

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

March 2011

Preliminary remarks

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

This Report was prepared pursuant to article 123-*bis*, paragraph 1 of the TUF and article 89-*bis* of the Issuer Regulation, and taking account of the guidelines in the "Format for the report on corporate governance and shareholding structure" drawn up by Borsa Italiana SpA with the support of ASSONIME.

The Report was approved by the Board of Directors of Saras (the “Board”) at its meeting of 24 March 2011, to be made available to shareholders, including on the Company website (www.saras.it), for the shareholders’ meeting called to approve the financial statements for the year ended 31 December 2010. The Report refers to financial year 2010 and, where relevant, to any significant shareholding events in 2011 up to the date of this approval.

SECTION 1

SHAREHOLDING STRUCTURE

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

According to the shareholders’ register and information that is public or otherwise available to the Company, no parties had a shareholding of more than 2% in the Company's share capital at 24 March 2011, except for (i) Angelo Moratti Sapa, whose managing shareholders are Gian Marco Moratti and Massimo Moratti and which holds an interest of 62.461% in the Company's share capital, exercising control over the Company pursuant to article 93 of the TUF; (ii) Assicurazioni Generali SpA, which holds, directly and indirectly, a total shareholding of 4.959%; and (iii) The Bank of New York Mellon Corporation, which holds, directly and indirectly, a total shareholding of 2.081%.

The following table gives a breakdown of these shareholdings:

SHAREHOLDERS	N° ORDINARY SHARES	% OF CAPITAL
ANGELO MORATTI Sapa, owned by Gian Marco Moratti and Massimo Moratti	616,676,398	64.841%

Directly	594,000,000	62.461%
Indirectly (own shares)	22,676,398	2.380%
ASSICURAZIONI GENERALI SpA	47,160,173	4.959%
Directly	11,908,274	1.252%
Indirectly through:		
AGRICOLA SAN GIORGIO SpA	35,000	0.004%
BANCA GENERALI SpA	200,000	0.021%
FATA ASSICURAZIONI DANNI SpA	249,535	0.026%
FATA VITA SpA	550,000	0.058%
GENAGRICOLA-Generali Agricoltura SpA	35,000	0.004%
INA ASSITALIA SpA	20,988,872	2.207%
INF-Società Agricola SpA	30,000	0.003%
INTESA VITA SpA	1,125,448	0.118%
GENERTELLIFE SpA	3,306,300	0.348%
ALLEANZA TORO SpA	8,731,744	0.918%
THE BANK OF NEW YORK – MELLON CORPORATION of which:		2.081%
MELLON CAPITAL MANAGEMENT CORPORATION		0.001%
THE BOSTON COMPANY ASSET MANAGEMENT LLC		2.080%

Furthermore:

- 1) There are no restrictions on share transfers.
- 2) There are no shares or securities conferring special rights of control.
- 3) There is no specific mechanism for the exercise of voting rights for employee shareholders.
- 4) There are no restrictions on voting rights.
- 5) To the Company's knowledge, there are no shareholders' agreements as defined under article 122 of the TUF regarding the Company or its Parent Company.

6) Regarding significant agreements to which Saras or its subsidiaries are party, and which could take effect, be amended or be eliminated in the event of a change in control of the Company, note that:

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

- Saras carried out a bond issue reserved for institutional investors, with a nominal value of EUR 250 million and a duration of five years. The bond regulation "Terms and Conditions of the Notes" permits bondholders to request early repayment of the bonds held in the event that:

a) Gian Marco Moratti, Massimo Moratti, Angelo Moratti, Angelomario Moratti, Gabriele Moratti, Giovanni Emanuele Moratti and their spouses, children and descendants (the "Shareholders", or, individually, "Shareholder"), cease to hold, individually or collectively, directly or indirectly, an equity interest of more than 30% of the voting capital of Saras, or

b) any party (other than the Shareholders) or group of parties (except for groups in which one or more Shareholders (i) represent the majority of the voting capital held by the group and (ii) hold more than 30% of the voting capital of Saras) obtains the right (either directly or indirectly) to:

(A) appoint or terminate a greater number of directors than the number which can be appointed or terminated by the Shareholders, or

(B) hold a higher percentage of voting rights exercisable at the ordinary shareholders' meeting than the percentage held by the Shareholders, or

(C) exercise control over Saras in any other way (as defined by article 93 of the TUF).

- Sardeolica Srl, which is indirectly wholly owned by Saras (via Parchi Eolici Ulassai Srl), has a loan in place with Banca Nazionale del Lavoro SpA for a residual amount, at 31 December 2010, of about EUR 53.6 million (see explanatory notes to the consolidated financial statements). The financing agreement makes provision for complete or partial withdrawal by the lending bank from the agreement if Saras ceases to hold at least 50% of the capital of Parchi Eolici Ulassai Srl or if the latter ceases to hold 100% of the capital of Sardeolica Srl.

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

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

- 9) The articles of association may be amended by resolution of the extraordinary shareholders' meeting. Valid constitution of the meeting is subject to legislation and resolutions to amend the articles of association by the extraordinary meeting are made with the majorities required by law.
- 10) There are no mandates for capital increases pursuant to article 2443 of the Italian Civil Code.
- 11) The ordinary shareholders' meeting of 27 April 2010 authorised, pursuant to articles 2357 of the Civil Code and 132 of the TUF, purchases of own shares up to 10% of the fully paid-up and subscribed share capital. The purchases concern own shares already held by the Company, and may take place in one or more transactions. The authorisation is valid for a period of 18 months from the authorising resolution by the meeting and will therefore expire on 27 October 2011.

To date, the Company has made no purchases pursuant to the above authorisation.

2. Company organisation

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

- a Board of Directors entrusted with company management, including a Remuneration Committee and Internal Control Committee composed of Board members
- a Board of Statutory Auditors, whose tasks include (i) monitoring compliance with legislation and the articles of association, as well as compliance with correct practice in administering corporate activities, and (ii) controlling the adequacy of the Company's organisational structure, internal control system and administrative and accounting system
- a shareholders' meeting, competent to pass resolutions – in its ordinary or extraordinary form – including resolutions relating to (i) the appointment and removal of members of the Board of Directors and Board of Statutory Auditors and their remuneration and duties, (ii) approval of the financial statements and allocation of profits, (iii) the purchase and sale of own shares, (iv) amendments to the articles of association and (v) the issuance of convertible bonds.

The Company has entrusted the task of auditing its annual and consolidated financial statements for the financial years 2006-2014, as well as the carrying out of limited reviews of half-year reports in the same period, to the audit firm PricewaterhouseCoopers SpA (hereinafter "PwC").

Pursuant to article 165 of the TUF: (i) the subsidiaries Akhela Srl, Arcola Petrolifera SpA, Sarlux Srl and Saras Ricerche e Tecnologie SpA have engaged PwC to audit their annual financial statements for the financial years 2006-2014; and (ii) the subsidiaries Parchi Eolici Ulassai Srl and Sardeolica Srl have engaged PwC to audit their annual financial statements for the financial years 2008-2016.

SECTION II

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

1. The Board of Directors

1.1. Role and duties of the Board of Directors

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

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

- may delegate powers to the Chairman and/or one of the Board members and/or an executive committee, pursuant to article 2381 of the Civil Code
- may create one or more committees and/or commissions for the delegation of specific functions or some of its powers within the limits set out in law, including for the purpose of bringing the corporate governance system into compliance with the Code of Conduct
- determines, having examined proposals from the relevant committee and consulted with the Board of Statutory Auditors, the remuneration of chief executives and directors with specific duties
- examines and approves the strategic, industrial and financial plans of the Company and of the group it controls (hereinafter the "Group"), as well as the corporate governance structure of the Company and the structure of the Group
- may resolve upon: (i) merger operations, in the cases set out in articles 2505 and 2505-*bis* of the Civil Code, (ii) the creation or elimination of secondary offices, (iii) the identification of directors other than the Chairman who may represent the company, (iv) capital decreases in the case of shareholder withdrawal, without prejudice to the final paragraph of article 2437-*quater* of the Civil Code, (v) adjustments of the articles of association to legislative requirements, (vi) relocations of the registered office within the national territory and (vii) capital decreases due to losses pursuant to article 2446 of the Civil Code
- assesses general operating performance, taking particular account of information received from delegated bodies and periodically comparing results forecast and results achieved
- examines and approves in advance the most significant transactions carried out by Saras and the Group
- assesses the adequacy of the organisational, administrative and general accounting structure of the Company and the Group established by the chief executives, with a particular focus on the internal control system and the management of conflicts of interest

- at least once a year, evaluates the size, composition and functioning of the Board and its committees
- gives guidelines on the maximum number of positions to be held by directors or auditors who are members of the Board with other listed companies, finance, banking or insurance companies or companies of significant size
- appoints, after consultation with the Board of Statutory Auditors, a director responsible for preparing the corporate accounting statements, making its selection from company managers with proven experience in accounting and finance
- prepares proposals for the shareholders' meeting and reports to shareholders at meetings.

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

1.2. Composition of the Board of Directors

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

The articles of association state that the Board shall be elected by the shareholders' meeting by list vote, which allows the appointment of a director from the list with the second-highest number of votes that is entirely unconnected to the majority list. Candidate lists may be submitted by shareholders representing, either individually or with other shareholders, at least 2.5% (two point five per cent), or such other percentage that might be established by legislation in force, of the ordinary voting capital.

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

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

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

The articles of association in force at the date of approval of this Report stipulate that the candidate lists must be deposited at the registered office no later than ten days before the date of shareholders' meeting in its first call. The Board of Directors, exercising its duty to bring the articles of association into compliance with regulatory provisions, in accordance with article 19 of the articles of association, will amend this provision before the shareholders' meeting called for 28 April 2011 in view of Legislative Decree 27 of 27 January 2010. Article 147-*ter*, paragraph 1-*bis* of the TUF, as amended by Legislative Decree 27/2010, stipulates that candidate lists must be deposited with issuers no later than the twenty-fifth day preceding the date of the shareholders' meeting and made available to the public at the

registered office, on the Company's website and according to the terms and procedures set out in Consob regulations, no later than 21 days before the date of the shareholders' meeting.

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

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

Given that a director may be appointed by minority shareholders through the list voting system, and that there is a controlling shareholder in the Company's shareholding structure preselecting candidates for inclusion on its own list, the Board has not provided for the creation of a committee for proposed appointments to the office of director (pursuant to article 6 of the Civil Code); however, appointment proposals must be made by shareholders through the candidate lists.

The Board currently in office was appointed via list vote at Saras' ordinary shareholders' meeting of 28 April 2009, and supplemented by the appointment of a new director, nominated by Angelo Moratti Sapa, at the ordinary shareholders' meeting of 27 April 2010. The Board, which will expire on the date of approval of the financial statements for the year ending 31 December 2011, comprises ten members as listed below, one of which (Giancarlo Cerutti) was appointed from the list presented by the minority shareholder Assicurazioni Generali SpA.

Gian Marco Moratti	Chairman
Massimo Moratti	Chief Executive Officer
Angelo Moratti	Vice-Chairman
Gilberto Callera	Chairman of the Remuneration Committee Member of the Internal Control Committee Lead Independent Director
Giancarlo Cerutti	Independent director Member of the Internal Control Committee
Mario Greco	Independent director Member of the Internal Control Committee (and Financial Expert) Member of the Remuneration Committee
Angelomario Moratti	

Gabriele Moratti	
Gabriele Previati	Chairman of the Internal Control Committee Member of the Remuneration Committee
Dario Scaffardi	

The *curricula vitae* of the Board members are available on the Company website at www.saras.it.

[The shareholders' meeting did not authorise, generally and on a precautionary basis, exemptions to the non-competition clause contained in article 2390 of the Civil Code.]

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

1.3. Board Meetings

The Board also convenes in locations other than the registered office, in Italy and in other European Union countries. Board meetings are also validly constituted if they are held by videoconference or teleconference, provided that all participants can be identified by the meeting chairman and all the other participants and that they can follow the discussion and take part in real time in discussions and resolutions, as well as receive, send and view documents, and that all of the above is recorded in the minutes.

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

The Board of Directors held five meetings in 2010. The Board has held two meetings in 2011, including the meeting to approve this Report. The meetings took place at regular intervals and were duly attended by the various Board members, as well as members of the Board of Statutory Auditors, (for a breakdown, see the summary table in Appendix 1).

On 27 January 2011 the Company issued its own annual calendar of corporate events, pursuant to article 2.6.2.1.c) of the Regulation for stock markets organised and managed by Borsa Italian SpA. According to the calendar, at least five meetings are scheduled for 2011.

1.4. Delegation within the Board

Without prejudice to the responsibilities summarised in section 1.1, at its meeting of 28 April 2009 the Board assigned full administrative powers to Chairman Gian Marco Moratti and CEO Massimo Moratti, with related powers of representation to third parties and for the ordinary and extraordinary management of the Company, both individually and separately (however, provision is made for consultation in advance between the two directors, in cases

¹ Massimo Moratti is a Board member at Pirelli & C. SpA;
Giancarlo Cerutti is a Board member at Sole24Ore SpA;
Mario Greco is a Board member at Gruppo Editoriale L'Espresso SpA and Indesit Company SpA.

where the nature and scale of the transaction or decision suggest this, in order to ensure consistent management of the Company's operations).

The Board believes that assignation of the above powers to the Chairman and to the Chief Executive, both of whom are managing shareholders in Saras' parent company, Angelo Moratti Sapa, ensures efficient and effective management of the Company, in line with the established practices and traditions of the Saras Group.

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

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

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

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

1.5. Information provided to the Board

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

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

1.6. Non-executive and independent directors

At the date of this Report, the Board of Directors included three non-executive directors with independent characteristics as defined in article 3.C.1. of the Code (as well as articles 147-ter, paragraph 4, and article 148, paragraph 3, of the TUF), namely: Gilberto Callera, Giancarlo Cerutti and Mario Greco. The number of directors with the independence requirements set out in article 148, paragraph 3 of the TUF therefore complies with the provisions of article

147-ter, paragraph 4 of the TUF, as amended by Legislative Decree 303 of 29 December 2006, relating to boards of directors of listed issuers comprising more than seven members.

The existence of these independence requirements, declared by each director when the lists were presented and when the appointment was accepted, was verified by the Board of Directors at the first meeting after the appointment and subsequently assessed each year at the meetings of 25 February 2010 and 24 February 2011, also on the basis of the declarations and information supplied by the directors concerned.

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

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

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

1.7. Lead Independent Director and meetings of independent directors

Pursuant to recommendations contained in article 2.C.3. of the Code, on 28 April 2009 the Board of Directors appointed independent director Gilberto Callera as Lead Independent Director, assigning him the task of collaborating with the Chairman of the Board to ensure that directors are provided with comprehensive and timely information, with the power to convene, independently or at the request of other Board members, exclusive meetings for independent or non-executive directors to discuss matters deemed to be of interest relating to the operation of the Board of Directors and corporate management.

In accordance with article 3.C.6 of the Code, the independent directors of Saras held meetings on 13 May 2010, 11 November 2010 and 24 February 2011, convened by the Lead Independent Director.

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

The independent directors verified that the activities of the Remuneration Committee (of which two independent directors are members) and the Internal Control Committee (of which all the independent directors are members), were again carried out in a timely and satisfactory manner in 2010, in accordance with the duties and responsibilities assigned to them.

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

After the Regulation of Related Party Transactions was issued by Consob with Resolution 17221 of 12 March 2010, the independent directors drew up procedures to ensure the

transparency and the substantive and procedural correctness of related party transactions, and, as members of the Committee for Related Party Transactions established by the Board at its meeting of 9 August 2010, gave a favourable opinion on the approval of the procedures for related party transactions (see point 6. Directors' interests, significant transactions and related party transactions).

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

At its meeting of 24 February 2011, the Board of Directors assessed the size, composition and operations of the Board and the Board Committees.

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

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

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

The directors take part in initiatives designed to increase their knowledge of the company's situation and performance, including in relation to the regulatory framework, and to enable them to perform their roles effectively in line with their specific duties and responsibilities.

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

2. Board Committees

2.1 Remuneration Committee

Pursuant to articles 7.P.3. and 7.C.3. of the Code, the Board of Directors has established a Remuneration Committee, which is consulted by and advises the Board and is tasked with:

- (i) submitting proposals to the Board, in the absence of those directly concerned, on the remuneration of CEOs and directors with specific duties, as well as monitoring the application of the decisions adopted by the Board
- (ii) periodically reviewing the criteria used to set the remuneration of senior managers with strategic responsibilities at the Company and its direct and indirect subsidiaries, as well as monitoring the application of those criteria
- (iii) submitting proposals on the adoption of general remuneration criteria for senior managers with strategic responsibilities within the Saras Group

- (iv) submitting proposals on possible stock option plans or the granting of shares

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

At the meeting that approved this Report, the Board amended the Remuneration Committee regulations to bring them into compliance with article 7 of the Code of Conduct.

Remuneration Committee meetings are convened by the Chairman whenever he deems it appropriate. The Committee is validly constituted if a majority of its members is present, and resolutions are carried by an absolute majority of those present. Meetings of the Remuneration Committee may be attended by anyone whose presence is deemed appropriate by the Committee, provided that no directors take part in meetings of the Committee when proposals on their remuneration are put forward. The Committee may call on consultants, including external consultants, who can help to provide necessary information on standard market practice for remuneration systems. The meetings of the Committee are minuted. The Committee is vested with the powers specified in article 5.C.1.e) of the Code of Conduct.

The Remuneration Committee held four meetings in 2010. The Committee has held two meetings in 2011. The meetings were duly attended by the three members of the Committee (see summary table in Appendix 1 for a breakdown). The Committee consulted internal and external consultants in the execution of its duties.

At its meeting of 25 March 2010, fulfilling the mandate conferred by the Board, the Committee examined and subsequently submitted to the Board a new draft share plan to remunerate and encourage the loyalty of the management of the Saras Group (the “Stock Grant Plan”) and a draft share plan to encourage loyalty across the workforce as a whole (the “Share Plan”), in accordance with the guidelines approved by the Board of Directors and the recommendations of article 7 of the Code of Conduct.

The proposals for both these Plans were approved by the Board at its meeting of 25 March 2010.

Both Plans¹ were subsequently approved by the ordinary shareholders’ meeting of 27 April 2010.

Subsequent Committee meetings in the second half of 2010 and in 2011 were mainly concerned with (i) monitoring and drawing up proposals for implementation of the Plans; (ii) assessing general criteria for remunerating managers with strategic responsibility; and (iii) analysing the key aspects of the new article 7 of the Code of Conduct of Borsa Italiana relating to remuneration of directors and managers with strategic responsibility, published in March 2010.

¹ For further details, see the following link:

<http://www.saras.it/saras/pages/ourresponsabilities/governance/govincentive>.

Under the current compensation system, a significant portion of the remuneration of senior management is linked to Company performance.

The Remuneration Committee confirmed that the remuneration of Chairman Gian Marco Moratti, CEO Massimo Moratti and Vice-Chairman Angelo Moratti was adequate and again stated that it was not necessary to establish incentive mechanisms to retain and motivate these directors, since all three are executive directors and shareholders of Angelo Moratti Sapa, which controls the Company, and their interests are therefore intrinsically linked to pursuing the primary goal of creating value for all shareholders.

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

2.2 Internal Control Committee

Pursuant to the provisions of article 8 of the Code of Conduct, the Board of Directors created an Internal Control Committee from its members, to be consulted by and to advise the Board. Specifically, the Internal Control Committee:

- (a) helps the Board to (i) set out guidelines for the internal control system so that the main risks to the issuer and its subsidiaries are correctly identified, as well as appropriately measured, managed and monitored, (ii) determine criteria for the compatibility of these risks with sound and correct management, (iii) assess the adequacy, efficiency and operational effectiveness of the internal control system, at least once a year, and (iv) describe the key elements of the internal control system in the corporate governance report and express an opinion on the overall suitability of the system
- (b) assesses, in conjunction with the director responsible for preparing the Company's accounting statements and the auditors, the correct use of accounting principles and their uniform application in drawing up the consolidated financial statements
- (c) at the request of the executive director responsible in this regard, expresses opinions on specific aspects of the identification of the main corporate risks, and the planning, implementation and management of the internal control system
- (d) examines the work plan prepared by the internal control managers, and the periodic reports provided by them
- (e) assesses the proposals made by the auditing company to obtain the relevant engagement, as well as the audit plan, the audit report and any recommendations letter
- (f) monitors the effectiveness of the auditing process
- (g) carries out any additional duties assigned by the Board of Directors
- (h) reports to the Board of Directors at least every six months, at the time of approval of the annual financial statements and the interim half-yearly report, on the activities undertaken and on the adequacy of the internal control system.

Pursuant to the Committee regulations, the Internal Control Committee consists of four non-executive directors, the majority of whom are independent. The Committee currently comprises: Gabriele Previati (Chairman), non-executive director, Mario Greco, independent director, Gilberto Callera, independent director and Giancarlo Cerutti, independent director. Pursuant to article 8.P.4 of the Code, the Board estimates that Mario Greco, a member of the Internal Control Committee, has the appropriate experience in accounting and finance to be the financial expert.

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

The Internal Control Committee met six times in 2010. The meetings were duly attended by the four members of the Committee (see the table in Appendix 1 for a breakdown) as well as the members of the Board of Statutory Auditors, the Internal Control Manager and the Head of Internal Audit. The Committee held two meetings in the first quarter of 2011.

The General Manager, Chief Financial Officer (who also holds the post of director responsible for drawing up the accounting statements) and representatives of the auditing company were invited to attend meetings to discuss specific items of interest.

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

In 2010, the Committee also:

- approved the 2010 programme for Committee activities, in line with the Internal Control Committee Regulation
- approved the 2010 internal control and audit programme prepared by Internal Audit using the "Guidelines on the internal control system" approved by the Saras Board of Directors
- monitored the work carried out by the Internal Control Manager and the Head of Internal Audit relating to the assessment of the adequacy and effectiveness of the internal control system. With regard to the activities performed by Internal Audit, it examined the periodic audit reports on the quarterly results and on the progress made in implementing corrective measures

- assessed the correct use of accounting principles and their uniform application in drawing up the consolidated full-year and half-year financial statements for Saras and the Group. It also examined the work plan of the auditing company and the results presented in the report and the letter of recommendations. This meeting was attended by the General Manager, the director responsible for drawing up the accounting statements and representatives of the auditing company
- examined and assessed the “Report on the internal control system of Saras and the Group” prepared by the Internal Control Manager. The report describes the parameters of the internal control system and assesses the overall adequacy of the system in operation
- received information on the activities of the supervisory bodies of Saras and its subsidiaries relating to the adoption and implementation of their respective Organisation, Management and Control Models (see below for further details) and particularly on matters concerning health and safety at work
- received information from the auditing company on the results of the internal control system audit performed as part of the auditing engagement, relating to factors with the greatest potential impact on the reliability of the financial statements overall
- received information relating to the “Safety is our energy” event held on 22 September 2010 at the Sarroch site. Company safety initiatives were presented at the event, with a particular focus on organisational aspects, corporate rules and procedures and training/information. About 120 people took part in the event, including members of the Board of Directors, the Board of Statutory Auditors, Saras' Supervisory Body and a number of the managers and other employees most closely involved in the safety process (staff representatives for safety and the environment and operational staff from the production areas)
- received information on the general structure of the system adopted by Saras to identify, manage and monitor risks to the company's objectives in the strategic, operational, financial, insurance and credit management areas. Discussed in detail activities to identify, manage and monitor the main risks to the Company, with a particular focus on strategic, financial, liquidity, credit and operational risks, at its meetings in 2010. The Chief Financial Officer (CFO) introduced the topic to the Committee and gave a summary of the background and the methods by which these risks are managed.

In February 2011, the Committee prepared a “Report on the internal control system” describing assessments of and adjustments to the internal control system of Saras and the Group. The report was prepared using the results of the checks performed by Internal Audit and information submitted periodically by the Internal Control Manager.

The report was submitted to the Chairman of the Board of Directors as executive director responsible for supervising the operation of the internal control system and presented to the Board at its meeting of 24 February 2011.

Partly due to the above activities, the Board considers that there is an adequate control and monitoring system in place to provide reasonable assurance on compliance with corporate policies and guidelines, the correct application of procedures and the efficiency and

effectiveness of controls. At its meeting of 24 February 2011, the Board therefore assessed Saras' existing internal control system as appropriate for achieving an acceptable overall risk profile.

3. Internal Control System

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

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

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

The Internal Audit function is under the direct responsibility of the Chairman of the Board of Directors and reports on its activities to the Internal Control Committee and the Board of Statutory Auditors, as well as to the Supervisory Body created pursuant to Legislative Decree 231/01. The main responsibility of the latter is to monitor the Group's internal control system to ensure its efficiency and effectiveness. The Head of the Company's Internal Audit function is Ferruccio Bellelli.

On 25 March 2010, at the proposal of the Chairman of the Board (the executive director responsible for supervising the operation of the Company's internal control system), the Board of Directors of Saras appointed Ferruccio Bellelli, who is Head of Internal Audit, as Internal Control Manager, to replace Concetto Siracusa.

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

The Internal Control Manager reported every six months to the Committee, the Board of Statutory Auditors and the Chairman of the Board on activities carried out in 2010 by Saras Group companies in relation to implementation, monitoring and improvement of the internal control system, and gave his own assessment of the suitability of the internal control system to achieve an acceptable overall risk profile.

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

The Chairman of the Board of Directors, in his capacity as executive director responsible for supervising the operation of the internal control system, via the Head of Internal Control and the relevant corporate departments: (i) oversaw the continual development of risk assessment processes, to monitor and manage the main strategic, operational, financial and compliance risks to the Company, and (ii) executed the guidelines set out by the Board, assisting with the continuing development of the internal control system in terms of suitability, efficiency and effectiveness as well as the continual adjustment of the system in line with operating conditions and the legislative and regulatory landscape.

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

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

To this end, a risk management function was created within the Management Control Division reporting to the CFO, who is, *inter alia*, responsible for defining group standards for controlling, monitoring and reporting on risks.

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

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

The internal control system described above was further strengthened with the adoption of Saras' Organisation, Management and Control Model (the "Model"), which was approved by the Board of Directors on 11 January 2006 and updated on 8 August 2007, 5 May and 6 November 2008 and 25 March and 9 August 2010 to implement rules on corporate administrative responsibility contained Legislative Decree 231/2001, and which provides a system of procedures and controls intended to reduce the risk of crime pursuant to the same Legislative Decree 231/2001.

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

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

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

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

- internal regulations on handling privileged information and the creation of a register of persons with access to such information
- Code of Conduct on Internal Dealing
- procedures for related party transactions
- guidelines for relations with the Public Administration
- guidelines for managing extraordinary operations
- guidelines for derivative transactions
- guidelines for relations with public supervisory authorities and companies operating regulated financial instrument markets
- guidelines for external communication of corporate information and documents
- procedure for managing price sensitive announcements to the public
- procedure for managing consultancy contracts
- procedure for the "Preparation of the separate accounts of Saras and the consolidated accounts of the Group".

The Supervisory Body was created to ensure that the model adopted by Saras is effectively and properly implemented. The Supervisory Body comprises: Gabriele Previati, non-executive director (acting as chairman), Claudio M. Fidanza, Ferruccio Bellelli and Enrico Padova (General Counsel).

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

4. Handling corporate information

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

The Regulation, including the provisions relating to the keeping of a register (which Saras also manages on behalf of its subsidiaries), was drawn up in accordance with article 114 of the TUF, articles 65-*bis et seq.* and 152-*bis et seq.* of the Issuer Regulation as these relate to the keeping of the register, and taking into account Consob Communication DEM/6027054 of 28 March 2006.

5. Code of Conduct on Internal Dealing

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

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

6. Directors' interests, significant transactions and related party transactions

In 2006 – ahead of Consob's definition of general principles on internal rules to ensure transparency and the substantial and procedural correctness of related party transactions pursuant to article 2391-*bis* of the Civil Code – the Board of Directors adopted "Principles of conduct for carrying out transactions with related parties", which set out potential operational solutions in situations involving directors' interests. The principles are detailed in a document that was favourably assessed by the Internal Control Committee and the Board of Statutory Auditors. According to the principles of conduct, transactions with related parties that exceed a certain unit amount (higher for inter-company transactions, i.e. transactions executed by Saras with its direct or indirect subsidiaries; lower for transactions with other related parties, e.g. significant shareholders or individuals that form part of the shareholding company), are submitted for prior approval by the Board of Directors.

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

At its meeting of 9 August 2010, the Board, following adoption by Consob of the "Regulation on related party transactions" (Resolution 17221 of 12 March 2010 – hereinafter the "Regulation"), agreed to introduce necessary or appropriate changes to the document "Principles of conduct for carrying out transactions with related parties" in light of the Regulation.

The Regulation has introduced an organic set of rules for related party transactions, with immediate and periodic disclosure obligations and procedural obligations, intended to ensure the transparency and substantive and procedural correctness of these transactions. The Regulation also stipulates that a committee of non-executive and unconnected directors, mainly or entirely composed of independent directors according to whether the transaction is of minor or major significance (assisted if necessary by independent experts at the Company's expense), must express its opinion on related party transactions. This opinion is binding for transactions of major significance; independent directors must also be involved in the negotiation and assessment stage of such transactions.

At its meeting of 11 November 2010, the Board of Directors adopted procedures for related party transactions pursuant to the Regulation, also taking into account Consob Communication DEM/10078683 of 24 September 2010. At 1 January 2011, these procedures replaced the above "Principles of conduct for carrying out transactions with related parties" adopted by the Board in 2006. The procedures are available on the Company's website.

Including directors, their families and entities relating to either of these in the definition of "significant related party" for the purposes of applying the Regulation, the procedures adopted by the Company represent adequate control of the management of situations in which a director has an interest, on his own account or on behalf of third parties, provided that, when the director's interest is unconnected to a related party transaction, the director is also required to notify the Company of the interest pursuant to article 2391 of the Civil Code.

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

7. Director responsible for drawing up the accounting statements

When its shares were listed in May 2006, the Company amended its articles of association pursuant to article 154-*bis* of the TUF, in order to create the position of director responsible for preparing the accounting statements. Chief Financial Officer Corrado Costanzo currently holds this role, which was assigned by the Board of Directors at its meeting of 2 October 2006.

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

8. Board of Statutory Auditors

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

The articles of association in force at the date of approval of this Report stipulate that candidate lists must be deposited at the registered office no later than 15 days before the date set for the shareholders' meeting, and at Borsa Italiana SpA and on the Company's website no later than ten days before this date. The Board of Directors, exercising its duty to bring the articles of association into compliance with regulatory provisions, in accordance with article 19 of the articles of association, will amend this provision before the shareholders’ meeting called for 28 April 2011 in view of Legislative Decree 27 of 27 January 2010. Article 147-*ter*, paragraph 1-*bis* of the TUF, as amended by Legislative Decree 27/2010, applicable to the Board of Statutory Auditors by virtue of the requirement set out in article 148 of the TUF, stipulates that candidate lists must be deposited with issuers no later than the twenty-fifth day preceding the date of the shareholders' meeting and made available to the public at the registered office, on the Company’s website and according to the terms and procedures set out in Consob regulations, no later than 21 days before the date of the shareholders' meeting.

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

The current Board of Statutory Auditors, which was appointed through the list voting system at the shareholders' meeting of 28 April 2009 and will expire at the date of approval of the financial statements for the year ending 31 December 2011, comprises the members listed below; one member was taken from the minority list presented by Assicurazioni Generali SpA and was therefore appointed Chairman of the Board of Auditors.

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

The Board of Statutory Auditors held ten meetings in 2010. The Board of Auditors has met once in 2011. The meetings were duly attended by the permanent auditors (see the table in Appendix 2 for a breakdown).

The Board of Statutory Auditors performed an internal assessment, pursuant to article 10.C.2 of the Code, of fulfilment of the requirements for the independence pursuant to law and the criteria stipulated by the Code, with a positive result.

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

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

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

⁴ Ferdinando Superti Furga holds the following posts in listed companies: permanent auditor at Telecom Italia SpA; independent director at Parmalat SpA and Chairman of the Board of Statutory Auditors at Arnoldo Mondadori Editore SpA.

⁵ Giovanni Luigi Camera holds the following positions in financial companies: Chairman of the Board of Statutory Auditors at UBS Italia SpA and Chairman of the Board of Auditors at Shine Sim SpA.

9. Relationships with shareholders

When the Company listed its shares on the stock exchange, it considered that it would be in its interests - as well as a duty to the market - to initiate a continuous dialogue with its shareholders and institutional investors, which would comply with both existing legislation and the principles contained in the “Guide on information provided to the market” published by Borsa Italiana SpA, as well as with internal regulations on handling privileged information.

In order to promote such dialogue, the Company, pursuant to the recommendations of article 11 of the Code, identified an investor relations manager. The Company also decided to further promote dialogue with investors by creating a specific investor relations section on its website (www.saras.it, Investor Relations section), where investors can access, in Italian and English, financial and economic information (financial statements, half-yearly and quarterly reports, presentations to the financial community, analyst reports and the Company’s stock market performance) as well as up-to-date information and documents of general interest to shareholders (press releases, composition of the Board of Directors and corporate management, articles of association, Code of Ethics, shareholders’ meeting regulations and the Internal Dealing Code). The website also has an AGM section⁶ containing information on the methods of taking part and exercising the right to vote in shareholders’ meetings pursuant to regulations in force. It also contains documents relating to the items on the agenda, including lists of candidates for director and statutory auditor positions and their CVs. At shareholders’ meetings, the Board of Directors reports on the activities undertaken and those planned, in compliance with regulations on privileged information.

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

Saras SpA – Investor Relations, Galleria De Cristoforis 1 – 20122 Milano

Toll-free no. 800511155 – email ir@saras.it

10. Shareholders’ meetings

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

Both ordinary and extraordinary shareholders’ meetings are held, pursuant to law.

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

The articles of association in force at the date of approval of this Report stipulate (in article 12) that the shareholders' meeting shall be called via publication of a notice in the Official Journal or in the daily newspaper *Il Sole 24 Ore*, within the deadlines stipulated by law.

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

All documentation relating to the agenda items for the shareholders' meeting is deposited at the Company's registered office and the administrative office for consultation by the public, within the deadlines stipulated by law, and sent via the electronic Network Information System (NIS) to Borsa Italiana SpA. The documentation is also made available, pursuant to article 125-*quater* of the TUF, on the Company's website.

Note that the legislative and regulatory provisions governing the calling of the shareholders' meeting and information to be provided before the meeting have been substantially amended by Legislative Decree 27 of 27 January 2010 and by the regulatory provisions adopted by Consob in implementing the same. The Board of Directors, exercising its duty to bring the articles of association into compliance with regulatory provisions, in accordance with article 19 of the articles of association, will amend the statutory provision on the notice of meeting before the shareholders' meeting of 28 April 2011, in light of Legislative Decree 27 of 27 January 2010. Article 125-*bis* of the TUF, which amends Legislative Decree 27/2010, specifically requires the notice of meeting to be published on the issuer's website and according to the other terms and procedures stipulated by Consob.

Pursuant to article 14 of the articles of association in force at the date of the approval of this Report, shareholders with voting rights are eligible to attend the meeting provided that the company has received notification pursuant to article 2370, paragraph 2 of the Italian Civil Code no later than two working days prior to the date of the shareholders' meeting (first call) and that they are in possession of the relevant certification on the date of the meeting. The Board of Directors, exercising its duty to bring the articles of association into compliance with regulations in force, in accordance with article 19 of the articles of association, will also amend this provision before the shareholders' meeting of 28 April 2011 in light of Legislative Decree 27 of 27 January 2010. Article 83-*sexies*, paragraph 1 of the TUF (introduced by Legislative Decree 27 of 27 January 2010, applicable to shareholders' meetings convened after 31 October 2010, including when contrary statutory provisions exist (such as article 14 of the articles of association in force at the date of approval of this Report)), stipulates that eligibility to attend and vote at the shareholders' meeting is certified via communication to the Company by the financial broker at the request of the interested party. Pursuant to article 83-*sexies*, paragraph 2 of the TUF (a provision also introduced by Legislative Decree 27 of 27 January 2010 and applicable to shareholders' meetings after 31 October 2010), shareholder eligibility is ascertained on the basis of records at the end of the accounting day of the seventh open market day preceding the date set for the first call of the meeting.

Pursuant to article 11 of the Code, the Company has a specific shareholders' regulation, prepared using the template created by ABI and ASSONIME. The template was designed to ensure that shareholders' meetings are conducted in an orderly and efficient manner, and sets out detailed regulations for their various phases, while respecting the fundamental right of each shareholder to request clarification on the various items under discussion, to express his or her opinion and to formulate proposals.

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

At the meeting to approve this Report, the Board of Directors resolved to propose to the ordinary shareholders' meeting of 28 April 2011 an amendment to the above regulation to bring it into compliance with new terminology introduced by Legislative Decree 39 of 27 January 2010, as well as amendments for compliance with the new record date (and the related system of identifying shareholders eligible to vote) and with the right of shareholders to ask questions (article 127-*ter* of the TUF), introduced by Legislative Decree 27 of 27 January 2010.

TABLE 1: BOARD OF DIRECTORS AND COMMITTEES

Board of Directors							Internal Control Committee		Remuneration Committee		Appointments Committee, if any		Executive Committee, if any	
Position	Board member	executive	non-executive	independent	****	Number of additional positions held **	***	****	***	****	***	****	***	****
Chairman	Gian Marco Moratti	X			100%	=					=	=	=	=
CEO	Massimo Moratti	X			80%	1								
Vice-Chairman	Angelo Moratti	X			100%	=								
Director	Gilberto Callera		X	X	100%	=	X	100%	X	100%				
Director*	Giancarlo Cerutti		X	X	100%	1	X	50%						
Director	Mario Greco		X	X	60%	2	X	85%	X	100%				
Director	Angelomario Moratti		X		80%	=								
Director	Gabriele Moratti	X			100%	=								
Director	Gabriele Previati		X		100%	=	X	100%	X	100%				
Director	Dario Scaffardi	X			100%	=								
Number of meetings held during the year in question				Board of Directors: 5			Internal Control Committee: 6			Remuneration Committee: 4				

NOTES

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

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

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

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

TABLE 2: BOARD OF AUDITORS

Position	Board member	Attendance of Board meetings	Number of additional positions**
Chairman	Ferdinando Superti Furga	80%	3
Permanent auditor	Giovanni Luigi Camera	100%	=
Permanent auditor	Michele Di Martino	90%	=
Deputy auditor	Luigi Borrè		
Deputy auditor	Marco Visentin		
Number of meetings held during the year in question: 10			

NOTES

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

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

TABLE 3: OTHER PROVISIONS OF THE CODE OF CONDUCT

	YES	NO	Reasons for any deviation from the recommendation of the Code
System of assigning mandates and transactions with related parties			
When assigning mandates, does the Board of Directors specify:			
a) the time limits for the mandate	X		
b) the means by which the mandate may be exercised	X		
c) the frequency of reporting activities?	X		
Does the Board of Directors examine and approve transactions that are particularly significant in terms of the balance sheet, income statement and cash flow statement (including transactions with related parties)?	X		
Has the Board of Directors defined general criteria for identifying "significant" transactions?	X		
Are these general criteria described in the report?	X		
Has the Board of Directors put in place suitable procedures for examining and approving transactions with related parties?	X		
Are the procedures for approving transactions with related parties described in the report?	X		
Procedures for the most recent appointment of directors and auditors			
Were details of the candidates for the position of director submitted with at least ten days' notice?	X		
Was sufficient information provided in relation to the candidates for the position of director?	X		
Was any information provided to indicate that the candidates for the position of director could be classified as independent?	X		
Were details of the candidates for the position of auditor	X		

submitted with at least ten days' notice?			
Was sufficient information provided in relation to the candidates for the position of auditor?	X		
Shareholders' meetings			
Has the company approved Regulations for Shareholders' Meetings?	X		
Are these Regulations included in the report (or is information provided on where the Regulations can be obtained/downloaded)?	X		
Internal control			
Has the company appointed internal control managers?	X		
Has it been ensured that these managers do not report to operational area managers?	X		
Organisational unit with responsibility for internal control (pursuant to art. 8.C.1 and 8.C.6 of the Code)	The Office of the Internal Control Manager, supported by Internal Audit		
Investor relations			
Has the company appointed an investor relations manager?	X		
Organisational unit and contact details (address/phone no./fax no./e-mail address) of the investor relations manager	Chief Financial Officer Saras SpA – Investor Relations, Galleria De Cristoforis 1 – 20122 Milan Toll-free number: 800511155 – E-mail: ir@saras.it		