



**SARAS**

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

**ANNUAL CORPORATE GOVERNANCE REPORT AND  
INFORMATION ON THE OWNERSHIP STRUCTURE -  
Financial year 2016**

PURSUANT TO ART. 123-*bis* OF LEGISLATIVE DECREEE NO. 58 OF 24  
FEBRUARY 1998 (“TUF”).

February 2017

## **Introduction**

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

Therefore, the paragraphs below describe the main features of Saras' Corporate Governance system, and how its various components function in practical terms, with a specific focus on compliance with the recommendations contained in the Code of Conduct.

This report has been prepared in accordance with article 123-bis, first paragraph of Legislative Decree No. 58 of 24 February 1998, as subsequently amended ("TUF").

This report was approved by the Board of Directors of Saras (the "Board") in the meeting on 27 February 2017, to be made available to shareholders, also by means of publication on the Company website ([www.saras.it](http://www.saras.it)), in view of the meeting called to approve the financial statements for the financial year ended 31 December 2016. It refers to the financial year 2016 and, where relevant, also to corporate events occurring in 2017 until its approval date.

## SECTION I

### **1. OWNERSHIP STRUCTURE**

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

Based on the findings in the share register and public information or available to the Company on the publication date of this report, there are no subjects whose Company share capital ownership exceeds 3%,<sup>1</sup> except (i) Massimo Moratti S.a.p.a. of Massimo Moratti, which owns 25.011% of the company's share capital (ii) Gian Marco Moratti S.a.p.a. of Gian Marco Moratti, which owns 25.011% of the company's share capital and (iii) Norges Bank which owns 3.008% of the company.

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

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

Details of the above are provided below:

<b>SHAREHOLDERS</b>	<b>NUMBER OF SHARES ORDINARY</b>	<b>% OF SHARE CAPITAL</b>
<b>GIAN MARCO MORATTI S.A.P.A. OF GIAN MARCO MORATTI</b>	237,854,559	25.011
<b>MASSIMO MORATTI S.A.P.A. OF MASSIMO MORATTI</b>	237,854,558	25.011
<b>NORGES BANK</b>	28,604,934	3.008

The company owns 14,989,854.000 treasury shares, equal to 1.576 % of the share capital.

Furthermore, the following is specified:

- 1) there are no share transfer restrictions;
- 2) no shares or securities have been issued granting special control rights.
- 3) there is no specific mechanism for exercising voting rights in the case of employee share ownership;
- 4) there are no voting right restrictions;
- 5) there is a shareholders' agreement pursuant to art. 122, paragraph 5(a) and (b) of the TUF filed with the Company Register of Cagliari on 2 October 2013, communicated to CONSOB and available as an extract on the website [www.saras.it](http://www.saras.it) ;
- 6) in relation to significant agreements Saras or its subsidiaries are party to and that could become effective, be amended or cancelled following a change of control of the company, the following is indicated:
  - the financing agreement signed with a pool of banks on 6 March 2015 and amended on 26 October 2016 amounting to EUR 150 million,
  - the financing agreement signed on 10 July 2015, amended on 20 September 2016, amounting to EUR 50 million,
  - the financing agreement signed with a pool of banks on 10 December 2015 amounting to EUR 265 million, as amended and transformed with the agreement of 28 October 2016 into a revolving credit line amounting to EUR 255 million,

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

(i) Messrs Gian Marco Moratti, Massimo Moratti, Angelo Moratti, Angelomario Moratti, Gabriele Moratti, Giovanni Emanuele Moratti and their spouses, children and descendants individually or collectively, directly or indirectly (even through Gianmarco Moratti S.a.p.A. of Gian Marco Moratti and Massimo Moratti S.a.p.A. of Massimo Moratti) (the "Shareholders"), cease to hold more than 30% of the shares with voting rights in Saras.

(ii) any person (other than a Shareholder) or group of people acting together (other than any group in which one or more Shareholders (a) represent the majority of the shares with voting rights or other interests in this group and (b) such Shareholders are owners or directly or indirectly hold more than 30% of the Beneficiary's shares with voting rights) obtains the right (both directly and indirectly) to:

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

The bond loan issued in 2014 for a nominal value of EUR 175 million, over 5 years and whose expiry was originally planned for 17 July 2019 has been paid off early ("Terms and Conditions of the Notes").

On 30 June 2016, the funding of approximately EUR 19.6 million granted by a pool of banks (see notes to the consolidated financial statements) to the company Sardeolica S.r.l., indirectly 100% controlled (via Parchi Eolici Ulassai S.r.l.) by Saras was paid off early.

- 7) there are no agreements between the Company and the directors providing for compensation in the event of resignation or dismissal without just cause or termination of the relationship as a result of a public offer to purchase;
- 8) the appointment and replacement of directors are governed by art. 18 of the Articles of Association, published on the Company website ([www.saras.it](http://www.saras.it)). Please refer to the corresponding paragraphs (section II, paragraph 1.2) of this Report;
- 9) the Articles of Association may be amended by a resolution of the extraordinary shareholders' meeting. For the valid constitution of the shareholders' meeting, legal provisions apply and decisions relating to the amendment of the Articles of Association are taken by the extraordinary shareholders' meeting with majorities required by the law;

- 10) mandates to decide on capital increases pursuant to art. 2443 of the Civil Code have not been awarded to the Board;
- 11) the Ordinary Shareholders' Meeting on 22 April 2016 authorised, pursuant to articles 2357 of the Civil Code and 132 of the TUF, purchase of own share acts up to the maximum legal limit, equal to 20% of the share capital subscribed and paid up, regarding shares already owned by the company to be carried out, also by division, within 12 (twelve) months from the authorisation decision date of the afore-mentioned Shareholders' Meeting, with the simultaneous replacement (and revocation of the part not performed) of the previous authorisation to purchase own shares, decided by the Shareholders' Meeting on 28 April 2015.

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

Finally, it is pointed out that on 27 February 2017 the Board of Directors decided to propose to the Shareholders' Meeting, convened for 20 April 2017 - in the first convening and for 21 April 2017 in a possible second convening -, deciding on a new authorisation, valid for 12 (twelve) months from the date of the authorisation decision of the Shareholders' Meeting, with the simultaneous replacement (and revocation, of the part not performed) of the previous authorisation decided on by the Shareholders' Meeting on 22 April 2016.

## **2. Company organisation**

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

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

- a Board of Directors responsible for providing business management, within which a Remuneration and Nomination Committee and a Control and Risk Committee have been established;
- a Board of Statutory Auditors, called on, among others (i) to oversee the observance of the law and the Articles of Association, as well as respect for the principles of correct administration when performing company activities and (ii) to also check the adequacy of the organisational structure, of the internal control system and of the company's administrative and accounting system; and
- a Shareholders' Meeting which is authorised to decide, among others - in ordinary or extraordinary meetings - on (i) the appointment and removal of members of the Board of Directors and the Board of Statutory Auditors and on

related remuneration and responsibilities, (ii) the approval of the financial statements and the allocation of profit, (iii) the purchase and sale of own shares, (iv) the amendment of the Articles of Association and (v) the issuance of convertible bonds.

On 28 April 2015, the Shareholders' Meeting entrusted the task of auditing its annual and consolidated financial statements for the financial years 2015-2023, as well as the task of limited auditing of half-yearly reports within the same period, to the audit firm EY S.p.A (“EY”):

It is recognised that in line with the assessment performed by the Parent Company, the subsidiaries Sarlux S.r.l., Saras Ricerche e Tecnologie S.p.A., Parchi Eolici Ulassai S.r.l., Sardeolica S.r.l. and Deposito di Arcola S.r.l. have also assigned the task of auditing their financial statements to EY for the financial years 2015-2023.

## SECTION II

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

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

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

In accordance with the law and the Articles of Association, management of the company is the responsibility of the Board of Directors, which operates and is organised to ensure the effective and efficient performance of its duties.

The definition of the tasks that the Board is responsible for takes into account the recommendations referred to in articles 1.C.1 and 1.C.3. of the Code. In particular, the Board, in addition to the other responsibilities and legal powers:

- may delegate its powers to the Chairman and/or one of the directors and/or to an executive committee pursuant to art. 2381 of the Civil Code;
- may form one or more committees and/or commissions which delegate specific functions or part of its powers within the legal limits, also for the purpose of moulding the corporate governance system to the Code of Conduct;
- decides, having examined the proposals of the relevant committee and after consultation with the Board of Statutory Auditors, on the remuneration of managing directors and those who hold certain offices;
- examines and approves the Company's strategic, industrial and financial plans and those of the group (the "Group") it belongs to, periodically monitoring their implementation; defines the Company's corporate governance system and the Group's structure;
- defines the nature and level of risk that is compatible with the Company's strategic objectives;
- may decide on: (i) the merger in the cases provided for by Articles 2505 and 2505-bis of the Civil Code; (ii) the establishment or closure of secondary offices; (iii) the indication of which directors, besides the chairman, have the power to represent the company, (iv) the reduction of the share capital in the event of the withdrawal of a shareholder, without prejudice to the case provided for in the last paragraph of art. 2437-quater of the Italian Civil Code; (v) adjustments to the Articles of Association to comply with legislative provisions; (vi) the transfer of the registered office within the national territory; (vii) the reduction in capital due to losses referred to in art. 2446 of the Italian Civil Code;



- assesses the general performance of operations, taking into account in particular information received from bodies with delegated powers, as well as periodically comparing the results achieved with those planned;
- examines and pre-emptively approves the most significant operations of Saras and the Group;
- assesses the adequacy of the organisational, administrative and accounting structure of the Company and the Group set up by the managing directors, with particular reference to the internal control and risk management system;
- performs, at least once a year, an assessment of the functioning of the Board and its committees as well as their size and composition also taking into account professional background, experience, also managerial, and the gender of its members, as well as their seniority in term in office;
- expresses its guidance in relation to the maximum number of directorships and auditor posts held by its members in other listed companies, namely in financial, banking, insurance companies or large enterprises;
- appoints, after consulting the Board of Statutory Auditors, a designated manager responsible for drafting company accounting documents choosing among the company's executives with proven experience in accounting and finance;
- formulates proposals to be submitted to the shareholders' meeting and reports to the shareholders' meeting.

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

#### 1.2. Members or the Board of Directors

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

The Articles of Association state that the Board is elected by the shareholders' meeting through a slate voting mechanism to enable the slate that obtained the second best result, and not in any way connected to the majority list, to choose a director. The lists of candidates will be presented by shareholders who, alone or together with other shareholders, represent at least 2.5% (two point five per cent), or a different measure established according to legislation in force at the time, of share capital consisting of shares with voting rights at the ordinary shareholders' meeting.

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

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

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

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

Should one or more vacancies occur on the Board during the financial year, article 2386 of the Italian Civil Code shall apply. Article 18, paragraph 12 of the Articles of Association regulates the possibility of replacing a departed director especially if the departed director had been taken from a list other than that which received the most votes, the replacement will be made by nominating a person taken, in progressive order, from the same list the departed director belonged to, if still eligible and prepared to accept the role. For confirmation of the co-opted director by a Board decision, by nomination of another director to replace them, in the subsequent shareholders' meeting, procedures similar to those described above are followed: If the co-opted director, or the director they replace, had, on the other hand, been taken from a minority list as in point (ii) of paragraph 9 of article 18 mentioned above, the shareholder representing the largest percentage of the share capital present in the meeting and shareholders linked to them, even if indirectly, will not be eligible to vote. After the vote, the elected candidate will be the candidate with the most votes. The term of the new director will expire at the same time as that of the directors in place at the time of the nomination, and s/he will be subject to the same laws and Articles of Association that apply to the other directors.

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

The Board in office on 31 December 2016, appointed with the slate vote from the ordinary shareholders' meeting of Saras on 28 April 2015, comprised a total of 12 directors, of which 4 were executive and 8 were non-executive directors (see table sub-1), of which four were independent non-executive directors: Gilberto Callera, Adriana Cerretelli, Laura Fidanza and Isabelle Harvie-Watt.

On 31 December 2016, therefore, the Board, with a mandate that expires on the date of approval of the financial statements as at 31 December 2017, comprised the 12 members indicated below:

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

It also noted that the Director Andrey Nikolayevich Shishkin, a non-executive and non-independent director, co-opted pursuant to law and the Articles of Association on 29 February 2016 following the tendering, on 24 February 2016, of the resignation of Igor Ivanovich Sechin, and whose appointment was subsequently confirmed by the shareholders' meeting on 22 April 2016, tendered his resignation from office on 17 February 2017.

Consequently, on 27 February 2017, the Board of Directors, having heard the opinion of the Remuneration and Nomination Committee, given the imminence of the Shareholders' Meeting - scheduled for 22 April 2017 - and given that, until that date, activities which would have involved the Board would not have been planned, decided not to proceed with the co-opting, pursuant to art. 2386 of the Civil Code, and to submit all decisions consequent to the resignation of a director to the convening of a shareholders' meeting, including the assessment of whether to reduce the number of directors.

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

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

### 1.3. Board meetings

The Board also meets in places other than the Company's registered office, in Italy or in European Union countries. Board meetings are validly constituted even if conducted by means of video conferencing and conference calling, provided that all the participants can be identified by the Chairman and all attendees, that they can follow the discussion and participate in the discussion of the topics discussed and decisions in real time, that they can receive, send and review documents and that all of the above is recorded in the minutes.

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

In the financial year 2016, the Board held six meetings. Three Board meetings have been held in 2017, including the meeting in which this Report was approved. The meetings have followed one another on a regular basis and were regularly attended by the various directors as well as members of the Board of Statutory Auditors, as analytically indicated in the attached summary table sub 1, to which reference should be made.

On 10 January 2017, the Company released its annual calendar of corporate events, drawn up pursuant to art. 2.6.2, paragraph 1.(b) of the Italian Stock Exchange Regulations. It forecasts at least five meetings for 2017.

### 1.4. Delegation of powers within the Board

Without prejudice to the powers of the Board summarily illustrated in para 1.1 above, the Board, at meetings held on 28 April 2015 and on 6 November 2015, proceeded to reformulate the delegation of powers for the Company's operational management.

In particular, the Board granted the Chairman of the Board of Directors, Gian Marco Moratti, and the CEO, Massimo Moratti, extensive mandates with the consequent powers of representation in respect of third parties, to be exercised separately, with a single signature and the right to sub-delegate to implement the decisions of the Board proposing strategic policies and directives for the Company and the Group companies, in addition to some operational ordinary administration powers (even if a prior consultation between the two delegates is expected, where the nature and significance of the operation or decision dictate, to ensure a consistent management direction for the Company). The Chairman and CEO, separately, maintain, among others, powers of strategic guidance, direction, to conduct and supervise the Group's

external relations and activities involving the research, exploration and assessment of any extraordinary opportunities, as well as powers relating to funding or operations involving holdings, companies, branches and immovable property of particular relevance.

It should be noted that on 28 April 2015, the Board of Directors also voted to appoint the director Dario Scaffardi Executive Vice-Chairman and to assign to him extensive powers in terms of operational management. The Executive Vice-Chairman was also assigned the task of overseeing the functionality of the internal control and risk management system.

The Board allocated the Vice-Chairman, Angelo Moratti, together with the necessary powers, a special task concerning the representation of the Company in institutional relations with the media and with operators in the banking and financial sector and the task of researching and assessing any opportunities for extraordinary operations for the Company to be submitted to the Board or the Chairman and/or the CEO as well as the power to implement Board decisions, in both cases awarding him the necessary powers.

Executive directors also perform the tasks allocated to them by the law and the Articles of Association.

The Board has finally established, in line with what is recommended by article 1.C.1(d) of the Code, that directors with the individual powers indicated above report to the Board quarterly on the activity performed in exercising the powers delegated to them. This informational activity has been regularly performed by the executive directors together with that referred to below.

#### 1.5. Information to the Board

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

With regard to the assessment by the Board of the general performance of operations, refer to the Directors' Report.

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

To date, the Board comprises four non-executive directors with the independent characteristics referred to in article 3.C.1 of the Code (as well as in articles 147-ter,

paragraph 4 and 148, paragraph 3 of the TUF), namely Gilberto Callera, Adriana Cerretelli, Laura Fidanza and Isabelle Harvie-Watt.

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

The existence of the afore-mentioned independence requirements, declared by each director when submitting the lists and when accepting the appointment, was established by the Board of Directors at the first meeting on 28 April 2015, subsequent to the appointment and was later assessed in meetings on 29 February 2016 and 27 February 2017, also based on statements and the information provided by the parties concerned.

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

Furthermore, another four directors who can be qualified as non-executive directors were part of the Board on 31 December 2016, namely Gabriele Previati, Angelomario Moratti, Gabriele Moratti and Andrey Nikolayevich Shishkin (who tendered his resignation from office on 17 February 2017).

In the light of the foregoing, the Board currently comprises a number of non-executive directors, capable, also due to their authority, of having significant influence over the taking of board decisions.

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

In line with the recommendation in article 2.C.3. of the Code, on 28 April 2015, the Board appointed the independent director Gilberto Callera as Lead Independent Director, assigning him the task of collaborating with the Chairman of the Board to ensure that the directors receive complete and timely information, with the power to convene, autonomously or on the request of other directors, special meetings of independent directors or non-executive directors to discuss issues related to the functioning of the Board of Directors or the management of the company.

With respect to the financial year 2016 and the first two months of 2017, the Lead Independent Director confirmed to the Board that the independent directors have checked the regularity of the convening of meetings of the Board and monitored the completeness of the information provided to the directors on the topics put forward in the various meetings noting the adequacy of the information provided to all directors as well as the promptness with which the supporting documentation for meetings is made available to them.

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

in addition to a non-executive director, all the independent directors are members), the independent directors have checked that the activity of these committees was performed in a timely and satisfactory manner, in line with the tasks and responsibilities assigned to them.

The flow and content of communications and disclosure to the market were considered similarly satisfactory, both as regards the Company website and in communications and meetings with operators.

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

In the meeting on 27 February 2017, the Board assessed the size, composition and functioning of the Board and its internal Committees.

At this time, the Board expressed appreciation for the contribution in terms of enrichment of the Board's dialogue by the non-executive directors, both in terms of their managerial experience and expertise, and the diverse experience gained by the directors in different industrial sectors. The Board also positively assessed the contribution of the executive directors, who have ensured direct feedback from the operational reality by providing more tools for understanding the strategic and competitive scenario that is emerging in the current difficult economic environment.

The Board, in view of the constant presence at meetings of directors who hold positions in other companies and their significant contribution to the proceedings, has not adopted general criteria about the maximum number of offices in other companies that may be considered compatible with effectively performing the role of director.

## 2. **Board Committees**

### 2.1 Remuneration and Nomination Committee

In accordance with the provisions in articles 6.P.3. and 6.C.3. of the Code, the Board has established an internal Remuneration Committee which has also been assigned, as provided for in art. 4.C.1.(c) of the Code, the duties specific to the nomination committee referred to in art. 5.C.1. of the Code. The minimum rules on composition, tasks and operation of the Committee are laid down in the relevant regulations, as amended on 9 August 2012 to take account of new indications contained in the Code of Conduct and new duties assigned to the Committee. In particular, the Remuneration and Nomination Committee has duties comprising the function of providing proposals and consulting to the Board and, with reference to directors and managers with strategic responsibilities, it is tasked with:

- formulating proposals to the Board of Directors for defining the remuneration policy;

- regularly assessing the adequacy, overall coherence and practical application of the remuneration policy by making use of, as regards executives with strategic responsibilities, the information provided by managing directors;
- performing preliminary activities and formulating proposals in relation to remuneration plans based on shares.

Furthermore, the Committee submits proposals to the Board of Directors for the remuneration of executive directors and other directors who cover specific offices as well as for the identification of performance objectives related to the variable component of that remuneration, monitoring the implementation of decisions adopted by the Board of Directors and verifying, in particular, the actual achievement of performance objectives.

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

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

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

The meetings of the Remuneration and Nomination Committee are convened by the Chairman, whenever he deems it appropriate. The Committee is validly constituted when the majority of its members are present and it acts by an absolute majority of those present. Anyone whose presence the Committee considers appropriate can attend Remuneration and Nomination Committee meetings, on the understanding that no director shall attend Committee meetings in which proposals are formulated relating to their own remuneration. The Committee meetings shall be recorded in minutes. The Committee is awarded the powers referred to in art. 6.C.5 of the Code of Conduct.

During the financial year 2016, the Remuneration and Nomination Committee held 5 meetings, while in 2017 prior to the date of publication of this report, it had held three meetings. Meetings were regularly attended by the three members, as analytically indicated in the attached summary table sub 1, to which reference should be made. The Committee has used internal and external consultants while performing its functions.



Committee meetings held in the second half of 2016 and in 2017 focused on assessing the adequacy, overall consistency and actual application of the remuneration policy adopted, on a proposal of the same Committee and pursuant to the Code of Conduct, by the company in November 2011 and they have also examined the remuneration of executives with strategic responsibilities in relation to the performance objectives whose achievement is linked to the payment of the variable short-term component.

## 2.2 Control and Risk Committee

In accordance with the provisions of article 7 of the Code of Conduct, the Board of Directors has instituted an internal Control and Risk Committee with consulting and proposing functions in respect of the Board.

In particular, the Control and Risk Committee shall:

- (a) provide advice to the Board regarding (i) defining guidelines for the internal control and risk management system so that the main risks relating to the issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, (ii) determining the degree of compatibility of these risks with the company's management in line with the strategic objectives identified, (iii) assessing, at least annually, the adequacy of the internal control and risk management system with respect to the company's characteristics and the risk profile assumed, as well as its effectiveness, (iv) approving, at least annually, the work plan prepared by the head of internal audit function, (v) describing the main features of the internal control and risk management system in the corporate governance report, and the arrangements for coordination between those involved, expressing its assessment of its adequacy, and (vi) assessing, after consulting the Board of Statutory Auditors, the results presented by the statutory auditor in any suggestions letter and in the report on the fundamental issues arising during the audit;
- (b) assess the correct use of accounting standards and the consistency of such standards for the purposes of preparing the consolidated financial statements, in conjunction with the designated manager responsible for drafting company accounting documents and in consultation with the independent auditors and the Board of Statutory Auditors;
- (c) express opinions concerning specific aspects of identifying the main company risks;
- (d) review periodic reports regarding the assessment of the internal control and risk management system and reports of particular importance drafted by the internal audit function;
- (e) monitor the autonomy, adequacy, efficacy and efficiency of the internal audit function;

- (f) ask, if deemed appropriate, the internal audit function to carry out checks on specific operational areas, simultaneously notifying the Chairman of the Board of Statutory Auditors
- (g) report to the Board of directors, at least half-yearly, when approving the annual and half-yearly financial reports, on the activities performed by and the adequacy of the internal control and risk management system.

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

In 2016, the Control and Risk Committee was comprised as follows:

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

Control and Risk Committee meetings are convened by the Chairman at least once every six months, whenever he deems it appropriate. The Committee is validly constituted when the majority of its members are present and it acts by an absolute majority of those present. The Board of Statutory Auditors and the Internal Audit function manager are invited to attend Committee meetings. Meetings can also be attended by the Chairman of the Board of Directors and the CEO, the Executive Vice-Chairman and the General Manager, the Chief Financial Officer, the executive in charge of drafting corporate accounting documents, representatives of the audit firm and any other person whose presence the Committee considers to be appropriate in relation to the matters to be treated. The Committee meetings shall be recorded in minutes.

In the 2016 financial year, the Control and Risk Committee met four times. The meetings were regularly attended by its members, as analytically indicated in the attached summary table sub 1, to which reference is made, as well as members of the Board of Statutory Auditors and the Internal Audit function manager. In the first quarter of 2017, the Committee met twice.

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

In 2016, the Committee:

- examined and gave a favourable opinion on the "Programme of Internal Audit activities 2016 " and the "Audit plan 2016" developed by the Internal Audit Function for Saras and its subsidiaries;
- based on the information received from the Designated manager responsible for drafting company accounting documents and from the audit firm Ernst & Young, assessed, together with the Designated manager and having heard the representatives of the audit firm and the Board of Statutory Auditors, the correct application of the accounting standards and their standardisation for the purposes of drafting the consolidated financial statements and the half-yearly report for Saras and the Group;
- received periodic reporting from the Internal Audit function manager on the results of checks carried out and the implementation status of the improvement actions defined as a result of audits, at Saras and Group companies;
- received information on activities carried out by Supervisory Bodies of Saras and subsidiaries and in reference to the implementation and adaptation of the respective "Organisation, Management and Control Models" (see below);
- examined the half-yearly reports prepared by the Internal Audit Manager pertaining to activities carried out by the Internal Audit and the assessment of the internal control and risk management system;
- received information from the Executive Vice-Chairman and General Manager, the Chief Financial Officer and the Risk Officer in regard to the risk management system;
- prepared and adopted the "Report on the Internal Control and Risk Management System" for the Board of Directors every six months.

In February 2017, the Committee drew up the "Report on the Internal Control and Risk Management System", for the Board of Directors, pertaining to the activity carried out by the Committee in 2016 as well as the assessment of the adequacy of the internal control and risk management system. The report was prepared based on information received from management and from the half-yearly report prepared by the Internal Audit function manager on its activities and on the internal control and risk management system.

Said report was presented to the Board at its meeting on 27 February 2017.

### **3. Remuneration of directors and key management personnel**

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

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

For information on the remuneration of executive directors, other directors entrusted with special duties and executives with strategic responsibilities, refer to the remuneration report published pursuant to art. 123-ter of the TUF.

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

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

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

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

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

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

- (a) the director responsible for the Internal Control and Risk Management System;<sup>2</sup>;
- (b) The Control and Risk Committee, having the characteristics indicated in art. 7.P.4, with the aim of supporting, with appropriate preliminary activities, assessments and decisions of the Board of Directors concerning the Internal Control and Risk Management System.

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<sup>2</sup> The Board has chosen the Executive Vice-Chairman as the director responsible for the Internal Control and Risk Management System, assigning him the tasks and functions provided by the Code of Conduct in relation to this office.

The Internal Audit Function reports directly to the Board of Directors and reports on its activities to the Control and Risk Committee, the Board of Statutory Auditors and the Supervisory Body established pursuant to Legislative Decree No. 231/01. It has the primary task of verifying the operability and suitability of the Internal Control and Risk Management System through an independent and objective activity and by contributing to assessing and improving the effectiveness of the processes of governance, risk management and control of the Company and companies of the Saras Group. The Company's Internal Audit function manager is Ferruccio Bellelli.

In 2016, the Internal Audit manager prepared (i) periodic reports on the results of the checks carried out and (ii) half-yearly reports relating to information on its activities, on how risk management is performed and on compliance with the plans defined for their containment and an assessment regarding the suitability of the Internal Control and Risk Management System.

These reports, also discussed in the Control and Risk Committee, were sent to the chairmen of the Committee, of the Board of Statutory Auditors and of the Board of Directors, the director responsible for the Internal Control and Risk Management System and, in relation to the results of the checks relating to the organisation, management and control model, to the Supervisory Bodies of each company.

The Internal Audit Department, together with the functions concerned, followed the implementation/state of progression status of the improvement actions agreed with them during the audits, arranging to send each manager a follow-up report on the actions within their remit on a monthly basis. The implementation status of the improvement actions has been the subject of periodic reporting to the Committee and, for that which falls within their scope, to the Supervisory Bodies of each company.

The Board, since 2006, has approved, on a proposal from the Internal Control Committee (now the Control and Risk Committee), a document containing guidelines for the internal control system. This document is intended to establish guidelines for the development and improvement of the Company's internal control system, with specific reference to profiles relating to control, risk assessment, monitoring and control activities. The guidelines were reviewed in 2008 by the Internal Control Committee which confirmed the validity and alignment with the provisions of the Code of Conduct and industry best practice.

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

Risk management is based on the principle by which the risk is managed by the person responsible for the related process, based on the indications of senior

management, while the control function measures and controls the level of exposure to risk and the results of actions to reduce such risk.

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

In 2016, the Risk Officer performed the task of gathering information from the risk owners to prepare the half-yearly report and the annual report monitoring the main risks the Group is exposed to; this activity has proven that, following the establishment of the company Saras Trading SA under Swiss law, a wholly-owned subsidiary of Saras, with the twofold aim of continuing to guarantee the Sarlux refinery the replenishment of crude and the sale of oil products and being present on the international oil trading market by performing "owner" trading activities, the framework of associated risks has been updated, in line with the level of risk compatible with the Company's strategic objectives.

Risks relating to IT attacks were also included in the "Corporate Risk Profile" and projects are underway to develop the area of cyber security.

Overall, a positive picture emerged of the suitability of the risk control and management activities adopted by the Company and, where available, the risk and control indicators used.

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

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

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

The results of the half-yearly monitoring of the main risks were also used by the Internal Audit Manager to define the checks provided for in the 2017 Audit Plan subjected, after obtaining the opinion of the Control and Risk Committee, to the approval of the Board of Directors of Saras and, for the relevant audits, to the Boards of Directors of subsidiaries.

CODE OF ETHICS<sup>3</sup> the Code of Ethics is an essential part of the internal control system and is present in Saras and its subsidiaries (Sarlux, Sartec, Arcola Depot, Sardeolica and Saras Energia).

The Group's Code of Ethics (approved by the Board of Directors of Saras S.p.A. at its meeting on 1 August 2016 and subsequently implemented by the Boards of Directors of other companies in the Group) was introduced in 2016. It replaces the Codes of Ethics of the individual companies first in force and expresses, in a single document, the common values and principles which underpin the actions of the Saras Group and that must be observed by all employees, collaborators and all those who establish relations or relationships with the Group.

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

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

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

- offences against public authorities;
- corporate and corruption offences between private individuals;
- offences with the purpose of terrorism or to subvert the democratic order and offences against public trust;
- manslaughter and serious or actual bodily harm offences committed in breach of health and safety at work regulations;
- market abuse offences (abuse of insider information and market manipulation);
- cyber crime and illegal data processing;
- environmental crime;
- offences involving receiving stolen goods, money laundering and self-laundering.

In 2016, the Saras Model was updated relating to the following offences:

- **Insertion of the new types of "self-laundering" offence:** Law No. 186 of 15 December 2014 laying down the "Provisions concerning the emergence and re-entry of capital held abroad as well as for stepping up the fight against tax evasion. Provisions concerning self-laundering" amended article 25-octies of Legislative Decree No. 231/2001, by adding, to cases already provided for, the new case of "self-laundering".

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<sup>3</sup> Available at the link: [http://www.saras.it/saras/\\_uploads/documents/codice\\_etico.pdf](http://www.saras.it/saras/_uploads/documents/codice_etico.pdf)

- **Environmental crime:** Law No. 68 of 22 May 2015 on "Provisions relating to crimes against the environment", amended article 25-undecies of Legislative Decree No. 231/01, by introducing the new case of environmental crimes as a precondition for the company's administrative responsibility.
- **Corporate offences:** Law No. 69 of 27 May 2015 on "Provisions relating to offences against Public Authorities, Mafia type association and false accounting" ("Anti-Bribery Law"), introduced some amendments to the provisions on the administrative liability of companies in the field of corporate offences (art. 25-ter of Legislative Decree No. 231/01).

These updates were approved at the Board of Directors meeting on 13 May 2016.

In the implementation of the Model, guidelines and procedures have been updated and issued over time, including:

- Internal rules on insider information and the establishment of a register of persons with such access
- Code of Conduct for Internal Dealing
- Procedures for transactions with related parties
- Guidelines on relations with Public Authorities
- Guidelines on managing extraordinary operations
- Guidelines on operations with derivatives
- Guidelines on relations with public supervision authorities and management companies of regulated markets for financial instruments
- Guidelines on external communication of corporate information and documents
- Guidelines on ICT (Information and Communication Technology)
- Guidelines on combating bribery
- Guidelines on fraud prevention
- Procedure for the management of public communications (so-called price sensitive)
- Guidelines on procurement (which also governs the management of consultancy contracts)
- Procedure "Preparing the Separate Financial Statements of Saras and Consolidated Group Financial Statements".

The Supervisory Body was formed to perform the task of promoting the effective and correct implementation of the Saras Model.

Saras' Supervisory Body comprises Gabriele Previati, member of the Board of Directors, non-executive (with Chairman duties), Giovanni Camera (external member and member of the Board of Statutory Auditors), Simona Berri (Legal and Corporate Affairs Manager) and Ferruccio Bellelli (Internal Audit Manager).

The companies in the Group (Sarlux, Sartec, Arcola Depot and Sardeolica) have adopted and updated their organisation, management and control models; the companies have also established their respective Supervisory Bodies. The Spanish subsidiary Saras Energia, in reference to the Código Penal, has also adopted and



updated the "Manual de Prevención de Riesgos Penales" and appointed an Ethics Committee.

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

With reference to the obligation laid down in Article 115-bis of the TUF to establish a register of persons who have access to insider information as well as the recommendations referred to in article 4 of the Code (which find justification in article 114 of the TUF and in the implementing regulation), the Board has adopted, since May 2006, "Internal rules for insider information and the establishment of a register of persons who have access to it" ("Regulation"). This Regulation (now "Internal rules for managing insider information and the establishment of the list of people who have access to it") was supplemented and amended on 10 January 2017 by the Board of Directors of the Company in the implementation of the rules contained in art. 17, of European Regulation No. 596 of 16/4/2014 on market abuse (so-called "MAR"), as well as Implementing Regulation (EU) 2016/1055 of the European Commission of 29 June 2016.

The Regulation contains procedures for the identification, internal management, access by external subjects and, depending on the case, external communication of insider or relevant information concerning the Company and its subsidiaries, with particular reference to "price sensitive" information, in order to, among other things, prevent its communication from occurring selectively, in an untimely manner, or in an incomplete or inadequate manner.

## **6. Internal dealing procedure**

Still with the aim of adapting Saras' corporate governance to the rules applicable to listed companies, the Board has also adopted, since May 2006, its "Internal dealing procedure"<sup>4</sup> as updated on 1 August 2016 to the latest regulations adopted by EU Regulation 596/2014 of 16 April 2014 on Market Abuse (so-called "MAR"), directly applicable in Italy, which also transposes and gives application (where not conflicting with the afore-mentioned MAR) as provided by art. 114, paragraph 7 of the TUF and articles 152-sexies and following of the Issuers' Regulations, to ensure correct and adequate transparency of information in respect of the market in relation to transactions carried out by persons internal to the Company on its securities. Said procedure lays down precise rules of conduct and communication in relation to operations performed on shares or debt securities, derivatives or other financial instruments linked thereto issued by Saras and performed by relevant persons (specifically the Company's directors and auditors, any senior executive with standard access to insider information and with the power to take management decisions that could impact the market trend and future prospects of the Company and any direct or indirect shareholder who owns at least 10% of the share capital of Saras) and persons closely associated with these relevant persons. In line with best

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<sup>4</sup> Available at the following link: [http://www.saras.it/saras/uploads/documents/2InternalDealing\\_2011.pdf](http://www.saras.it/saras/uploads/documents/2InternalDealing_2011.pdf).

practice, the procedure also involves such relevant persons or persons closely associated with them, being prohibited from performing operations on the Company's securities in certain periods.

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

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

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

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

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

After having listed its shares in May 2006, the Company, after appropriate statutory modification in accordance with the provisions of art. 154-bis of the TUF, appointed a designated manager responsible for drafting company accounting documents. The current manager responsible is the Company's Chief Financial Officer, Franco Balsamo, asked to fill this role by the Board of Directors at a meeting held on 6 November 2015.

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

## **9. Additional financial information pursuant to the amended art. 82-ter of the Issuers' Regulations**

The Board of Directors of the Company, in exercising the powers recognised by art.

82-ter of the Issuers' Regulations<sup>5</sup> decided to proceed with the voluntary publication, starting from 10 January 2017 and until it decides otherwise, of the information relating to business developments for the first and third quarter of each year that will be subject to the approval of Board of Directors meetings to be held within 45 days after the closure of the first and third quarter of each year.

## **10. Board of Statutory Auditors**

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

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

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

The Board of Statutory Auditors currently in office - which was appointed by slate voting at the meeting held on 28 April 2015 and will expire on the date of approval of the financial statements as at 31 December 2017, comprises the following members:

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<sup>5</sup> As a result of the transposition of the Transparency II Directive (2013/50/EU), Consob has repealed the requirement to publish the interim operating statements and has introduced the new art. 82-ter to the Issuers' Regulations concerning additional periodic financial information thereby providing that listed companies could choose, on a voluntary basis, whether to publish additional periodic financial information or not (with respect to Annual and Half-Yearly Reports).

Giancarla Branda	Chairman
Giovanni Luigi Camera	Statutory Auditor
Paola Simonelli	Statutory Auditor
Pinuccia Mazza	Alternate Auditor
Giovanni Fiori	Alternate Auditor

It is noted that in accordance with the combined provisions of art. 2401 of the Civil Code and the Articles of Association, Giancarla Branda, appointed as alternate auditor indicated by the minority slate, took over the office of Chairwoman of the Board of Statutory Auditors on 30 December 2015 following the tendering of the resignation of Andrea Vasapolli, appointed by the Shareholders Meeting of 28 April 2015. During the meeting on 22 April 2016, called to approve the financial statements for the year ended December 31, 2015 and also to incorporate the Board of Statutory Auditors in accordance with the provisions of the Articles of Association and by means of a slate voting system, the appointment of Ms Branda was confirmed and the Board of Statutory Auditors was also supplemented by the appointment of an alternate auditor in the person of Giovanni Fiori.

In the financial year 2016, the Board of Statutory Auditors held 12 meetings. In 2017, up to the date of publication of this report, the Board had met five times. The meetings were regularly attended by the statutory auditors, as analytically indicated in the attached summary table sub 2, to which reference should be made.

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

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

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

## **11. Shareholder relations**

The Company, since listing its shares on the Stock Exchange, decided in line with its own specific interest - in addition to having a duty in respect of the market - to establish a regular dialogue with shareholders in general and institutional investors; a dialogue intended in any case to also be conducted in compliance with, in addition to the existing legislation and principles contained in the "Guidelines for information to the market" published by Borsa Italiana S.p.A., the Internal rules for managing insider information.

In order to promote the dialogue mentioned, the Company, in accordance with the recommendations referred to in art. 9 of the Code, proceeded to select a person responsible for managing relations with shareholders and institutional investors. The Company decided to further facilitate the dialogue with investors through an adequate preparation of the contents of its website (www.Saras.it, section "investor relations"), within which information can be found in Italian and English of an economic and financial nature (financial statements, half-yearly and quarterly reports, presentations to the financial community, analyst estimates and trends in the Company's share prices), and updated data and documents of interest to shareholders in general (press releases, composition of the Board and management of the Company, Articles of Association, the Group's Code of Ethics, shareholders' meeting rules and the Internal Dealing procedure). The website also includes a section called "Shareholders' Meetings"<sup>6</sup> in which information about the procedures for participating and exercising the right to vote in meetings is made available in accordance with the applicable legislation, as well as documentation relating to items on the agenda, including lists of candidates for the posts of director and auditor with their personal and professional details.

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

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

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

## **12. Shareholders' Meeting**

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

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

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

Any documents relating to items on the agenda of the shareholders' meeting are made publicly available, as legally required, by filing at the registered office and the

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<sup>6</sup> Available at the following link: <http://www.saras.it/saras/pages/aboutus/governance/sharemeetings2?body=80>.

administrative offices, and also at the authorised storage mechanism "linfo" (www.linfo.it). The Documentation as provided for by art. 125-quater of TUF is made available on the Company website. Pursuant to art. 14 of the Articles of Association persons with voting rights are entitled to attend a shareholders' meeting provided that their legitimacy is certified according to the methods and by the deadlines provided for by law and by the regulations.

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

The Articles of Association also state that each person who is entitled to attend the Shareholders' Meeting may be represented by a written proxy by another person pursuant to law.

The proxy may be conferred electronically in line with the applicable regulations and notified electronically according to the procedures indicated for each Shareholders' Meeting convening notice.

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

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

In accordance with the recommendations referred to in art. 9 of the Code, the Company has adopted suitable shareholders' meeting regulations,<sup>7</sup> also drawn up according to the system developed up by ABI and Assonime, designed to ensure the orderly and effective conducting of meetings through detailed rules for the various stages, in respect for the fundamental right of each shareholder to request clarification on different topics under discussion, to express their opinion and formulate proposals.

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

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<sup>7</sup> See link shown in note 6 above.

**TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES AS AT 31/12/2016**

The Board of Directors												Control and Risk Committee			Remuneration and Nomination Committee		Any Executive Committee	
Office	Members	Year of birth	Date of first appointment*	In office since	In office until	List **	Exec.	Non-exec.	Indep. Code	Indep. TUF	Number of other offices ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)
Chairman	Gian Marco Moratti	1936	03/11/1962	28/04/2015	App. FS 2017	M	X					6/6						
CEO ◊	Massimo Moratti	1945	26/06/1972	28/04/2015	App. FS 2017	M	X					6/6						
Vice-Chairman	Angelo Moratti	1963	28/04/1993	28/04/2015	App. FS 2017	M	X					5/6						
Executive Vice-Chairman	Dario Scaffardi	1958	19/10/2006	28/04/2015	App. FS 2017	M	X					6/6						
Director ○	Gilberto Callera	1939	30/04/1987	28/04/2015	App. FS 2017	M		X	X	X		6/6	4/4	P	5/5	P		
Director	Adriana Cerretelli	1948	28/04/2015	28/04/2015	App. FS 2017	M		X	X	X		6/6	3/4	M				
Director	Laura Fidanza	1973	28/04/2015	28/04/2015	App. FS 2017	M		X	X	X		6/6	4/4	M	5/5	M		
Director	Isabelle Harvie-Watt	1967	28/04/2015	28/04/2015	App. FS 2017	M		X		X		5/6	4/4	M				
Director	Angelomario Moratti	1973	30/05/2005	28/04/2015	App. FS 2017	M		X				6/6						
Director	Gabriele Moratti	1978	27/04/2010	28/04/2015	App. FS 2017	M		X				3/6						
Director	Gabriele Previati	1938	27/04/2000	28/04/2015	App. FS 2017	M		X				6/6	4/4	M	5/5	M		
Director	Andrey Shishkin (***)	1959	29/02/2016	22/04/2016	App. FS 2017 (***)	-		X			13	1/4						
<b>DIRECTORS WHO LEFT OFFICE DURING THE REFERENCE FINANCIAL YEAR</b>																		
Director	Igor Ivanovich Sechin	1960	14/05/2013	28/04/2015	App. FS 2017 Resigned on 24/02/2016	-						0/1						
<b>Number of meetings held during the financial year:</b>						Control and Risk Committee: 4				Remuneration and Nomination Committee: 5				Executive Committee: 0				
<b>Indicate the required quorum for minority shareholders to present a list for the election of one or more members (pursuant to art. 147-ter TUF): 1.0%</b>																		

**NOTES**

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

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

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

○ This symbol indicates the Lead Independent Director (LID).

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

\*\* This column shows the list from which each director was drawn ("M": majority list; "m": minority list; "BoD": the list submitted by the Board of Directors).

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

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

(\*\*) This column indicates the position of each Director within the Committee:

(\*\*\*) It is noted that the director Andrey Shishkin resigned from his office on 17.02.2017.

**TABLE 2: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AS AT 31/12/2016**

<b>BOARD OF STATUTORY AUDITORS</b>									
<i>Office</i>	<b>Members</b>	<b>Year of birth</b>	<b>Date of first appointment*</b>	<b>In office since</b>	<b>In office until</b>	<b>List **</b>	<b>Indep. Code</b>	<b>Board meetings attendance ***</b>	<b>Number of other offices ****</b>
<b>Chairman</b>	Giancarla Branda	1961	28/04/2015	22/04/2016	Approval of the 2017 financial statements	m	X	12/12	6
<b>Statutory Auditor</b>	Giovanni Luigi Camera	1936	28/03/1985	28/04/2015	Approval of the 2017 financial statements	M	X	12/12	11
<b>Statutory Auditor</b>	Paola Simonelli	1964	28/04/2015	28/04/2015	Approval of the 2017 financial statements	M	X	11/12	22
<b>Alternate Auditor</b>	Pinuccia Mazza	1957	28/04/2015	28/04/2015	Approval of the 2017 financial statements	M	X		
<b>Alternate Auditor</b>	Giovanni Fiori	1961	22/04/2016	22/04/2016	Approval of the 2017 financial statements	m	X		
<b>AUDITORS WHO LEFT OFFICE DURING THE REFERENCE FINANCIAL YEAR</b>									
-	-	-	-	-	-	-	-	-	-
<b>Number of meetings held during the financial year: 12</b>									
<b>Indicate the required quorum for minority shareholders to present a list for the election of one or more members (pursuant to art. 148 TUF): 1.0%<sup>1</sup></b>									

**NOTES**

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

\*\* This column shows the list from which each auditor was drawn ("M": majority list; "m": minority list).

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

\*\*\*\* This column indicates the number of director or statutory auditor offices held by the person concerned pursuant to art. 148-bis of the Consolidated Law on Finance and its implementing provisions contained in the Consob Issuers' Regulations.

<sup>1</sup> Percentage determined from the combined provisions of article 18 of the Articles of Association and CONSOB Resolution No. 19856 of 25 January 2017, not applicable in the case of filling vacancies on the Board of Statutory Auditors without using the slate voting system.