

SARAS S.p.A.

Headquarters in S.S. Sulcitana 195 km. 19th - Sarroch (CA)

Share Capital EUR 54,629,666.67 fully paid-up

## BOARD OF AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING

pursuant to Article 2429, paragraph 3 of the Civil Code and Article 153 of Legislative Decree No 58/1998

Shareholders,

The Board reports on the supervisory activity carried out in the financial year ended 31 December 2018, pursuant to Articles 2429 *et seq.* of the Civil Code and in compliance with the provisions of Legislative Decree No 58/1998 (Consolidated Finance Act, TUF), to the recommendations expressed by the Rules of Conduct of the Board of Statutory Auditors of listed companies issued by the National Council of Chartered Accountants and Accounting Experts and taking into account the indications provided by Consob in a communication dated 6 April 2001 - DEM/1025564, amended and supplemented by a communication dated 4 April 2003 - DEM/3021582 and subsequently by a communication dated 7 April 2006 - DEM/6031329.

In this Report, the Board also reports on the supervisory activity carried out on compliance by the Company, with the provisions set forth in Legislative Decree No 254/2016, concerning the communication of non-financial information and information on diversity.

In detail, as part of the performance of the functions assigned to it by the legal system, as the supervisory body and also as the Internal Control and Audit Committee in public interest entities, pursuant to Article 19 of Legislative Decree No 39/2010, the Board reports:

- a) to have monitored the Company's compliance with the law, the main and secondary regulations and the articles of association;
- b) to have obtained from the Directors, with the frequency established by Article 150 of Legislative Decree No 58/1998 and with the procedures established by the Articles of Association in Article 22, information on general operating performance, on the foreseeable evolution of the same, as well as on the activity carried out and on the most significant economic, financial and equity transactions resolved and implemented by the Company and its subsidiaries during the year, and to be able to reasonably affirm, on the basis of the information made available, that the resolutions adopted and the actions taken comply with the law and the corporate articles of association and are not manifestly imprudent, risky, in potential conflict of interests, in contrast with the resolutions of the shareholders' meeting or such as to impact the integrity of company assets. The aforementioned information is exhaustively represented in the report on operations to which reference is made;
- c) to not have noted the existence of atypical or unusual transactions with Group companies, with third parties or with other related parties. In this regard, in the Notes to the consolidated financial statements – in paragraph 7.3. of Chapter 7 entitled “Other information” – the Directors highlight and illustrate, in an analytical manner, the existence of relationships of exchange of goods and services and relationships of a financial nature with subsidiaries and other related parties, explaining the economic effects, specifying that the same relationships were regulated under the conditions that would have been applied for transactions of the

same nature between unrelated parties and representing the relative correspondence to the interest of the Company. Furthermore, in the 2018 financial year, the Company did not purchase or sell its own shares on the Italian Electronic Stock Market (MTA), even though on 27 April 2018, the Shareholders' Meeting authorised a programme to purchase Saras S.p.A. ordinary shares pursuant to Articles 2357 of the Civil Code and 132 of Legislative Decree No 58/1998, to be carried out within the term of 12 months starting from the authorisation resolution, i.e. by 27 April 2019;

- d) to have positively assessed compliance of the Procedure with regard to transactions with related parties adopted by the Company (approved by resolution of 23 January 2007, amended by a subsequent resolution of 19 March 2014 and published on the website) to the principles contained in the *“Regulation on transactions with related parties”*, adopted by Consob by Resolution 17221 of 12 March 2010, as amended, implementing Article 2391-*bis* of the Civil Code and to those provided by the Corporate Governance Code; as well as the relative consistency with the indications contained in Consob Communication DEM/10078683 of 24 September 2010; so as to be able to conclude that the procedures adopted by the Board are suitable to guarantee a correct and transparent regulation of transactions with related parties. In this regard, the Board supervised compliance with the adopted Procedure, obtaining adequate information from the relevant functions in this regard. Furthermore, it underlines that the main functions of the Related Parties Committee are assigned to the Control and Risk Committee, established within the Board of Directors and in possession of the independence requisites provided for by the Corporate Governance Code;
- e) to have acquired knowledge and monitored, to the extent of its authority, the adequacy of the organisational structure, in terms of structure, procedures, competences and responsibilities, the size of the Company, and the nature and methods of pursuing the corporate purpose;
- f) to have supervised compliance with the principles of correct administration, by assiduous participation in the meetings of the Board of Directors and of the Board Committees set up in compliance with the Corporate Governance Code and on the basis of the information acquired, acknowledging that management decisions are inspired by the principle of correct information and reasonableness and that the Directors are aware of the risk and effects of the operations carried out;
- g) to have acquired knowledge and supervised, pursuant to Article 149, paragraph 1, letter d) of Legislative Decree No 58/1998, for the main companies subject to control, on the adequacy of the instructions given by the Company to the subsidiaries pursuant to Article 114, paragraph 2 of the same Legislative Decree No 58/1998, through:
  - ✓ the acquisition of information from the managers of the competent corporate functions;
  - ✓ meetings and exchanges of information with the Chairpersons of the Boards of Statutory Auditors and with the Sole Auditor where required;
  - ✓ meetings with the Company also in charge of the statutory audit of the subsidiaries; and to have no particular observations to report in this regard;
- h) to have assessed and supervised the adequacy of the internal control system and the administrative-accounting system, as well as the reliability of the latter to correctly represent the management facts, by means of:

- ✓ examination of the report of the Manager responsible for internal control on the Company's internal control system;
- ✓ examination of the reports of the Internal Audit function and of the information provided by the same on the results of the monitoring activity concerning the implementation of the corrective actions identified from time to time;
- ✓ acquisition of information from the managers of the respective functions;
- ✓ examination of company documents;
- ✓ analysis of the results of the work carried out by the auditing company;
- ✓ exchange of information with the control bodies of the subsidiaries pursuant to Article 151, paragraphs 1 and 2 of Legislative Decree No 58/1998;

and to have no particular observations to report in this regard;

- i) to have read and to have obtained information on the procedural and organisational activities put in place, in implementation of the legislation relating to the "*Discipline of the administrative responsibility of entities*" referred to in Legislative Decree No 231/2001, as amended; to have received from the Supervisory Body the minutes of the relative meetings held during the 2018 financial year, to have acquired the periodic Reports presented to the Board of Directors and to have received from the same body assurance regarding the absence of facts or situations to be reported herein;
- j) to have monitored, pursuant to Article 149, paragraph 1, letter *c-bis* of Legislative Decree No 58/1998, the actual implementation of the Code of Conduct for listed companies prepared by the Corporate Governance Committee, to which the Company has declared to adhere by resolution of the Board of Directors dated 11 November 2006; to have verified the correct application of the assessment criteria adopted by the Board of Directors to assess the independence of the Directors and to have verified the adoption of a self-assessment procedure on the composition and functioning of the Board and of the Committees established within it;
- k) to have verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of its members, pursuant to Article 3, paragraph 3.C.5. of the Corporate Governance Code;
- l) to have verified the evolution of governance also in the light of the considerations contained in the corporate governance report on the recommendations contained in the letter of the Chair of the Corporate Governance Committee of 21 December 2018;
- m) to have performed the periodic verification of the adequacy of the Board in terms of powers, functioning and composition, taking into account the size, complexity and activities carried out by the Company, verifying the suitability of its members to perform the functions assigned in terms of the existence of the requisites of professionalism and honourability, availability of time and independence and also verifying compliance with the limits on the accumulation of positions held, also on the basis of the certifications and information provided by each auditor;
- n) to have received from the auditing company confirmation of independence pursuant to Article 17 of Legislative Decree No 39/2010 and pursuant to paragraph 17 of the international

auditing standard (ISA Italy) 260;

- o) to have issued the following favourable opinions during the 2018 financial year:
- ✓ on the remuneration attributed to Directors holding special offices, in addition to the compensation established for the office of director pursuant to paragraph 3 of Article 2389 of the Civil Code;
  - ✓ on the assessment of the existence of the independence requirements, provided for by the Corporate Governance Code and by Legislative Decree No 58/1998, for independent directors;
  - ✓ on the approval of the annual activity plan prepared by the Internal Audit function manager pursuant to Article 7, paragraph 7.C.1. c) of the Corporate Governance Code;
  - ✓ on the assessment of the correct use of accounting principles and their consistency for the purposes of preparing the consolidated financial statements, carried out by the Control and Risk Committee, pursuant to Article 7, paragraph 7.C.2. a) of the Corporate Governance Code, in agreement with the Financial Reporting Manager;
  - ✓ on the assignment of the task to the auditing company Ernst & Young SL, belonging to the network of the company appointed to audit the financial statements, to carry out further audit activities with respect to Saras Energia SAU, a Spanish company controlled by Saras S.p.A.;
  - ✓ on the assignment of the task to Ernst & Young Financial-Business Advisors S.p.A., belonging to the network of the company appointed to audit the financial statements, to perform services other than auditing, involving methodological support to the definition of the digital agenda with respect to Saras Ricerche e Tecnologie S.r.l., a subsidiary of Saras S.p.A.;
  - ✓ on the assignment of the task to Ernst & Young S.p.A., to perform services other than auditing, involving a review of the documentary results relative to the analysis performed by the company regarding the possibility of applying hedge accounting to certain types of transactions carried out through derivative instruments;
- p) to have not received complaints or claims pursuant to Article 2408 of the Civil Code;
- q) to have received analytical information on the impairment tests carried out pursuant to IAS 36 in 2018 confirming the values of some significant assets recorded in the financial statements of the subsidiaries;
- r) to have received analytical information regarding the most significant economic, financial and equity transactions carried out, including through subsidiaries. Of these transactions, examined and approved by the Board of Directors, the following are mentioned:
- ✓ signing of an agreement for the sale of the business unit consisting of the network of service stations located in Spain, ancillary services and related personnel, owned by the subsidiary Saras Energia SAU, for EUR 35,000 thousand, in addition to the value of working capital intended to be transferred at the closing of the transaction set out for the first half of 2019;

- ✓ establishment by the subsidiary Saras Energia SAU of a company under Spanish law, called Saras Red SLU, for the disposal of the aforementioned business unit;
  - ✓ approval of the project for the constitution of a new commercial company, entirely controlled and based in Rome, with the purpose of carrying out the purchase and sale of petroleum products in Italy;
- s) to have held meetings, pursuant to Article 150, paragraph 3 of Legislative Decree No 58/1998, with representatives of the Company appointed to perform the statutory audit, from which no facts or criticalities emerged that require mention in this report;
- t) to have received the draft consolidated financial statements of the Group and the separate financial statements as at 31 December 2018, drawn up in accordance with international accounting standards, as well as the report on operations, under the terms established by Article 2429 of the Civil Code, as well as the Sustainability Report containing the consolidated declaration of non-financial and diversity information, in the terms established by Article 5 of Legislative Decree No 254/16;
- u) to have received today from the auditing company the reports pursuant to Articles 14 and 19, paragraph 3 of Legislative Decree No 39/2010 respectively for the financial statements and for the consolidated financial statements ended 31 December 2018. These reports show that the Company's financial statements and consolidated financial statements provide a true and fair view of the balance sheet, income statement and cash flows for the year ended 31 December 2018, in accordance with International Financial Reporting Standards adopted by the European Union as well as the provisions issued in implementation of Article 9 of Legislative Decree No 38/2005; and that the report on operations and the information in the report on corporate governance and ownership structure indicated in paragraph 4 of Article 123-*bis* of Legislative Decree No 58/1998 are consistent with the financial statements and the consolidated financial statements;
- v) to have received today from the auditing company EY S.p.A. the report required by Article 11 of Regulation (EU) No 537/2014;
- w) to have received today from the company assigned the statutory audit, EY S.p.A., the limited audit report on the compliance of the non-financial information provided with respect to the rules contained in Legislative Decree No 254 of 30 December 2016, which shows that there is no reasonable basis to deem that the DNF has not been prepared, in all material respects, in accordance with the requirements of Articles 3 and 4 of the aforementioned Decree and the standard reporting model of the "Global Reporting Initiative's Sustainability Reporting Standards" (the GRI Standard).

#### Consolidated declaration of non-financial information

The Board, in the context of the ordinary activity carried out in implementation of current legislation, supervised compliance by the Company with the provisions established by Legislative Decree No 254/2016 on the communication of non-financial information and information on diversity.

The Company has prepared the consolidated declaration of a non-financial nature in the broader form of the "Sustainability Report", including it in a separate document and not in a section of the report on operations.

The aforementioned declaration covers environmental, social and personnel issues, respect

for human rights, and the fight against active and passive corruption, which are relevant taking into account the activity and characteristics of the Company, to an adequate extent in order to allow an understanding of the activity carried out by the Saras Group, its performance, its results and the related impact, in a manner consistent with the provisions contained in Article 3 of Legislative Decree No 254/2016.

The declaration explicitly mentions the reporting standard adopted, or the “Global Reporting Initiative’s Sustainability Reporting Standards”.

On the aforementioned declaration, approved by the Board of Directors in the meeting of 4 March 2019 and made available to the Statutory Auditors on the same date, the Board carried out a brief control on the systems and processes in order to ascertain compliance with the law and correct administration. In concrete terms, the control concerned the risk relevance matrix, the reporting methods for the information provided by the Group companies and their true correspondence, as well as the consistency of the same reporting with the provisions of the decree.

Upon completion of the activity carried out and in the light of the conclusions reached by the auditing company in the specific report, the Board can attest to the adequacy of the organisational structures according to the strategic objectives in the social/environmental area that the Company has set itself, as well as the consistency of the declaration produced with the provisions contained in Legislative Decree No 254/2016.

## **Conclusions**

For the performance of the supervisory activities described above, during the 2018 financial year, the Board met fifteen times; it attended a Shareholders' Meeting, seven meetings of the Board of Directors; three meetings of the Remuneration and Appointments Committee and four meetings of the Control and Risk Committee.

The elements of knowledge necessary for the performance of the activity under the competence of the Board were acquired, as well as from participation in the aforementioned meetings, also through direct investigations, and through the collection of information from the heads of the functions involved. From what emerged from the verifications and from participation in the meetings, the choices made by the Directors appear to comply with the law, the articles of association, and the principles of correct administration, and are consistent and compatible with the company size and with the corporate assets.

In the course of the supervisory activities and on the basis of information obtained by the auditing company, there were no omissions and/or reprehensible facts and/or irregularities or however significant facts that require reporting to the control bodies or mention in this report.

On the basis of the supervisory activity carried out during the year, and from the analysis of the draft financial statements presented, considering that, today, the auditing company has issued its reports without comments, the Board does not find any impediment to approval of the financial statements for the year ended 31 December 2018 and the proposed resolutions drawn up by the Board of Directors.

22 March 2019

The Board of Statutory Auditors

Giancarla Branda – Chair [signature]

Giovanni Luigi Camera – Statutory Auditor  
[signature]

Paola Simonelli – Statutory Auditor [signature]