



**SARAS**

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

**ANNUAL CORPORATE GOVERNANCE REPORT AND  
INFORMATION ON THE OWNERSHIP STRUCTURE -  
2017 Financial year**

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

March 2018

## Foreword

Saras S.p.A. (“Saras” or the “Company”) adheres to the Code of Conduct approved by the *Corporate Governance* Committee promoted by Borsa Italiana S.p.A. (the “Code of Conduct” or “Code”, accessible to the public at the website of Borsa Italiana S.p.A. - [www.borsaitaliana.it](http://www.borsaitaliana.it)) as described in this report.

Therefore, the paragraphs below describe 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 Code of Conduct.

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 (the “Board”) at the meeting of 12 February 2018, to be made available to shareholders, also by means of publication on the Company website ([www.saras.it](http://www.saras.it)), in view of the meeting called to approve the financial statements for the financial year ended on 31 December 2017. The report refers to the 2017 financial year and, where relevant, also to corporate events occurring in 2018 until its approval date.

## SECTION I

### **1. OWNERSHIP STRUCTURE**

The Company's share capital comprises no. 951,000,000 ordinary registered shares, fully paid up, with voting rights at both ordinary and extraordinary shareholders' meetings.

Based on the records in the Register of Members and public information or else information available to the Company on the publication date of this Report, there are no subjects holding a stake in the Company greater than 3%<sup>1</sup>, except for (i) Massimo Moratti S.a.p.a. di Massimo Moratti, that holds a 25.011% stake in the Company's share capital and (ii) MOBRO S.p.A. (*formerly* Gian Marco Moratti S.a.p.A. di Gian Marco Moratti)<sup>2</sup>, that holds a 25.011% stake in the Company's share capital.

By virtue of the shareholders' agreement in force between MOBRO S.p.A and Massimo Moratti S.a.p.A. di Massimo Moratti, signed on 1 October 2013 with regard to the shares they each own in Saras S.p.A., it is noted that both companies exercise joint control over the issuer, as reported in the press release published on 4 October 2013 (also available on the website [www.saras.it](http://www.saras.it)).

---

<sup>1</sup> As provided for by Legislative Decree no. 25 of 15 February 2016, which has been in force since 18 March 2016, implementing Directive 2013/50/EU of the European Parliament and of the Council of 22 October 2013 which modified art. 120, paragraph 2, of the TUF.

<sup>2</sup> It is worth noting that the company Gian Marco Moratti S.a.p.A. di Gian Marco Moratti was converted into a joint stock company with effect from 26 March 2018 and changed its name into MOBRO SPA, as per communication of 29 March 2018 published on the website [www.saras.it](http://www.saras.it).

The following tables provides details of the above:

<b>SHAREHOLDERS</b>	<b>No. ORDINARY SHARES</b>	<b>% OF SHARE CAPITAL</b>
<b>MOBRO S.P.A.</b>	237,854,559	25.011
<b>MASSIMO MORATTI S.A.P.A. DI MASSIMO MORATTI</b>	237,854,558	25.011

The company owns no. 14,989,854.000 treasury shares, equal to 1.576 % of the share capital.

Furthermore, the following is specified:

- 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>3</sup> pursuant to art. 122, paragraph 5, letters (a) and (b) of the TUF filed with the Companies' Register of Cagliari on 2 October 2013, 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 the Table attached to this Report (page 4).
- 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 10 July 2015, amended on 20 September 2016, amounting to € 50 million;
  - the financing agreement signed with a pool of banks on 10 December 2015 amounting to € 265 million as amended and converted by

---

<sup>3</sup> On 29 March 2018, the extract of the changes occurred in reference to the mentioned shareholders' agreement, pursuant to art. 122 of Legislative Decree no. 58/1998 and arts. 129 and 131 of the Issuers' Regulations, was published on the website [www.saras.it](http://www.saras.it).

agreement dated 28 October 2016 into a *revolving* credit line amounting to € 255 million;

- the private debenture loan of € 200 million signed on 28 December 2017 for a term of 5 years;

they provide for the right of withdrawal in favour of lending banks and the right for debenture holders to ask for the early repayment of the debentures 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 Gianmarco Moratti S.a.p.A. di Gian Marco Moratti – now MOBRO S.p.A.<sup>4</sup> - and Massimo Moratti S.a.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 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.

On 30 December 2017, following the issue of the debenture loan of € 200 million, the loan subscribed with a pool of banks on 6 March 2015 was repaid early and amended on 26 October 2016. This loan, originally of € 150 million, which, at the time of repayment amounted to € 115 million, was governed by the same clauses associated with the change in control mentioned above.

- 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 ([www.saras.it](http://www.saras.it)). Please refer to the corresponding paragraphs (section II, paragraph 1.2) of this Report;

---

<sup>4</sup> See note 2.

- 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 capital increases pursuant to art. 2443 of the Italian Civil Code have not been awarded to the Board;
- 12) the Ordinary Shareholders' Meeting of 20 April 2017 authorised, pursuant to articles 2357 of the Italian Civil Code and 132 of the TUF, purchase of own share acts up to the maximum legal limit, equal to 20% of the share capital subscribed and paid up, regarding shares already owned by the company to be carried out, also by *tranches*, within 12 (twelve) months of the date of the authorisation resolution passed by the aforementioned Shareholders' Meeting, with the simultaneous replacement (and revocation of the part not performed) of the previous authorisation to purchase own shares, resolved by the Shareholders' Meeting on 22 April 2016.

To date, the Company has not made any purchases based on this authorisation.

Finally, it is pointed out that on 12 March 2018 the Board of Directors resolved to propose to the Shareholders' Meeting, convened for 27 April 2018 – on first call and, possibly, for 28 April 2018 on second call – to approve a new authorisation of a 12-month duration starting from the date of the authorisation decision of the Shareholders' Meeting, with the simultaneous replacement of the previous authorisation resolved by the Shareholders' Meeting on 20 April 2017.

## **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 of Conduct.

The Company has adopted the so-called traditional management system and comprises:

- a Board of Directors responsible for the business management, within which a Remuneration and Nomination Committee and a Control and Risk Committee have been established;
- the Control and Risk 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;

- a Board of Statutory Auditors, called, inter alia, (i) to oversee compliance with the law and the Articles of Association, as well as 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; and
- 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 issuance of convertible debentures.

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

Also note that, in line with the assessment made by the Parent company, also the subsidiaries Sarlux S.r.l., Saras Ricerche e Tecnologie S.p.A<sup>5</sup>, Parchi Eolici Ulassai S.r.l.<sup>6</sup>, Sardeolica S.r.l. and Deposito di Arcola S.r.l. entrusted EY with the audit of their financial statements for the 2015-2023 financial years.

Saras acknowledges the growing importance of the contribution by non-economic aspects to determining the Company's value and, for this reason, its view about sustainability is inspired by the main national and international legal regulations such as the Code of Conduct and Legislative Decree 254/2016, and by reference to the declaration of non-financial information and diversity (also called DNF).

Moreover, Saras has undertaken the route to prepare a "Sustainability Report", choosing to adopt the principles identified in the "*Global Reporting Initiative Sustainability Reporting Standards*" (GRI Standards), that offers an accurate, exhaustive and transparent representation of the strategies aimed at guaranteeing its economic growth and business development with a view to sustainability, taking account of the expectations of its stakeholders and seeking to constantly improve the environmental and social impacts generated by its activities. Therefore, as provided in the GRI Standards, Saras started a materiality analysis process aimed at identifying very interesting areas 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. Based on materiality issues, or their relevance, the Company identifies the major indicators for monitoring and communicating the Group's sustainability performance.

---

<sup>5</sup> The company Sartec S.p.A. was converted into Sartec S.r.l. with effect from 23 March 2017.

<sup>6</sup> The company Peu S.r.l. was merged with the company Sardeolica S.r.l. with effect from 4 October 2017.

For more details, please refer to the “Sustainability Report” available on the website [www.saras.it](http://www.saras.it).

### **3. Compliance with the Code of Conduct 2015 (pursuant to art. 123-bis, paragraph 2, letter a) of the TUF)**

Saras adheres to and complies with the recommendations of the Code of Conduct of Borsa Italiana S.p.A. of listed companies currently in force and, in the 2017 financial year (last year of the term of office of the Board, waiting for the renewal of the Corporate Bodies), in line with the evolution of *best practices* on the subject, Saras started a process involving several corporate governance players (Independent Directors and *Lead Independent Directors* as well as the Remuneration and Nomination Committee) whereby the outgoing Board was to provide the market with recommendations and opinions on the professional characteristics and experience of the Company’s future directors, ensure the establishment and operating modalities of the new Board of Directors that must be adequate to its size, complexity and sector characteristics, as well as Group’s strategies.

Therefore, at the meeting held on 12 March 2018, the Board of Directors, upon recommendation by the Remuneration and Nomination Committee, accepting the recommendations and assessments approved the document called “*Recommendations of the Board of Directors of Saras to the Shareholders on the size and composition of the new Board of Directors*” (“Recommendations”) that provides the market with objective criteria in line with the aforesaid objectives.

The proposed recommendations are illustrated in the Directors’ Report on the appointment of the Board of Directors published on the Company’s website.



## SECTION II

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

#### **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.

The definition of the duties of the Board of Directors takes account of the recommendations set out in articles 1.C.1 and 1.C.3. of the Code. In particular, the Board, in addition to the other duties and legal powers:

- may delegate its powers to the Chairman 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 which delegate specific functions or part of its powers within the legal limits, also for the purpose of adjusting the corporate governance system to the Code of Conduct;
- 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 Company's strategic, industrial and financial plans and those of the group (the "Group") it belongs to, periodically monitoring their implementation; defines the Company's corporate governance system and the Group's structure;
- defines the nature and level of risk that is compatible with the Company's strategic objectives;
- may resolve on: (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 pre-emptively approves the most significant transactions of Saras and the Group;
- assesses the adequacy of the organisational, administrative and accounting structure of the Company and the Group set up by the managing directors, with particular reference to the internal control and risk management system;
- performs, at least once a year, 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, also 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 are meant to 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.

#### 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.

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 especially if the departed director had been taken from a list other than that which 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 him, procedures similar to those described above are followed at the subsequent shareholders' meeting. If the co-opted director, or the director he replaces, 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 him, 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 s/he 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.

The Board in office on 31 December 2017, appointed with the list vote by the ordinary shareholders' meeting of Saras on 28 April 2015, comprised a total of 12 directors, of which 4 were executive and 8 were non-executive directors (see table *sub-1*), of which four were independent non-executive directors: Gilberto Callera, Adriana Cerretelli, Laura Fidanza and Isabelle Harvie-Watt.

On 31 December 2017, therefore, the Board, whose term of office expires on the date of approval of the financial statements ended on 31 December 2017, comprised the 12 members indicated below:

Gian Marco Moratti	Chairman
Massimo Moratti	Chief Executive Officer
Angelo Moratti	Vice-Chairman
Dario Scaffardi	Executive Vice-Chairman and General Manager
Gilberto Callera	Independent Director Chairman of the Remuneration and Nomination Committee Chairman of the Control and Risk Committee <i>Lead Independent Director</i>
Adriana Cerretelli	Independent Director Member of the Control and Risk Committee
Angelomario Moratti	
Gabriele Moratti	
Giovanni Moratti	
Laura Fidanza	Independent Director Member of the Control and Risk Committee Member of the Remuneration and Nomination Committee
Isabelle Harvie-Watt	Independent Director Member of the Control and Risk Committee
Gabriele Previati	Member of the Control and Risk Committee Member of the Remuneration and Nomination Committee

We also acknowledge that,

- Director Andrey Nikolayevich Shishkin, a non-executive and non-independent Director, co-opted pursuant to law and the Articles of Association on 29 February 2016 following the tendering of Igor Ivanovich Sechin's resignations on 24 February 2016, and whose appointment was subsequently confirmed by the Shareholders' Meeting on 22 April 2016, tendered his resignations from office on 17 February 2017.
- Consequently, on 27 February 2017, the Board of Directors, having heard the opinion of the Remuneration and Nomination Committee, given the imminence of the Shareholders' Meeting - scheduled for 22 April 2017 - and given that, until that date, activities which would have involved the Board would not have been planned, decided not to proceed with the co-opting, pursuant to art. 2386 of the Italian Civil Code, and to submit all

decisions consequent to the resignation of a Director to the next Shareholders' Meeting, including the assessment of whether to reduce the number of Directors.

- The Shareholders' Meeting of 20 April 2017 elected the new director Giovanni Moratti.
- On 26 February 2018, due to the death of the Chairman, Dr. Gian Marco Moratti, the Board of Directors of the Company was reduced to 11 members.

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

For more information about the composition of the Board and the Committees, refer to the sections below as well as the annexed table *sub* 1.

As stated earlier on, considering that the term of office is close to expire, at the meeting of 12 March 2018, the outgoing Board of Directors, upon recommendation by the Remuneration and Nomination Committee and with the objective of providing the market with suggestions and guidance on the professional characteristics and expertise of the future directors, approved the document called "*Recommendations of the Board of Directors of Saras to the Shareholders on the size and composition of the new Board of Directors*" which provides criteria to be complied with to ensure the establishment and operating modalities of the new Board of Directors that were adequate to its size, complexity and sector characteristics, as well as Group's strategies.

The proposed recommendations are illustrated in the Directors' Report on the appointment of the Board of Directors published on the Company's website.

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 2015-2017, 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 (start of 2015), the Board deemed it was inappropriate to define a numerical criteria, a priori, for the maximal number of offices held in other companies, 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, actual and constant attendance at Board and Committee meetings as well as the involvement in the Company's various management activities, also in the light of their professional commitments;

For the 2017 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.

As regards application criterion 2.C.2 of the Code (requiring the Company to allow directors and statutory auditors, during their term of office, to take part to initiatives aimed at providing them with adequate knowledge, *inter alia*, of the reference legal and self-regulating framework), it is worth noting that during the presentation of the periodical 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 activity in which Saras operates, its products, company dynamics and their development, as well as its organization, the risk control and management system, the reference legal framework and 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 arisen at meetings.

### 1.3. Board 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 Chairman 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 2017 financial year, the Board held six meetings. Three Board meetings were held in 2018, 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 attached summary table *sub* 1, to which reference should be made.

On 15 January 2018, the Company released its annual calendar of corporate events, drawn up pursuant to art. 2.6.2, paragraph 1, letter (b) of the Italian Stock Exchange Regulations. It provides for at least five meetings for 2018.

#### 1.4. Delegation of powers within the Board

Without prejudice to the powers of the Board briefly illustrated in paragraph 1.1 above, the Board, at the meetings held on 28 April 2015 and on 6 November 2015, has reformulated the powers for the Company's operational management.

In particular, the Board granted the Chairman of the Board of Directors, Gian Marco Moratti, and the CEO, Massimo Moratti, extensive powers with the ensuing powers of representation *vis-à-vis* third parties, to be exercised separately, individually by single signature as well as the right to delegate such powers to implement the decisions of the Board proposing strategic guidelines and directives for the Company and Group companies, in addition to some operational ordinary administration powers (even if prior consultation between the two delegates is expected, where the nature and significance of the operation or decision dictate it, to ensure the consistent management direction of the Company). The Chairman and CEO, separately, maintain, *inter alia*, 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 should be noted that, still on 28 April 2015, the Board of Directors also voted to appoint Director Dario Scaffardi as Executive Vice-Chairman and to assign him extensive powers in terms of operational management. The Executive Vice-Chairman was also assigned the task of overseeing the operation of the internal control and risk management system.

In addition to all the powers that must be granted, the Board entrusted the Vice-Chairman, Angelo Moratti, with a special duty concerning the representation of the Company *vis-à-vis* institutional relations with the media and operators in the banking and financial sector as well as the duty of searching for and assessing possible opportunities for extraordinary operations for the Company to be submitted to the Board or the Chairman and/or the CEO as well as the power to implement Board decisions, in both cases awarding him the necessary powers.

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

The Board has finally established, in line with what is recommended by article 1.C.1(d) of the Code 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.

#### 1.5. Information to 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, also by means of communication to the Chairman of said Board.

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

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

To date, the Board comprises four non-executive directors with the independent characteristics referred to in article 3.C.1 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 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.

The existence of the afore-mentioned independence requirements, declared by each director when submitting the lists and when accepting the appointment, was established by the Board of Directors at the first meeting of 28 April 2015, subsequent to the appointment and was later assessed at the meetings held on 29 February 2016, 27 February 2017 and 5 February 2018, 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.



At 31 December 2017, the Board of Directors also comprised 4 additional directors that could be qualified as non-executive directors, namely Gabriele Previati, Angelomario Moratti, Gabriele Moratti and Giovanni Moratti, appointed by the Shareholders' Meeting of 20 April 2017. In the light of the foregoing, the Board currently comprises a number of non-executive directors, capable, also due to their authority, of having significant influence over the taking of board decisions.

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

In line with the recommendation in article 2.C.3. of the Code, on 28 April 2015, the Board appointed the independent director Gilberto Callera as *Lead Independent Director*, assigning him the task of collaborating with the Chairman 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 2017 financial year and the first two months of 2018, the *Lead Independent Director* confirmed to the Board that the independent directors have verified that Board meetings were regularly convened and monitored the completeness of the information provided to the directors on the items on the agenda of the various meetings checking if the information provided to all directors is adequate and if the supporting documentation necessary for meetings is promptly made available to directors.

Furthermore, with respect to the period indicated above and with reference to the Remuneration and Nomination Committee (of which two independent directors and a non-executive director are members) and the Control and Risk Committee (of which, in addition to a non-executive director, all the 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 in communications and meetings with operators.

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

At the meeting held on 5 February 2018, in line with the recommendations of the Code of Conduct of listed companies, 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 department, coordinated the 2017 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. The assessment took account of the size and composition of the bodies concerned, and, more specifically the professional characteristics, experience, also in the

management area, gender of its members and seniority of office. By filling in such a questionnaire, each Director could express his/her own evaluation, including any comments or recommendations for improvement s/he deemed fit, as regards the composition and operation of the Board and the Committees established by it as well as provide any proposals and suggestions on the composition and size of the new Board of Directors to improve its future performance for the 2018-2020 term of office.

The analysis of the questionnaires filled in by each Director revealed that for the 2017 financial year the Administration Body operated properly and effectively, guaranteeing compliance with Corporate Governance rules and the objectives that they intend to achieve, so as to ensure they are fit also in the light of the changes due to the business development of Saras and the operating context.

On that occasion, the Board expressed appreciation for the contribution in terms of enrichment of the Board's dialogue by the non-executive directors, both in terms of their managerial experience and expertise, and the diverse experience gained by the directors 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, has not adopted general criteria about the maximum number of offices in other companies that may be considered compatible with effectively performing the role of director.

Finally, the gender diversity provided by current regulations is adequate and can be considered useful for the Company's development.

More specifically, considering the provisions of art. 123-bis, paragraph 2, letter d-bis) of the TUF, the Company acknowledges that no specific Gender Policy has been adopted since, as Law no. 120 of 12 July 2011 was enforced, the consideration given to gender as well as the principle of inclusion and gender balance have always been key elements of the Group's corporate culture, regardless of the adoption of an ad hoc policy. These principles were considered elements underlying sustainability of the business activity in the medium to long term, representing a reference point for both the Group's employees and the members of the Administration Body of Saras and, in particular of the Chairman of the Board of Directors, the CEO and the Vice-Chairman, that also as shareholders of the companies that exercise joint control on Saras have made their decision accordingly.

## **2. Board Committees**

### **2.1 Remuneration and Nomination Committee**

In accordance with the provisions in articles 6.P.3. and 6.C.3. of the Code, the Board has established an internal Remuneration Committee, which has also been assigned, as provided for in art. 4.C.1. (c) of the Code, the duties specific to the nomination committee referred to in art. 5.C.1. 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 new indications contained in the Code of Conduct and new duties assigned to the Committee. In particular, the Remuneration and Nomination Committee has duties comprising the function of providing proposals and consulting to the Board and, with reference to directors and managers with strategic responsibilities, it is tasked with:

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

Furthermore, the Committee submits proposals to the Board of Directors for 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.

The Committee, in performing the duties assigned to it by the Board of Directors, may use external consultants that are expert in matters of remuneration policies, provided that they do not simultaneously provide the Human Resources and Organisation Department, directors or executives with such important strategic responsibility services as to effectively compromise the independent judgement of such consultants.

The Remuneration and Nomination Committee's rules 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.

To date, the Remuneration and Nomination Committee comprises the independent non-executive directors, Gilberto Callera (Chairman) and Laura Fianza and the non-executive director Gabriele Previati.

The meetings of the Remuneration and Nomination Committee are convened by the Chairman, whenever he deems 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 to their own remuneration. Committee meetings are minuted. The Committee is awarded the powers referred to in art. 6.C.5 of the Code of Conduct. In 2017, the Remuneration and Nomination Committee held three meetings, whilst the meetings held until the date of publication of this Report were two. The meetings were regularly attended by its three members, as detailed in the attached summary table *sub 1*, to which reference should be made. The Committee has used internal and external consultants while performing its functions.

Committee meetings held in the second half of 2017 and in 2018 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 of Conduct, by the Company in November 2011 and they have also examined the remuneration of managers with strategic responsibilities in relation to the *performance* objectives whose achievement is linked to the payment of the variable short-term component. It is also worth noting that the Committee, in view of the renewal of the corporate offices by the Shareholders' Meeting approving the Financial Statements at 31 December 2017, formulated proposals to submit to the Board of Directors on the renewal of Corporate Bodies for the 2018-2020 term of office, in particular regarding size and composition of the Board as well as the overall remuneration (for each year of their term of office) of the Administration Body and the internal Committees then presented to the Board.

## 2.2 Control and Risk Committee

In accordance with the provisions of art. 7 of the Code of Conduct, the Board of Directors has set up an internal Control and Risk Committee with the aim of providing advice and proposals to the Board.

In particular, the Control and Risk 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 *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 statutory auditor 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) express opinions concerning specific aspects of identifying the main company risks;
- (d) review periodic reports regarding the assessment of the internal control and risk management system and reports of particular importance drafted by the internal audit function;
- (e) monitor the autonomy, adequacy, efficacy and efficiency of the internal audit function;
- (f) if deemed fit, ask the internal audit function to carry out verifications on specific operating areas, simultaneously informing the Chairman of the Board of Statutory auditors;
- (g) report to the Board of Directors, at least half-yearly, when approving the annual and half-yearly financial reports, on the activities performed by and the adequacy of the internal control and risk management system.

The Control and Risk Committee, as provided for in the Committee's Rules, comprises non-executive directors, the majority of whom are independent.

- The Control and Risk 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.

In 2017, the Control and Risk Committee was comprised as follows:

- Gilberto Callera, independent director (Chairman), Adriana Cerretelli, independent director, Laura Fidanza, independent director, Isabelle Harvie-Watt independent director and Gabriele Previati non-executive director. The Board of Directors, in accordance with the provisions of the Code, has identified Gilberto Callera as the member of the Committee with adequate accounting and finance experience.

Control and Risk Committee meetings are convened by the Chairman at least once every six months, and whenever he deems 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 and the Internal Audit Function Manager are invited to attend Committee meetings. Meetings can also be attended by the Chairman of the Board of Directors and the CEO, the Executive Vice-Chairman and the General Manager, the *Chief Financial Officer*, the

*Designated manager responsible for drafting company accounting documents, representatives of the audit firm and any other person whose presence the Committee considers to be appropriate in relation to the matters to be treated. Committee meetings are minuted.*

In the 2017 financial year, the Control and Risk Committee met 5 times.

The meetings were regularly attended by its members, as analytically indicated in the attached summary table sub 1, to which reference is made, as well as members of the Board of Statutory Auditors and the Internal Audit Function Manager. In the first quarter of 2018, the Committee met only once.

The Executive Vice-Chairman and the General Manager (who also covers the post of Director in charge of the internal control and risk management system), the *Risk Officer*, the *Chief Financial Officer* (who also covers the post of Designated manager responsible for drafting company accounting documents) and representatives of the audit firm were also invited to attend meetings that addressed specific topics of interest.

In 2017, the Committee:

- examined and gave a favourable opinion on the "*2017 Plan of Internal Audit Activities*" and the "*2017 Audit Plan* " developed by the Internal Audit Function for Saras and its Subsidiaries;
- based on the information received from the Designated manager responsible for drafting company accounting documents and from the audit firm *Ernst & Young*, 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 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 Executive Vice-Chairman and General Manager, the *Chief Financial Officer* and the *Risk Officer* in regard to the risk management system;

- prepared and adopted the "*Report on the Internal Control and Risk Management System*" for the Board of Directors every six months.

In February 2018, the Committee drew up the "*Report on the Internal Control and Risk Management System*", for the Board of Directors, pertaining to the activity carried out by the Committee in 2017 as well as 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 was presented to the Board at its meeting on 12 March 2018.

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

On 10 November 2011, the Board of Directors approved, based on the proposal of the Remuneration Committee, the remuneration policy of directors and managers with strategic responsibilities pursuant to art. 7 of the Code of Conduct ("General Policy").

The General Policy was amended by the Board of Directors, on the proposal of the Remuneration and Nomination Committee, to provide for the possibility of requesting a refund (in full or in part), within two years of incentives paid to people who, with intent or gross negligence, were responsible for (or have concurred in) events relating to economic/financial indicators included in the Annual Financial Report adopted as parameters for determining the afore-mentioned variable components.

For information on the remuneration of executive directors, other directors entrusted with special duties and managers with strategic responsibilities, as well as for the information required by art. 123-bis, paragraph 1, letter i) of the TUF refer to the remuneration report published pursuant to art. 123-ter of the TUF.

Deviations with respect to the application criteria of art. 7 of the Code of Conduct are mentioned below.

- With reference to the remuneration of the Chairman, Gian Marco Moratti, the CEO, Massimo Moratti, and the Vice-Chairman, Angelo Moratti, the Remuneration and Nomination Committee confirmed their adequacy reiterating the lacking need to establish incentive mechanisms designed to retain and motivate them as directors because, as all three of the above executive directors are shareholders of the two S.a.p.a. companies who exercise joint control over the Company, their interests are already intrinsically aligned with achieving the priority objective of creating value for all shareholders.

With reference to the Executive Vice-Chairman, it is stated that no provision has been made to remunerate the office as the remuneration received as General Manager was considered adequate.

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

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

In accordance with art. 7.P.3 of the Code, the Board has identified among its members:

- (a) the director responsible for the Internal Control and Risk Management System<sup>7</sup>;
- (b) The Control and Risk Committee, having the characteristics indicated in art. 7.P.4, 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.

The *Internal Audit* Function reports directly to the Board of Directors and reports on its activity to the Control and Risk 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 2017, 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 and Risk Committee, were sent to the chairmen of the Committee, of the Board of Statutory Auditors and of the Board of Directors, the director responsible for the internal control and risk management system and, in relation to the results of the checks relating to the Organisation, Management and Control Model, to the Supervisory Bodies of each company.

The *Internal Audit* Department, together with the functions concerned, followed the implementation/stage of advancement of the improvement actions agreed with them during the audits, arranging to send each manager a *follow-up report* on the actions

---

<sup>7</sup> The Board has identified the Executive Vice-Chairman as the manager in charge of the Internal control and risk management system assigning to him the duties and functions provided in the Code of Conduct in relation to that office.



within their remit on a monthly basis. 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 the responsibility, to the Supervisory Bodies of each company.

Upon proposal by the Committee, the Board approved a document containing the guidelines of the internal control and risk management system. This document is intended to establish guidelines for the development and improvement of the Company's internal control system, with specific reference to profiles relating to control, risk assessment, monitoring and control activities, in line with the provisions of the Code of Conduct and the sector's best practices.

The policy followed by the Company in relation to the management and monitoring of the main corporate risks concerning, in particular, strategic 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.

The Company has identified a complete picture of the significant risks facing the Group (Corporate Risk Profile) and has identified the "*Risk Office*" function, with hierarchical reporting to the Executive Vice-Chairman and General Manager responsible for overseeing all the activities aimed at monitoring and updating the "Corporate Risk Profile" by periodically collecting information relating to risk identification, assessment and management, made available by each *risk owner* and by formalising the appropriate reporting at the same time.

In 2017, the *Risk Officer* collected all the necessary information from the *risk owners* to prepare the half-yearly and yearly report on the monitoring of the main risks to which the Group is exposed.

Overall, the risk control and management activities adopted by the Company appeared to be suitable and adequate.

The results of the annual *Risk assessment* monitoring were shared, for that which falls within their scope, with the *senior management* of each company, the manager in charge of the internal control and risk management system and were presented to the Control and Risk Committee.

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

As shown, also in the Control and Risk Committee, the role of the *Risk Officer* as a collector of information relating to the main business risks does not include any

operating responsibility regarding the defining of tools aimed at risk management and their implementation; this assignment therefore allows the Internal Audit Manager to focus more on Internal Audit function activities with a risk-based approach, without compromising organisational independence.

The results of the half-yearly monitoring of the main risks were also used by the Internal Audit Manager to define the verification scheduled in the 2018 Audit Plan subjected, after obtaining the opinion of the Control and Risk Committee, to the approval of the Board of Directors of Saras and, for the relevant audits, to the Boards of Directors of its subsidiaries.

The Code of Ethics<sup>8</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.

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 by implementation 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 Model was drawn up in compliance with the guidelines formulated by Confindustria and consists of a "general part" (which describes, among others, the objectives and functioning of the Model, the tasks of the internal control body called on to supervise operation and compliance with the Model 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 actual 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.

In 2017, the Saras Model was updated relating to the following offences:

- **Market abuse:** to align the contents of the Model with the legal regulations introduced following Regulation (EU) no. 596/2014 ("MAR"), which replaced

---

<sup>8</sup> It can be found at the link: [http://www.saras.it/saras/uploads/documents/codice\\_etico.pdf](http://www.saras.it/saras/uploads/documents/codice_etico.pdf)

the previous legal framework introduced by Directive 2003/6/EC (“MAD1”) on market abuse, harmonising and establishing a common framework for the regulation of abuse of privileged information, illegal communication of privileged information and market manipulation.

- **Corporate offences:** following the introduction of the new provisions of Legislative Decree no. 38 of 15 March 2017 “Implementation of framework decision 2003/568/GAI of the Council, of 22 July 2003, on combating corruption in the private sector” on corporate and corruption offences between private individuals (Art. 25-ter of Legislative Decree 231/01).

These updates must be approved by the Board of Directors.

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

- Internal rules on the management of insider information and the establishment of a register of people with access thereto
- 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.

Saras’ Supervisory Body comprises Gabriele Previati, member of the Board of Directors, non-executive (with Chairman duties), Giovanni Camera (external member and member of the Board of Statutory Auditors), Simona Berri (Legal and Corporate Affairs Manager) 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. Also the Spanish subsidiary Saras Energia, 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 (set up on 4 September 2015 in Geneva), by reference to the Swiss Criminal Code, has adopted in May 2017 its own

“Organizational Model” and appointed the Internal Audit manager with “Supervisory” duties.

## **5. Treatment of corporate information**

In accordance with the provisions on Privileged Information and related disclosure obligations laid down in Regulation (EU) no. 596/2014 (the so-called "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 but also 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 Privileged 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 by reference to the obligation laid down in Article 115-*bis* of the TUF requiring the creation of a register of people who have access to insider information as well as the recommendations referred to 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" ("Regulation"). This Regulation (now called "*Internal regulation to manage insider information and establish a Register of people who have access to it*") was integrated and amended on 10 January 2017 by the Board of Directors implementing the provisions set out in art. 17 of the MAR, as well as the Execution Regulation (EU) 2016/1055 of the European Commission of 29 June 2016 as well as the recommendations of Borsa Italiana and international *best practices*.

The Regulation, implemented by a specific Compliance Guideline issued by the Company in accordance with the Group's Regulation System, contains 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 releases is handled by the Investor Relations function.

## **6. Internal Dealing procedure**

Yet with the aim of adjusting Saras' corporate governance to the rules applicable to listed companies, the Board has also adopted, since May 2006, its own "Internal

dealing procedure"<sup>9</sup> as updated on 1 August 2016 to the latest regulations adopted by EU Regulation 596/2014 of 16 April 2014 on Market Abuse (so-called "MAR"), directly applicable in Italy, which also transposes and gives application (where not conflicting with the afore-mentioned MAR) as provided by 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 carried out by people internal to the Company on its securities. Said 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 what indicated in Consob Communication no. DEM/10078683 of 24 September 2010. The procedures are available on the Company website.

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 his 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.

The Board has also approved a "Code of Conduct for directors of the Group", which was also positively assessed by the Internal Control Committee and the Board of Statutory Auditors, whose primary purpose is to provide the directors it is intended for with homogeneous conduct criteria to enable them to perform their office in an organic framework of reference, respecting the legislation regarding the interests of directors and the principles of *corporate governance* and, when possible, in line with the interest of the Saras Group.

## **8. Designated manager responsible for drafting company accounting documents**

---

<sup>9</sup> It can be found at the link: [http://www.saras.it/saras/uploads/documents/2InternalDealing\\_2011.pdf](http://www.saras.it/saras/uploads/documents/2InternalDealing_2011.pdf).

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.

#### **9. 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>10</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.

#### **10. 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 chairman 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.

---

<sup>10</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).

Based on the current 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 28 April 2015 and will expire on the date of approval of the financial statements as at 31 December 2017 -, comprises the following members:

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

It is worth noting that on 13 December 2017 Alternate Auditor Giovanni Fiori tendered his resignation from his office.

In the 2017 financial year, the Board of Statutory Auditors held 12 meetings. In 2018, up to the date of publication of this Report, the Board had met 6 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.

The Board of Statutory Auditors performed, after its appointment and, subsequently, it will perform annual internal checks provided for by art. 8.C.1 of the Code regarding their independence requirements pursuant to the law and on the basis of the criteria laid down by the Code with reference to directors, and the checks were successful.

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

The auditor who, on his 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 Chairman of the Board of the nature, terms, origin and scope of his interest.

## 11. Shareholder relations

The Company, since listing its shares on the Stock Exchange, decided in line with its own specific interest - in addition to having a duty in respect of the market - to establish a regular dialogue with shareholders in general and institutional investors; a dialogue intended in any case to also be conducted 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 Internal Regulations for managing insider information.

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. The Company decided to further facilitate the dialogue with investors through an adequate preparation of the contents of its website ([www.saras.it](http://www.saras.it), "*Investor Relations*" section), where information can be found, in Italian and English, of an economic and financial nature (financial statements, half-yearly and quarterly reports, presentations to the financial community, analyst estimates and trends in the Company's share prices), and updated data and documents of interest to shareholders in general (press releases, composition of the Board and management of the Company, Articles of Association, the Group's Code of Ethics, Shareholders' Meeting Rules and the *Internal Dealing* Procedure). The website also includes a section called "Shareholders' Meetings"<sup>11</sup> which provides information about the procedures for participating and exercising the right to vote in meetings in accordance with applicable legislation, as well as documentation relating to items on the agenda, including lists of candidates for the posts of director and auditor with their personal and professional details.

During shareholders' meetings, the Board of Directors reports on its activity, performed and planned in accordance with the regulations on insider information.

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

Saras S.p.A. – Investor Relations, Via dell'Unione, 1 – 20122 Milan  
Freephone number: 800511155 – e-mail: [ir@saras.it](mailto:ir@saras.it)

## 12. Shareholders' Meeting

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.

---

<sup>11</sup> It can be found at the link: <http://www.saras.it/saras/pages/aboutus/governance/sharemeetings2?body=80>



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 with the 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 "TUF"), the eligibility to attend the Shareholders' Meeting and exercise the right to vote is certified by a communication made to the Company by an intermediary, in accordance with its accounting records, certifying the party entitled to vote on the basis of the evidence relating to the end of the accounting day for the seventh day of market trading before the date fixed for the first call 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 convening notice.

The Company may appoint one or more people for each Shareholders' Meeting who, by having the right to vote can appoint a proxy, 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 accordance with the recommendations referred to in art. 9 of the Code, the Company has adopted suitable shareholders' meeting regulations<sup>12</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 respect for the fundamental right of each shareholder to request clarification on different topics under discussion, to express their opinion and formulate proposals.

---

<sup>12</sup> See link on previous note 6.

While they are not statutory provisions, 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 conform to 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.

### **13. Considerations on the letter of 13 December 2017 of the Chairman of the Corporate Governance Committee.**

It is noted that the contents of the recommendations made in the letter of the Chairman of the Corporate Governance Committee dated 13 December 2017 (the "Letter") and the contents of the latest "Report of the Corporate Governance Committee" published together with the Letter, are considered, also in the context of self-assessment in order to identify, according to the principles of the Code of Conduct, possible governance evolutions highlighting for this purpose the main areas of compliance improvement, or to fill any gaps in the application or explanations provided.

In particular, with reference to the first critical area identified in the Letter - concerning the opportunity to ensure full transparency on pre-meeting information -, the Board notifies that, at the 2017 Board Evaluation, it thought that informative documentation provided to the directors was adequate and has, however, identified room for improvement in the possibility of further anticipating the transmission thereof to the directors and sharing of the documentation relating to the items on the agenda.

As regards the other critical areas identified in the Letter, the Board notifies that the Company is already in line with the recommendations, given that:

(i) as of 14 March 2016, the Remuneration Policy has been amended and updated to bring it into line with the new formulation of the Code of Conduct, which also requires, inter alia, that the remuneration policy of executive directors or directors holding particular offices (also applicable to strategic managers) the possibility for the company to *"request the restitution, wholly or in part, of variable components of the remuneration paid (or to withhold amounts subject to deferral), determined on the basis of data which turned out to be manifestly incorrect at a later stage."*

(ii) In compliance with the provisions of articles 6.P.3. and 6.C.5. of the Code of Conduct, starting from 28 February 2006, the Board set up its own Remuneration Committee, which was assigned specific functions of the Nomination Committee, as provided for in art. 5 of the Code of Conduct (refer to paragraph 2.1).

(iii) on the occasion of the *2017 Board Evaluation* the Company acknowledged

the role and positive contribution given by Independent Directors to the activity of the Board and its Committees.

**TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES AS AT 31/12/2017**

Board of Directors													Control and Risk Committee			Remuneration and Nomination Committee		Any Executive Committee	
Office	Members	Year of birth	Date of first appointment*	In office since	In office until	List **	Exec.	Non-exec.	Indep. Code	Indep. TUF	Number of other offices ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	
Chairman	Gian Marco Moratti	1936	03/11/1962	28/04/2015	26/02/2018	M	X					3/6							
CEO ◊	Massimo Moratti	1945	26/06/1972	28/04/2015	Approval of 2017 FS	M	X					6/6							
Vice-Chairman	Angelo Moratti	1963	28/04/1993	28/04/2015	Approval of 2017FS	M	X				1	6/6							
Executive Vice-Chairman	Dario Scaffardi	1958	19/10/2006	28/04/2015	Approval of 2017 FS	M	X					6/6							
Director	Gilberto Callera	1939	30/04/1987	28/04/2015	Approval of 2017 FS	M		X	X	X		6/6	5/5	P	3/3	P			
Director	Adriana Cerretelli	1948	28/04/2015	28/04/2015	Approval of 2017 FS	M		X	X	X		6/6	4/5	M					
Director	Laura Fidanza	1973	28/04/2015	28/04/2015	Approval of 2017 FS	M		X	X	X		6/6	5/5	M	3/3	M			
Director	Isabelle Harvie-Watt	1967	28/04/2015	28/04/2015	Approval of 2017 FS	M		X		X		6/6	3/5	M					
Director	Angelomario Moratti	1973	30/05/2005	28/04/2015	Approval of 2017 FS	M		X				5/6							
Director	Gabriele Moratti	1978	27/04/2010	28/04/2015	Approval of 2017 FS	M		X				4/6							
Director	Gabriele Previati	1938	27/04/2000	28/04/2015	Approval of 2017 FS	M		X				6/6	5/5	M	3/3	M			
Director	Giovanni Moratti	1984	20/04/2017	20/04/2017	Approval of 2017 FS	M		X				3/3							
<b>DIRECTORS WHO LEFT OFFICE DURING THE REFERENCE FINANCIAL YEAR</b>																			
Director	Andrey Nikolayevich Shishkin	1959	29/02/2016	22/04/2016	Approval of 2017 FS Resigned on 17/02/2017	-						0/2							
<b>Number of meetings held during the financial year:</b>							Control and Risk Committee:				Remuneration and Nomination Committee: 3				Executive Committee: 0				
<b>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): 1.0%</b>																			

---

**NOTES:**

The symbols listed below must be entered in the "Office" column:

• This symbol indicates the director responsible for the Internal Control and Risk Management System.

◊ ◊ This symbol indicates the main person responsible for the issuer's management (Chief Executive Officer or CEO).

○ ○ 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 the list from which each directors was selected ("M": majority list; "m": minority list; "BoD": list presented by the BoD).

\*\*\* This column indicates the number of offices as director or statutory auditor the party concerned holds in other companies listed on organised markets, including foreign markets, in financial, banking, insurance companies or large corporations.

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

(\*\*) This column indicates the position of each Director within the Committee: "C": Chairman; "M": member.

**TABLE 2: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AS AT 31.12.2017**

<b>BOARD OF STATUTORY AUDITORS</b>									
<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 **</b>	<b>Indep. Code</b>	<b>Board meetings attendance ***</b>	<b>Number of other offices ****</b>
<b>Chairman</b>	Branda Giancarla	1961	28/04/2015	22/04/2016	Approval of the 2017 financial statements	m	X	12/12	8
<b>Standing auditor</b>	Camera Giovanni Luigi	1936	28/03/1985	28/04/2015	Approval of the 2017 financial statements	M	X	12/12	8
<b>Standing auditor</b>	Simonelli Paola	1964	28/04/2015	28/04/2015	Approval of the 2017 financial statements	M	X	11/12	22
<b>Alternate Auditor</b>	Mazza Pinuccia	1957	28/04/2015	28/04/2015	Approval of the 2017 financial statements	M	X		
<b>AUDITORS WHO LEFT OFFICE DURING THE REFERENCE FINANCIAL YEAR</b>									
<b>Alternate Auditor</b>	Giovanni Fiori <sup>1</sup>	1961	22/04/2016	22/04/2016	13/12/2017	m	X		
<b>Number of meetings held during the financial year: 12</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): 1,0%<sup>2</sup></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 the list from which each director was selected ("M": majority list; "m": minority list).

\*\*\* This column shows the attendance of auditors at meetings of the Board of Statutory Auditors (indicate the number of meetings attended compared to the total number of meetings, which could have been attended, e.g. 6/8, 8/8, etc.).

\*\*\*\* 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.

<sup>1</sup> Percentage determined from the combined provisions of article 18 of the Articles of Association and CONSOB Resolution No. 20273 of 24 January 2018, not applicable in the case of filling vacancies on the Board of Statutory Auditors without using the list voting system.

<sup>2</sup> The Alternate auditor Giovanni Fiori tendered his resignation from his office on 13 December 2017.