can be ordinary or extraordinary, pursuant to law.

The Articles of Association (Art. 12) state that a shareholders' meeting is convened by a notice published, in the manner and by the deadlines laid down in the provisions applicable, on the Company website, as well as according to other procedures laid down by the legislation in force.

All the documentation relating to items on the agenda of the shareholders' meeting is disclosed to the public, as required by the law, and therefore it is filed at the registered office and the administrative offices, and also at the authorised storage mechanism "linfo" ([www.linfo.it](http://www.linfo.it)). The documentation as provided for by Art. 125-*quater* of TUF is made available on the Company *website*. Pursuant to Art. 14 of the Articles of Association, persons with voting rights are entitled to attend a shareholders' meeting provided that their legitimacy is certified according to the methods and by the deadlines provided for by law and by the regulations.

Pursuant to Art. 83-sexies of Legislative Decree no. 58/98, the eligibility to attend the Shareholders' Meeting and exercise the right to vote is certified by a communication to the Company, issued by an intermediary, in accordance with the data in its accounting records, certifying the party entitled to vote on the base of the shareholder information applicable upon conclusion of the accounting day for the [seventh] day of market trading before the date fixed for the first convening of the Shareholders' Meeting.

The Articles of Association also state that each person who is entitled to attend the Shareholders' Meeting may be represented by a written proxy by another person pursuant to law. The proxy may be conferred electronically in line with the applicable regulations and notified electronically according to the procedures indicated for each Shareholders' Meeting notice of call.

The Company may appoint one or more people for each Shareholders' Meeting, who can be conferred a proxy by those having the right, with voting instructions for all or some of the proposals on the agenda.

The notice of call shows, in addition to specifying the agenda, the rules for attending the shareholders' meeting and exercising the rights of shareholders, as governed by the law and the Articles of Association.

In particular, to minimise the risks associated with the COVID-19 health emergency, the Company decided to avail itself of the option established by Decree Law no. 18 of 17 March 2020 on "*Measures to strengthen the national health service and provide economic support for families, workers and businesses related to the Covid-19 epidemic emergency*" (the "Cura Italia" Decree), converted with amendments by Law no. 27 of 24 April 2020, also taking into account the provisions of Article 3, paragraph 6, of Decree Law no. 183 of 31 December 2020, converted with amendments into Law no. 21 of 26 February 2021, and therefore to set forth that the intervention of shareholders at the Shareholders' Meeting shall take place exclusively through the representative appointed pursuant to Article 135-undecies TUF, without physical participation by shareholders.

The Company has adopted a suitable shareholders' meeting regulation<sup>29</sup>, also drawn up according to the system developed up by ABI and Assonime, designed to ensure the orderly and effective conducting of meetings through detailed rules for the various stages, in compliance with the fundamental right of each shareholder to request clarification on different topics under discussion, to express their opinion and formulate proposals.

While it is not a statutory provision, this regulation was approved by the Ordinary Shareholders' Meeting by virtue of specific competence allocated to this body by the Articles of Association, and was amended by the Ordinary Shareholders' Meeting in April 2011 to make it compliant with the new terminology introduced by Legislative Decree no. 39 of 27 January 2010, on the one hand, and on the other hand to adapt it to the provisions laid down regarding the *record date* (and connected to the system of identifying those entitled to exercise the right to vote) and the right of shareholders to ask questions (Art. 127-ter of TUF) by Legislative Decree no. 27 of 27 January 2010.

## **12. Changes since the end of the reference financial year**

No changes have occurred in the corporate governance structure as at the date the financial year ended.

## **13. Considerations on the letter of the Chair of the Corporate Governance Committee of 3 December 2021**

The letter of the Chair of the Corporate Governance Committee dated 3 December 2021 (the "Letter") was distributed and shared with the members of the Remuneration and Nominations Committee and those of the Board of Directors and the Board of Statutory Auditors of the Company, and, once again, specific attention was paid to it during the activity preliminary to the drafting of this Report.

The recommendations it contains may represent a useful governance reference for the

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<sup>29</sup> See: <https://www.saras.it/en/governance/shareholders-meetings>

Board of Directors (not only the one currently in office, but especially for the Board that will be appointed by the next Shareholders' Meeting called to approve the financial statements as at 31 December 2021).

In particular, the contents of the recommendations formulated in the Letter and in the recent "2021 Report on the application of the Code" published with the Letter were specifically considered, also during the Board's self-assessment and when preparing and approving this report on 14 March 2022, in order to identify, according to the principles of the Corporate Governance Code, possible evolutions in *governance*, highlighting for this purpose the main areas for improvement of *compliance*, or to fill any gaps in their application, or in the explanations provided.

In line and in continuity with what was already reported last year, the Board of Directors of Saras shares the call of the Corporate Governance Committee to sustainability and the declination of the concept in terms of sustainable success, according to an overall and synergistic vision of the different dimensions of the business phenomenon, in its relations with all stakeholders.

In particular, with reference to the first critical area identified in the Letter - concerning the Corporate Governance Committee's invitation to describe and provide adequate and summarised information in the Corporate Governance Report on the methods the Company adopts to integrate the sustainability of the business activity, and above all on the approach taken in encouraging dialogue with the stakeholders - it is first of all acknowledged that Saras, inspired by the main national and international rules (and as however previously stated in paragraph 2, Section I above, to which the reader is referred for more details), has for some time recognised the increasing importance of the contribution of the non-financial aspects in defining the company's value, and has considered the sustainability topic as an integral and fundamental part of its business strategy, first and foremost with the publication of its "Sustainability Report"<sup>30</sup> and with the formation of the Control, Risk and Sustainability Committee, to which special supervision, assessment and monitoring functions regarding the sustainability profiles connected with the business activity have been assigned.

Furthermore, in its latest meeting held on 16 February 2022, the Board of Directors of Saras adopted, in line with the *best practices*, its Sustainability Policy<sup>31</sup> whose purpose is to formalise the strategies, objectives, models of conduct and the company's commitments aimed at improving its Sustainability performance and optimum management of the "ESG" topics in which Saras is involved. The Sustainability Policy is made public and is easy for all Stakeholders to access. Saras started a materiality analysis process aimed at identifying the areas of the greatest interest as well as those characterised by the greatest risks-opportunities for the development of the Company's business and the creation of value with a view to long-term sustainability. The topics connected with sustainability have therefore been for some time an integral part of the company's strategy, to the extent that Saras has adopted an ESG indicators system<sup>32</sup>, in addition to the usual financial and

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<sup>30</sup>See note 12.

<sup>31</sup> It can be found on the Saras website at the link: <https://www.saras.it/it/sostenibilita/politica-di-sostenibilita-del-gruppo-saras> and it is described in greater detail in paragraph 2 of Section I of this Report, to which the reader is referred.

<sup>32</sup> For more information about the ESG 2020 Targets: <https://www.saras.it/it/sostenibilita/i-nostri-impegni>

economic objectives. In fact, the Group recognises the ever-increasing importance of ESG aspects in defining the value of the company, and has therefore undertaken a process of transparency by making these indicators public in order to accurately represent, in detail, the strategies focussed on guaranteeing its economic growth and the sustainable development of its business. The importance of these aspects is also demonstrated by adding sustainability objectives to recognise variable components of top management's remuneration.

In compliance with the recommendations of the Corporate Governance Code and in agreement with the CEO Dario Scaffardi, at the above-mentioned meeting of the board of directors the Chairman of the Board proposed to adopt a Policy for managing dialogue with shareholders and other stakeholders (please also see paragraph 10.2 above) that the Board positively assessed and adopted. The Company has always been committed to managing dialogue with shareholders and investors through many initiatives implemented using different channels of communication and numerous occasions for meetings, and confirms that the promotion of constant and effective dialogue with the financial market in general plays a central role for Saras in aligning the Company's management with the interests of investors and encouraging long-term investments, and thus being able to contribute to the achievement of company objectives, strengthen the generation and sharing of value and ensure the principles of transparency, fairness and reliability.

The Company's commitment, starting from its top management, to making business sustainability a shared priority, integrated into the company processes and into the *Purpose* of Saras in full agreement with what the Chairman of the Corporate Governance Committee also recommended, is confirmed. Therefore, Saras can consider itself fully complied with the recommendation of the Chair of the Corporate Governance Committee.

With reference to the second area for improvement identified by the Letter with which, based on the principle of proportionality proposed by the Code, issuers are asked to clarify their classification based on the categories shown, taking into account the relevant definitions contained in the Code, Saras is to be considered a not large concentrated ownership company, as has on the other hand also been communicated in the Corporate Governance Report published in 2021 (please also see paragraph 3, Section I of this Report above). Also with reference to this second recommendation of the Letter, therefore, substantial full approval of Saras with what is suggested by the Chairman of the Corporate Governance Committee is confirmed.

By contrast, in relation to the other critical areas identified in the Letter, the Company is already in line with the recommendation regarding the practical and full application of the independence criteria recommended by the Corporate Governance Code given that, as of today's date, as many as six of the twelve directors on the Board are non-executive directors who meet the independence requirements pursuant to Art. 2 of the Code and/or Articles 147-ter, paragraph 4, and 148, paragraph 3, of the TUF (as described in paragraph 1.7 of Section II of the Report above, to which the reader is referred for more information). The number of directors who meet the independence requirements provided for by Art. 148, paragraph 3 of the TUF therefore complies with the provisions of Art. 147-ter, paragraph 4 of the TUF as amended by Legislative Decree no. 303 of 29 December 2006, in relation to boards of directors of listed issuers comprising more than seven members. The Company

also promoted the constant monitoring and verification of the possession, maintenance and concrete and full application of the independence criteria by its independent directors. During the Board of Directors meeting held on 8 June 2021 at the beginning of its mandate and in compliance with the recommendations of the Code, the Board of Directors predefined the quantitative and qualitative criteria for assessing the significance of the relationships specified under point c) and of the additional remuneration specified under point d) of Recommendation no. 7 of the Code for the purpose of judging the independence of the directors and auditors. The next Saras Board of Directors, in line with the provisions of the Code, will be able to confirm said criteria or identify and define different quantitative and/or qualitative criteria at the beginning of its mandate to assess the significance of relations with independent directors.

Another area for improvement the Letter identified is that regarding the quality and management of the board's flows of information. To this regard, please note that in also adopting the suggestion (which emerged during Board Evaluations of recent years) to bring forward and regulate the time frame necessary for sharing documentation preparatory for discussing and examining various items for discussion on the agenda of the Board of Directors with directors and auditors, the Company is tangibly taking steps and engaged in improving the management of the board's flows of information. The results of the self-assessment in fact testify to the commitment to improvement and the successes achieved in this area, defining methods for preparing and organising meetings that reflect the multiplicity and complexity of the issues submitted to the attention of the board.

In 2021, the Directors received the preparatory documentation for the different Board meetings in observance of the terms set out by the Board of Directors Regulation (please also refer to paragraphs 1.1 and 1.8, Section II of the Report above) approved by the Board at its first meeting of 19 May 2021 following the appointment of the Shareholders' Meeting held on 12 May 2021, and required in compliance with what Recommendation no. 11 of the suggests. With the adoption of said Regulation, the Board predetermined and defined its rules of operation, included the methods for taking minutes of the meetings and the procedures for managing the pre-Board disclosure provided to the directors. Furthermore, considering his role of liaison between executive and non-executive directors and as on the other hand Principle X of the Code requires, the Chairman of the Board of Directors also prepared the agendas of the various Board meetings and ensured, with the help of the Secretary, the promptness and completeness of the pre-Board disclosure for which in the meantime traceability and a high level of cybersecurity were also guaranteed (for more details, please refer to the provisions of paragraph 1.8, Section II of the Report above).

As regards the recommendation of the Chairman of the Corporate Governance Committee to provide adequate information on the concrete identification and application of measures able to promote equal treatment and opportunities amongst the genders within the entire corporate organisation in the corporate governance report, please refer to what is described in paragraphs 1.2 and 1.8 above and in the Sustainability Report adopted by the Company.

Finally, with reference to the last area for improvement provided for by the Letter, concerning the suggestion to contemplate remuneration policies that contain predetermined and measurable parameters for disbursing the variable component of the remuneration, to be identified considering strategic objectives of the business activity and the pursuit of

sustainable success, and also contemplating non-financial parameters, please refer to what is illustrated and described in both paragraph 3, Section II above of this Report and in the Report on remuneration and remuneration paid drawn up pursuant to Art. 123-ter of the TUF and published on the Company's website. Lastly, as a result of the refinements made over time, it is believed that Saras's remuneration policy and its *disclosure* fully meet the *requirements* suggested by the Corporate Governance Committee (already largely aligned with the principles that underlie the reform introduced following the implementation of what is known as the Shareholders' Rights II Directive).

In conclusion, the Board of Directors of Saras S.p.A., having confirmed the high degree of compliance by the Company with the provisions of the Corporate Governance Code, as well as with the instructions contained in the Letter, renews its commitment to and its constant focus on monitoring *compliance* with the recommendations expressed by the Corporate Governance Committee.

**TABLE 1: INFORMATION ON THE OWNERSHIP STRUCTURE AS AT 31/12/2021**

<b>SHARE CAPITAL STRUCTURE</b>				
	<b>No. shares</b>	<b>No. rights to vote</b>	<b>Listed (specify markets) / unlisted</b>	<b>Rights and obligations</b>
Ordinary shares  Note: Possibility to increase right to vote is not contemplated	951,000,000	951,000,000	<b>EURONEXT MILAN</b>	Rights and Obligations as provided for by law and the articles of association
Preference shares	----	---	---	---
Shares with multiple vote	----	---	---	---
Other categories of shares with right to vote	----	---	---	---
Savings shares	----	---	---	---
Convertible savings shares	----	---	---	---
Other categories of shares without right to vote	----	---	---	---
Other	----	---	---	---

<b>OTHER FINANCIAL INSTRUMENTS</b>				
<b>(attributing the right to subscribe to newly issued shares)</b>				
	<b>Listed (specify markets) / unlisted</b>	<b>No. outstanding instruments</b>	<b>Category of shares at service of conversion/exercise</b>	<b>No. shares at service of conversion/exercise</b>
<b>Convertible bonds</b>	----	---	---	---
<b>Warrants</b>	---	---		---

<b>SIGNIFICANT INVESTMENTS IN THE CAPITAL</b>			
<b>Declarant</b>	<b>Direct shareholder</b>	<b>Portion % on ordinary capital</b>	<b>Portion % on voting capital</b>
Massimo Moratti	MASSIMO MORATTI SAPA	20,011	20,011
Gabriele Moratti	STELLA HOLDING S.P.A.	10,005	10,005
Angelo Moratti	ANGEL CAPITAL MANAGEMENT SPA	10,005	10,005
PLATINUM INVESTMENT MANAGEMENT LTD	PLATINUM INVESTMENT MANAGEMENT LTD	5,208	5,208
FARRINGFORD FOUNDATION	URION HOLDINGS (MALTA) LIMITED	3,010	3,010



**TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AS AT 31/12/2021**

Board of Directors													
Office	Members	Year of birth	Date of first appointment (*)	In office since	In office until	List (presenters) (**)	List (M/m) (***)	Exec.	Non-exec.	Indep. Code	Indep. TUF	Number of other positions (****)	Equity investment (*****)
Chairman	Massimo Moratti	1945	26/06/1972	12/05/2021	App. FS 2021	Shareholders	M	X					6/7
CEO •	Dario Scaffardi	1958	19/10/2006	12/05/2021	App. FS 2021	Shareholders	M	X					7/7
Director	Angelo Moratti	1963	28/04/1993	12/05/2021	App. FS 2021	Shareholders	M		X				6/7
Director	Gilberto Callera	1939	30/04/1987	12/05/2021	App. FS 2021	Shareholders	M		X		X		7/7
Director	Angelomario Moratti	1973	30/05/2005	12/05/2021	App. FS 2021	Shareholders	M		X				7/7
Director	Gabriele Moratti	1978	27/04/2010	12/05/2021	App. FS 2021	Shareholders	M		X				1/7
Director	Giovanni Emanuele Moratti	1984	20/04/2017	12/05/2021	App. FS 2021	Shareholders	M		X				7/7
Director	Adriana Cerretelli	1948	28/04/2015	12/05/2021	App. FS 2021	Shareholders	M		X	X	X		6/7
Director	Isabelle Harvie-Watt	1967	28/04/2015	12/05/2021	App. FS 2021	Shareholders	M		X		X		7/7
Director	Laura Fidanza	1973	28/04/2015	12/05/2021	App. FS 2021	Shareholders	M		X	X	X		7/7
Director	Francesca Stefania Luchi	1967	27/04/2018	12/05/2021	App. FS 2021	Shareholders	M		X	X	X	1	7/7
Director	Monica de Virgiliis	1967	12/05/2021	12/05/2021	App. FS 2021	Shareholders	m		X	X	X	1	4/4
<b>DIRECTORS WHO CEASED TO HOLD OFFICE DURING THE FINANCIAL YEAR</b>													

Specify the number of meetings held during the Financial Year: 7

Indicate the required quorum for minority shareholders to present a list for the election of one or more members (pursuant to Art. 147-ter TUF): 2.5%

**NOTES:**

The symbols below entered in the "Office" column represent the following:

- This symbol indicates the director responsible for the Internal Control and Risk Management System.
- This symbol indicates the Lead Independent Director (LID).

(\*) Date of first appointment of each director shall mean the date on which the director was appointed for the first time (ever) in the Issuer's Board of Directors.

(\*\*) This column shows whether the list from which each director was selected was presented by shareholders (specifying "Shareholders") or by the Board of Directors (specifying "BoD")

(\*\*\*) This column shows whether the list from which each director was selected is "majority list" (specifying "M") or "minority list" (specifying "m").

(\*\*\*\*) This column indicates the number of offices as director or statutory auditor the party concerned holds in other listed companies or large corporations. The offices are specified in full in the Corporate Governance Report.

(\*\*\*\*\*) This column indicates the attendance of directors at meetings of the BoD (the number of meetings attended compared to the total number of meetings which could have been attended, e.g. 6/8, 8/8, etc. is shown).

TABLE 3: STRUCTURE OF THE BOARD COMMITTEES AS AT 31/12/2021

BoD		Executive Committee (if any)		RPT Committee		Control, Risk and Sustainability Committee		Remuneration and Nomination Committee		Steering and Strategies Committee	
Office/qualification	Members	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
BoD Chairman <sup>(1)</sup>	Massimo Moratti									1/1	M
CEO <sup>(1)◊</sup>	Dario Scaffardi									1/1	M
Director	Angelo Moratti									1/1	P
Director◊	Gilberto Callera			1/1	P	7/7	P	3/3	P		
Director	Angelomario Moratti									1/1	M
Director	Gabriele Moratti									0/1	M
Director	Giovanni Emanuele Moratti									1/1	M
Director	Adriana Cerretelli					7/7	M				
Director	Isabelle Harvie-Watt					6/7	M				
Director	Laura Fidanza			1/1	M	7/7	M	3/3	M		
Director	Francesca Stefania Luchi			1/1	M			3/3	M		
Director	Monica de Virgiliis					3/3					
<b>DIRECTORS WHO CEASED TO HOLD OFFICE DURING THE FINANCIAL YEAR</b>											
-	-	-	-	-							
<b>ANY MEMBERS WHO ARE NOT DIRECTORS</b>											
<b>No. Meetings held during the financial year</b>		-		RPT Committee: 1		Control, Risk and Sustainability Committee: 7		Remuneration and Nomination Committee: 3		Steering and Strategies Committee: 1	

**NOTES**

(\*) This column indicates the attendance of directors at committee meetings.

(\*\*) This column indicates the position of each Director within the committee: "P": Chair; "M": member

(1) Executive director

**TABLE 4: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AS AT 31/12/2021**

BOARD OF STATUTORY AUDITORS									
<i>Office</i>	<b>Members</b>	<b>Year of birth</b>	<b>Date of first appointment (*)</b>	<b>In office since</b>	<b>In office until</b>	<b>List (M/m) (**)</b>	<b>Indep. Code</b>	<b>Board meetings attendance (***)</b>	<b>Number of other positions (****)</b>
<b>Chairman</b>	Giancarla Branda	1961	28/04/2015	12/05/2021	Approval of the 2021 financial statements	m	X	17/17	7
<b>Statutory auditor</b>	Fabrizio Colombo	1968	22/05/2020	12/05/2021	Approval of the 2021 financial statements	M	X	17/17	13
<b>Statutory auditor</b>	Paola Simonelli	1964	28/04/2015	12/05/2021	Approval of the 2021 financial statements	M	X	17/17	22
<b>Alternate auditor</b>	Pinuccia Mazza	1957	28/04/2015	12/05/2021	Approval of the 2021 financial statements	M	X		
<b>Alternate auditor</b>	Andrea Perrone	1965	27/04/2018	12/05/2021	Approval of the 2021 financial statements	m	X		
AUDITORS WHO CEASED TO HOLD OFFICE DURING THE REFERENCE FINANCIAL YEAR									
<b>Number of meetings held during the financial year: 17</b>									
<b>Indicate the required quorum for minority shareholders to present a list for the election of one or more members (pursuant to Art. 148 TUF): 2.5%</b>									

**NOTES**

(\*) Date of first appointment of each statutory auditor shall mean the date on which the statutory auditor was appointed for the first time (ever) in the Issuer's Board of Statutory Auditors.

(\*\*) This column shows whether the list from which each auditor was selected is "majority list" (specifying "M") or "minority list" (specifying "m").

(\*\*\*) This column shows the attendance of auditors at meetings of the Board of Statutory Auditors (it features the number of meetings attended by each auditor compared to the total number of meetings that could have been attended).

(\*\*\*\*) This column indicates the number of director or statutory auditor offices held by the person concerned pursuant to Art. 148-bis of the TUF and its implementing provisions contained in the Consob Issuers' Regulations. The complete list of the offices is published by Consob on its website pursuant to Article 144-quinquiesdecies of the Consob Issuers' Regulations.