



**ANNUAL CORPORATE GOVERNANCE REPORT AND
INFORMATION ON THE OWNERSHIP STRUCTURE – 2019**
Financial year

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

March 2020

www.saras.it

Foreword

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

The sections below describe - according to the “comply or explain” principle, which is the foundation of the Corporate Governance Code - the main features of Saras’ corporate governance system and the operation of its various components, especially as regards compliance with the recommendations contained in the Corporate Governance Code.

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

This report was approved by the Board of Directors of Saras (“Board”) at the meeting on 2 March 2020, to be made available to shareholders, also by means of publication on the Company website (www.saras.it), in view of the meeting called to approve the financial statements for the financial year ended on 31 December 2019. The report refers to the 2019 financial year and, where relevant, also to corporate events occurring in 2020 until its approval date.

Saras does not fall under the definition of SME pursuant to Article 1, paragraph 1, letter w-quater.1), of the TUF and Article 2-ter of the Consob Issuers' Regulation.

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SECTION I

1. Ownership Structure

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

Based on the findings in the shareholders' register and public information or information available to the Company on the publication date of this report, there are no parties whose Company share capital ownership exceeds 1%¹, except (i) Massimo Moratti S.a.p.a. di Massimo Moratti, which owns a 20.011% stake in the Company's share capital (ii) STELLA HOLDING S.p.A.², which owns a 10.005% stake in the Company's share capital, (iii) ANGEL CAPITAL MANAGEMENT S.p.A., which owns a 10.005% stake in the Company's share capital, (iv) PLATINUM INVESTMENT MANAGEMENT LTD, which holds a 3.055% stake in the Company's share capital, and (v) NORGES BANK, which owns a 1.590% stake in the Company's share capital.

By virtue of the shareholders' agreement³ in force between STELLA HOLDING S.p.A., ANGEL CAPITAL MANAGEMENT S.p.A. and Massimo Moratti S.a.p.a. di Massimo Moratti, signed on 1 October 2013 (and, subsequently amended and supplemented) with regard to the shares they each own in Saras S.p.A., it is noted that the three companies exercise joint control over the issuer (also available on the website, www.saras.it).

The following table provides details of the above:

¹ As per Consob resolution no. 21304 of 17 March 2020, which entered into force on 18 March 2020, containing "Reduction of the initial percentage threshold of communication pursuant to Article 120, paragraph 2-bis, of Legislative Decree no. 58 of 1998 for shareholdings in the share capital of listed companies - having Italy as the member State of origin - with a high current market value and widely distributed shareholding structure".

² It should be noted that, as per the press release of 1 July 2019 published on the site www.saras.it, on 24 June 2019, a deed was stipulated for the full non-proportional spin-off of the company Mobro S.p.A. ("Mobro") in favour of the companies Angel Capital Management S.p.A. ("ACM") and Stella Holding S.p.A. ("Stella"). The aforementioned spin-off determined the winding-up of Mobro and the allocation of Saras shares already held by Mobro to ACM and Stella, which became holders of 95,152,280 and 95,152,279 Saras S.p.A. shares respectively. From 3 July 2019, the effective date of the spin-off, Stella and ACM took over Mobro's position as the sole party of the shareholders' agreement signed with Saras uninterruptedly.

³ It is noted that the key information concerning the Shareholders' Agreement was updated on 6 July 2019, more specifically the preambles and certain paragraphs, to take into account, in particular, the completion, on 3 July 2019, of the full non-proportional spin-off of the company Mobro in favour of the companies ACM and Stella.

SHAREHOLDERS	No. ORDINARY SHARES	% OF SHARE CAPITAL
STELLA HOLDING S.P.A.	95,152,279	10.005
ANGEL CAPITAL MANAGEMENT S.p.A.	95,152,280	10.005
MASSIMO MORATTI S.A.P.A. DI MASSIMO MORATTI	190,304,558	20.011
PLATINUM INVESTMENT MANAGEMENT LTD	29,049,570	3.055
NORGES BANK	15,118,133	1.590

The company owns 9,220,216 own shares, equal to 0.97 % of the share capital.

Furthermore, the following is noted:

- 1) there are no share transfer restrictions;
- 2) no shares or securities have been issued granting special control rights;
- 3) there is no specific mechanism for exercising voting rights in the case of employee share ownership;
- 4) there are no voting right restrictions;
- 5) there is a shareholders' agreement⁴ pursuant to Art. 122, paragraph 5, letters (a) and (b) of the TUF filed with the Companies' Register of Cagliari on 2 October 2013, communicated to Consob and available as an extract on the website, www.saras.it;
- 6) based on the communications received from the Company pursuant to Art. 120 of the TUF, the subjects that are, either directly or indirectly, holders of relevant shareholdings (pursuant to Art. 123-bis, paragraph 1, letter c), TUF) that exceed 1% of the share capital subscribed and paid up, are those indicated in the table attached to this Report (page 5).
- 7) the following is worth noting with regard to significant agreements entered into by Saras or its subsidiaries that could become effective, be amended or terminated in the event of a change in the Company's control:
 - the financing agreement signed on 12 February 2020, amounting to € 50 million;

⁴See note 3.

- the revolving credit line signed with a pool of banks on 5 February 2020 for an amount of € 305 million;
- the private debenture loan of € 200 million signed on 28 December 2017 for a term of 5 years;

they provide for the right of withdrawal in favour of lending banks and the right for debenture holders to ask for the early repayment of the debentures held if:

(i) Messrs Massimo Moratti, Angelo Moratti, Angelomario Moratti, Gabriele Moratti, Giovanni Emanuele Moratti and their spouses, children and descendants individually or collectively, directly or indirectly (also through ANGEL CAPITAL MANAGEMENT S.p.A., STELLA HOLDING S.p.A.⁵ and Massimo Moratti S.a.p.A. di Massimo Moratti) (the “Shareholders”), cease to hold more than 30% of Saras’ shares with voting rights;

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

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

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

⁵ See note 2.

- 11) mandates to decide on share capital increases pursuant to Art. 2443 of the Italian Civil Code have not been awarded to the Board;
- 12) the Ordinary Shareholders' Meeting of 16 April 2019 authorised, pursuant to Articles 2357 of the Italian Civil Code and 132 of the TUF, purchase of own shares up to the maximum legal limit, equal to 20% of the share capital subscribed and paid up, regarding own shares already owned by the Company to be carried out, also by tranches, within 12 (twelve) months of the date of the authorisation resolution passed by the aforementioned Shareholders' Meeting, with the simultaneous replacement of the previous authorisation to purchase own shares, resolved by the Shareholders' Meeting on 27 April 2018.

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

Finally, it is pointed out that on 2 March 2020 the Board of Directors resolved to propose to the Shareholders' Meeting, convened for 21 April 2020 – on first call and, possibly, for 22 April 2020 on second call – to approve a new authorisation, lasting 12 (twelve) months from the authorisation resolution of the Shareholders' Meeting.

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 Corporate Governance Code.

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

- a Board of Directors responsible for the business management, within which a Remuneration and Nomination Committee, Control and Risk Committee and Steering and Strategies Committee⁶ have been established;
- the main functions of the Related Parties Committee were also conferred to the Control and Risk Committee, to be carried out whenever necessary in compliance with the provisions of the relevant Procedure adopted by the Company in accordance with Article 2391-bis of the Italian Civil Code, as implemented by the Consob Regulation adopted under resolution no. 17221 of 12 March 2010; in addition, at the Board meeting on 6 February 2020, the functions of said Committee were supplemented with the functions of supervision, evaluation and monitoring regarding the sustainability profiles connected with business activities, with the result that the aforementioned Committee took the new name “Control, Risk and Sustainability Committee”.
- a Board of Statutory Auditors, called, inter alia, (i) to oversee compliance with the law and the Articles of Association, as well as with management best practices when performing company activities and (ii) to also check the adequacy of the organisational

⁶ From 6 February 2020 “Control, Risk and Sustainability Committee” as a result of the attribution and supplementing of the same with the functions of supervision, evaluation and monitoring regarding the sustainability profiles connected with business activities.

structure, the internal control system and the Company's administration and accounting system; and

- a Shareholders' Meeting - whether Ordinary or Extraordinary - which is authorised to resolve, inter alia, on (i) the appointment and removal of members of the Board of Directors and the Board of Statutory Auditors and related remuneration and responsibilities, (ii) the approval of the financial statements and the allocation of profit, (iii) the purchase and sale of own shares, (iv) the amendments of the Articles of Association and (v) the issue of convertible debentures.

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

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

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

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

Also within the Board, the above values are viewed as a factor of success and a key element in reaching the Company's strategic objectives.

For more details, please refer to the "Sustainability Report" available on the website, www.saras.it.

3. Compliance with the Corporate Governance Code 2018 (pursuant to Art. 123-bis, paragraph 2, letter a) of the TUF)

Saras adheres to and complies with the recommendations of the Corporate Governance Code of Borsa Italiana S.p.A. of listed companies currently in force and accessible to the public on the website of the Corporate Governance Committee at <http://www.borsaitaliana.it/comitato-corporate-governance/codice/codiceeng2018.en.pdf>.

Saras is subject to the application, as a listed company, of the recommendations of the Corporate Governance Code specifically provided for said companies. For more details please refer to paragraph 13 of the Report.

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

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

SECTION II

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

1. The Board of Directors

1.1. Role and duties of the Board of Directors

Pursuant to the law and the Articles of Association, the Company's management rests with the Board of Directors that operates and is organised in such a way as to guarantee the effective and efficient performance of its functions.

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

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

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

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

At the meeting on 2 March 2020, the Board evaluated the general operating performance and the adequacy of the organisational, administrative and accounting structure of the Company and of the subsidiaries of strategic relevance, with particular reference to the internal control and risk management system.

1.2. Members or the Board of Directors

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

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

legislation in force at the time, of share capital consisting of shares with voting rights at the ordinary shareholders' meeting.

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

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

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

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

In determining the composition of the Board of Directors, the Company applies the criteria of diversity, including gender, in respect of the priority objective of adequate expertise and professionalism of its members. In particular, the lists for election that present a number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that a quota of candidates (rounded up) at least equal to the number prescribed by the applicable regulations governing gender balance belongs to the less represented gender.

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

In fact, with regards to 2019, 4 of the 12 members of the Board of Directors are directors from the less represented gender.

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

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

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

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

The Board in office on 31 December 2019, appointed with the list vote by the ordinary shareholders' meeting of Saras on 27 April 2018, comprised a total of 12 directors, of which 2 were executive and 10 were non-executive directors (see table *sub I*), of which six were independent non-executive directors: Gilberto Callera, Adriana Cerretelli, Laura Fianza, Francesca Luchi, Leonardo Senni and Isabelle Harvie-Watt.

On 31 December 2019, therefore, the Board, whose term of office expires on the date of approval of the financial statements as at 31 December 2020, was comprised of the 12 members indicated below:

Massimo Moratti	Chairman Member of the Steering and Strategies Committee
Dario Scaffardi	Chief Executive Officer General Manager Member of the Steering and Strategies Committee
Angelo Moratti	Director Chairman of the Steering and Strategies Committee
Gilberto Callera	Independent Director Chairman of the Remuneration and Nomination Committee Chairman of the Control and Risk Committee ⁷ Lead Independent Director
Adriana Cerretelli	Independent Director Member of the Control and Risk Committee ⁷
Angelomario Moratti	Director Member of the Steering and Strategies Committee
Gabriele Moratti	Director Member of the Steering and Strategies Committee
Giovanni Emanuele Moratti	Director Member of the Steering and Strategies Committee
Laura Fidanza	Independent Director Member of the Control and Risk Committee ⁷ Member of the Remuneration and Nomination Committee
Isabelle Harvie-Watt	Independent Director Member of the Control and Risk Committee ⁷
Francesca Luchi	Independent Director Member of the Remuneration Committee
Leonardo Senni	Independent Director Member of the Control and Risk Committee ⁷

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

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

⁷ See note 6.

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

As regards the powers granted to the Board for 2018-2020, also on the basis of the opinion expressed by the Remuneration and Nomination Committee and the Self-assessment carried out upon renewal of corporate offices (start of 2018), the Board deemed it was inappropriate to define a numerical criteria, a priori, for the maximal number of offices held in other companies, instead it believed it was fit to express an annual evaluation on the compatibility of the offices held in other companies by the same directors, with the possibility of effectively carrying out the duties associated with the office of director of the Company and of any member of internal Committees.

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

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

For the 2019 financial year, the Board of Directors confirmed, based on the criteria set out above, that the offices held by the Directors in other companies are compatible with the effective performance of their office.

With reference to application criterion 2.C.2 of the Code (which requires the Company to allow directors and statutory auditors, during their term of office, to take part in initiatives aimed at providing them with adequate knowledge, *inter alia*, of the reference legislative and self-regulatory framework), it should be noted that, in 2019, the Company provided not only the periodic information during the meetings on the evolution of Company business, but organised a training programme called “The World of Saras” (hereinafter also “Board Induction”) structured into six meetings in which the internal Group experts reported and discussed the main significant issues regarding the Group's activities by actually enabling

directors and statutory auditors to further deepen the knowledge of the sector in which the Group operates, also in light of the Company trends and evolution of the corporate structure.

In addition, in relation to the periodic information provided at the Board meetings, in particular, during the presentation of the periodical management reports to the Board, the Directors are trained and provided with relevant information so that they can gain adequate knowledge of the sector of activity in which Saras operates, its products, Company dynamics and their development, as well as its organisation, the risk control and management system, the reference legal framework and the main issues that may have an impact on the Group's current performance and the growth strategy in the short, medium and long term. Furthermore, the Company envisages the possibility of focusing on specific actions based on the need for an in-depth examination of issues arisen at meetings.

1.3. Board Meetings

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

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

In the 2019 financial year, the Board held 5 meetings. 2 Board meetings have been held in 2020, including the meeting that approved this Report. The meetings were held on a regular basis and regularly attended by the various directors as well as members of the Board of Statutory Auditors, as detailed in the attached summary table *sub-1*, to which reference should be made.

On 15 January 2020, the Company released its annual calendar of corporate events, drawn up pursuant to Art. 2.6.2, paragraph 1, letter (b) of the Italian Stock Exchange Regulations. It anticipates at least 5 meetings for 2020.

1.4. Delegations within the Board

Without prejudice to the powers of the Board summarily illustrated in par. 1.1 above, the Board, at meetings held on 6 November 2015 and on 3 May 2018, proceeded to reformulate the delegation of powers for the Company's operational management.

In particular, on 3 May 2018, the Board appointed Mr. Massimo Moratti as Chairman of the Board of Directors and granted him extensive authority with consequent representation powers with respect to third parties with individual signing authority and the right to sub-delegate to implement the resolutions of the Board by proposing strategic guidelines and directives for the Company and Group companies, as well as certain ordinary operating powers. The Chairman has powers of strategic guidance, direction, management and

supervision of the Group's external relations and activities involving the search, exploration and assessment of possible extraordinary opportunities, as well as powers relating to funding or transactions involving shareholdings, companies, branches and relevant property.

It is noted that, also on 3 May 2018, the Board of Directors also decided to appoint Director Dario Scaffardi as Chief Executive Officer of the Company and to assign him extensive powers in terms of operational management. The Chief Executive Officer was also assigned the task of overseeing the operation of the internal control and risk management system. It should be noted that the interlocking directorate situation set forth in application criterion 2.C.6. does not exist.

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

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

1.5. Information for the Board

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

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

1.6. Non-executive and independent directors

To date, the Board is comprised of six 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, Francesca Luchi, Leonardo Senni 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 satisfaction 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 on 3 May 2018, at the first meeting after the appointment, and was

later assessed at the meetings held on 4 March 2019 and 6 February 2020, 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.

As at 31 December 2019, the Board of Directors also comprised 4 additional directors that could be qualified as non-executive directors, namely Angelo Moratti, Angelomario Moratti, Gabriele Moratti and Giovanni Emanuele Moratti. In the light of the foregoing, the Board is currently comprised of a number of non-executive directors, capable, also due to their authority, of having significant influence over the taking of board decisions.

1.7. Lead Independent Director and meetings of independent directors

In line with the recommendation in Article 2.C.4. of the Code, on 3 May 2018, the Board appointed (thereby confirming the appointment thereof with respect to the previous term) the independent director Gilberto Callera as Lead Independent Director, assigning him the task of collaborating with the Chairman of the Board to ensure that directors receive complete and timely information, with the power to convene, autonomously or on the request of other directors, special meetings of independent directors or non-executive directors to discuss issues related to the functioning of the Board of Directors or the management of the Company.

With respect to the 2019 financial year and the first three months of 2020, the Lead Independent Director confirmed to the Board that the independent directors have verified that Board meetings were regularly convened and monitored the completeness of the information provided to the directors on the items on the agenda of the various meetings confirming that the information provided to all directors was adequate and the supporting documentation necessary for meetings was promptly made available to directors. Furthermore, with respect to the period indicated above and with reference to the Remuneration and Nomination Committee (of which three independent and non-executive directors are members) and the Control, Risk and Sustainability Committee (of which 5 of the 6 independent directors are members), the independent directors have checked that the activity of these committees was performed in a timely and satisfactory manner, in line with the tasks and responsibilities assigned to them.

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

During 2019, the independent directors met twice in the absence of the other directors, at the time of the periodic assessment of the independence requirements and in order to discuss the main changes introduced by Legislative Decree no. 49 of 10 May 2019, which implemented EU Directive 2017/828 of the European Parliament and Council, of 17 May 2017 (Shareholder Rights Directive II). Furthermore, in 2020, the independent directors have met once up until now, in the absence of the other directors, for the periodic assessment of the independence requirements.

1.8. Assessment of the composition of the Board and Committees

At the meeting held on 2 March 2020, in line with the recommendations of the Corporate Governance Code of listed companies, the Board assessed the size, composition and operation of the Board and its internal Committees. The Lead Independent Director, supported by the Legal and Corporate Affairs function, coordinated the 2019 Board Evaluation carried out by sharing with the Directors a detailed questionnaire aimed at facilitating the collection of information deemed necessary for the self-assessment of the operation of the Board and its internal Committees. The assessment took account of the size and composition of the bodies concerned, and, more specifically the professional characteristics, experience, also in the management area, gender of its members and seniority of office. By filling in such a questionnaire, each Director could express his/her own evaluation, including any comments or recommendations for improvement s/he deemed fit, as regards the composition and operation of the Board and the Committees established by it.

The analysis of the questionnaires filled in by each Director revealed that for the 2019 financial year the Administration Body operated properly and effectively, guaranteeing compliance with Corporate Governance rules and the objectives that they intend to achieve, so as to ensure they are fit also in the light of the changes due to the business development of Saras and the operating context.

In addition, in line with the guidelines formulated by the Corporate Governance⁸ Committee, at the time of the Board Evaluation, the attention focused on the promptness, adequacy (and confidentiality) of the pre-Board information during the year was confirmed, and an area of improvement was identified in terms of the possibility of bringing forward further the transmission to directors and sharing of the documentation relating to the items on the agenda.

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

The Board, in view of the constant presence at meetings of directors who hold positions in other companies and their significant contribution to the proceedings and once it has been determined that this does not negatively influence the effective performance of their roles in the Company, has not adopted general criteria about the maximum number of offices⁹ in other companies that may be considered compatible with effectively performing the role of director.

⁸ Also see in this regard chapter 13, Section II of this Report.

⁹ Also see in this regard the previous paragraph 1.2, chapter 1, Section II of this Report.

Lastly taking account the current composition of the Board, the gender diversity provided by current regulations is adequate and can be considered useful for the Company's development. The composition of the Company's Board of Directors also complies with the recommendations of Articles 2.P.4 and 2.C.3 of the Corporate Governance Code.

More specifically, considering the provisions of Art. 123-bis, paragraph 2, letter d-bis) of the TUF, the Company acknowledges that no specific Gender Policy has been adopted since, as Law no. 120 of 12 July 2011 was enforced, the consideration given to gender as well as the principle of inclusion and gender balance have always been key elements of the Group's corporate culture, regardless of the adoption of an ad hoc policy. An example of this are the Saras Articles of Association and their Art. 18, paragraph 4 establishes that "*Upon the election of members of the Board of Directors, in compliance with the current regulations concerning the balance between genders, one proceeds on the basis of lists of candidates (...)*" as well as the Code of Ethics of the Saras Group, which, in its Art. 3.5 reaffirms that the entire Group "*abides by the principle of equal opportunities, without distinction of race, gender, nationality, political opinion, sexual orientation, social status, age or religious beliefs*". These principles were considered factors that underlie the medium- to long-term business sustainability, constituting a point of reference for both the employees of the Group and the members of the Saras Administration Body.

2. Board Committees

2.1 Remuneration and Nomination Committee

In accordance with the provisions in Articles 6.P.3. and 6.C.3. of the Code, the Board has established an internal Remuneration Committee, which has also been assigned, as provided for in Art. 4.C.1. (c) of the Code, the duties specific to the nomination committee referred to in Art. 5.C.1. of the Code. The minimum rules on composition, duties and operation of the Committee are laid down in the relevant Regulations, as amended on 9 August 2012 to take account of the new indications contained in the Corporate Governance Code and new duties assigned to the Committee.

In particular, as regards remuneration, 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 managers with strategic responsibilities, the information provided by managing directors, formulating proposals on the following to the Board;
- performing preliminary activities and formulating proposals in relation to share-based payment arrangements.

Furthermore, the Committee submits proposals to the Board of Directors and expresses opinions on the remuneration of executive directors and other directors who hold particular

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

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

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

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

Currently, as a result of the appointment by the Board at the meeting on 3 May 2018, the Remuneration and Nomination Committee is comprised of the independent non-executive directors, Gilberto Callera (Chairman), Laura Fianza and Francesca Luchi.

The meetings of the Remuneration and Nomination Committee are convened by the Chairman, whenever he deems it appropriate. The Committee is validly constituted when the majority of its members are present and it acts by an absolute majority of those present. The meetings of the Remuneration and Nomination Committee can be attended by anyone that the Committee deems fit, on the understanding that no director shall attend Committee meetings dealing with proposals related to their own remuneration. Committee meetings are minuted. The Committee is awarded the powers referred to in Art. 6.C.5 of the Corporate Governance Code.

During the 2019 financial year, the Remuneration and Nomination Committee held 4 meetings, whilst 2 meetings have been held in 2020 up to the date of publication of this Report. The meetings were regularly attended by its three members, as detailed in the attached summary table *sub 1*, to which reference should be made. The Committee has used internal and external consultants while performing its functions.

Committee meetings held in the second half of 2019 and in 2020, which were also attended by the Chairman of the Board of Statutory Auditors, 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 Corporate Governance Code, by the Company in November 2011 and they have also examined the remuneration of managers with strategic responsibilities in relation to the performance objectives whose achievement is linked to the payment of the variable short-term component.

2.2 Control, Risk and Sustainability Committee

In accordance with the provisions of Art. 7 of the Corporate Governance Code, the Board of Directors has set up an internal Control and Risk Committee¹⁰ with the aim of providing advice and proposals to the Board.

At the meeting on 6 February 2020, the Board of Directors, notwithstanding the powers already conferred to the Steering and Strategies Committee for the definition of the guidelines and strategic directions of the Group regarding sustainability policies, attributed and supplemented the functions of the Control and Risk Committee with functions of supervision, evaluation and monitoring regarding the sustainability profiles connected with business activities, and the aforementioned Committee assumed the new name “Control, Risk and Sustainability Committee”. At the subsequent meeting on 2 March 2020, the Board modified and approved the Regulation of the aforementioned Committee.

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

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

¹⁰ See note 6.

- accounting documents and in consultation with the independent auditors and the Board of Statutory Auditors;
- (c) express opinions concerning specific aspects of identifying the main company risks;
 - (d) review periodic reports regarding the assessment of the internal control and risk management system and reports of particular importance drafted by the internal audit function;
 - (e) monitor the autonomy, adequacy, efficacy and efficiency of the internal audit function;
 - (f) if deemed fit, ask the internal audit function to carry out verifications on specific operating areas, simultaneously informing the Chairman of the Board of Statutory auditors;
 - (g) report to the Board of Directors, at least half-yearly, when approving the annual and half-yearly financial reports, on the activities performed and the adequacy of the internal control and risk management system;
 - (h) support, with an adequate preliminary activity, the evaluations and decisions of the Board of Directors relating to the management of risks deriving from adverse events which the Board of Directors has gained knowledge of;
 - (i) examine the implementation of the guidelines and sustainability plans and subsequent processes;
 - (j) evaluate the matters of sustainability with the interaction between company activities and stakeholders and it formulates proposals regarding environmental and social initiatives, monitoring their implementation over time;
 - (k) examine the sustainability report submitted annually to the Board of Directors, with particular reference to the general approach of the sustainability report and the structuring of the relevant contents, as well as the completeness and transparency of the information provided in said report;
 - (l) monitor the international sustainability initiatives and the Company's participation in them, aimed at improving the Company's reputation on the international front;
 - (m) express, at the request of the Board of Directors, an opinion on other sustainability matters.

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

The Control, Risk and Sustainability Committee was also conferred the duties that pertain to the Related Parties Committee to be carried out every time it should be necessary in accordance with the provisions of the related Procedure adopted by the Company pursuant to Art. 2391-bis of the Italian Civil Code as implemented by Consob Regulation adopted by resolution no. 17221 of 12 March 2010.

The Control, Risk and Sustainability Committee is comprised as follows:

Gilberto Callera independent director (Chairman), Adriana Cerretelli, Laura Fianza, Isabelle Harvie-Watt and Leonardo Senni, all independent directors.

Control, Risk and Sustainability Committee meetings are convened by the Chairman at least once every six months and, nonetheless, 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, the CEO and General Manager, the Chief Financial Officer, the Designated manager responsible for drafting company accounting documents, representatives of the audit firm and any other person whose presence the Committee considers to be appropriate in relation to the matters to be treated. Minutes are taken for the Committee meetings.

In the 2019 financial year, the Control, Risk and Sustainability Committee¹¹ met 4 times.

The meetings were regularly attended by its members, as indicated in detail in the attached summary table under 1, to which reference is made, as well as members of the Board of Statutory Auditors, the Internal Audit Function Manager and the Manager of the Internal Control, Planning and Reporting System (part of the Internal Audit Function). In the first quarter of 2020, the Committee met only once. The Chief Executive Officer and the General Manager (who also covers the post of Director in charge of the internal control and risk management system), the Chief Financial Officer (who also covers the post of Designated manager responsible for drafting company accounting documents), the manager of the Administration and Tax Department, the Risk Officer and representatives of the audit firm were also invited to attend meetings that addressed specific topics of interest.

In 2019, the Committee:

- examined and gave a favourable opinion on the “2019 Plan of Internal Audit Activities” and the “2019 Audit Plan” developed by the Internal Audit Function for Saras and its Subsidiaries, subsequently approved by the Board of Directors of each company and of the Parent Company;
- based on the information received from the Designated manager responsible for drafting company accounting documents and from the audit firm EY, assessed, together with the Designated manager and having heard the representatives of the audit firm and the Board of Statutory Auditors, the correct application of the accounting standards and their standardisation for the purposes of drafting the consolidated financial statements and the half-yearly report for Saras and the Group;
- received 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;

¹¹ See note 6.

- received information on activities carried out by Supervisory Bodies of Saras and its Subsidiaries and by reference to the implementation and adjustment of the respective “*Organisation, Management and Control Models*” (see below);
- examined the half-yearly reports prepared by the Internal Audit Manager pertaining to activities carried out by the Internal Audit and the assessment of the internal control and risk management system;
- received information regarding the risk management system from the Chief Executive Officer and the General Manager, from the Chief Financial Officer and from the Risk Officer regarding the risk management system;
- received information on the activities in progress regarding Cybersecurity;
- prepared and approved, every six months, the “*Report on the Internal Control and Risk Management System*”, for the Board of Directors, pertaining to the activity carried out by the Committee and containing the assessment of the adequacy of the internal control and risk management system.

In the month of February 2020, 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 2019 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 2 March 2020

2.3 Steering and Strategies Committee

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

In the 2019 financial year, the Steering and Strategies Committee met four times.

3. Remuneration of directors and managers with strategic responsibilities

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

The General Policy was amended on 14 March 2016 by the Board of Directors, on the proposal of the Remuneration and Nomination Committee, to provide for the possibility of requesting a refund (in full or in part), within two years of incentives paid to people who, with intent or gross negligence, were responsible for (or have concurred in) events relating

to economic/financial indicators included in the Annual Financial Report adopted as parameters for determining the afore-mentioned variable components; and on 4 March 2019, to establish that stock plans can govern the lock-up period in a manner different from that set forth in the aforementioned Remuneration Policy if this allows for the better pursuit of the aims of said plans. The last amendment to the aforementioned General Policy was resolved by the Board of Directors on 2 March 2020 in order to, inter alia, take account of the changes introduced by the new Art. 123-ter of the TUF, as amended by Legislative Decree no. 49 of 10 May 2019 in implementation of directive EU 2017/828 of the European Parliament and Council, of 17 May 2017 (Shareholder Rights Directive II) and to identify, in particular, specific sustainability objectives within the variable component of the managers.

For information on the remuneration of executive directors, other directors vested with special offices and managers with strategic responsibilities, as well as for the information required by Art. 123-bis, paragraph 1, letter i) of the TUF refer to the remuneration report published pursuant to Art. 123-ter of the TUF, as amended by Legislative Decree no. 49 of 10 May 2019 in implementation of directive EU 2017/828 of the European Parliament and Council, of 17 May 2017 (Shareholder Rights Directive II). Deviations with respect to the application criteria of Art. 6 of the Corporate Governance Code are mentioned below.

During the 2019 Financial Year, the Committee confirmed the appropriateness of the decision to pay directors vested with special offices exclusively a fixed amount of compensation and not to provide for any type of incentive, share premium or other variable compensation thereto.

On one hand, in fact, the aforesaid choice was justified by the fact that the role of executive directors is assigned and/or specific offices are granted to the director-shareholders of the companies Stella Holding S.p.A. and Angel Capital Management S.p.A. (beneficiaries of the spin-off of MOBRO S.p.A.¹²) and Massimo Moratti S.a.p.A. di Massimo Moratti, which exercise joint control over the Company, by virtue of the shareholders' agreement signed on 1 October 2013 and subsequently amended and supplemented, in effect between them relating to the shares respectively held by those companies in Saras S.p.A., and by the fact that their interest is intrinsically aligned with the pursuit of the main objective of creating value for all the shareholders. On the other hand, this decision was also confirmed with reference to Dario Scaffardi in relation to the position of Executive Deputy Chairman he held in the previous term, insomuch as attributed to a person holding the role of General Manager for whom the remuneration determined based on the criteria indicated for this role in the Remuneration Policy itself was considered adequate.

Likewise, with reference to the current Chief Executive Officer, Dario Scaffardi, it is acknowledged that no remuneration was provided for the role, as the remuneration received as General Manager was deemed adequate.

Members of the Board of Statutory Auditors are paid exclusively a fee, set from time to time by the shareholders' meeting pursuant to Art. 2402 of the Italian Civil Code, in a fixed

¹² See note 2.

amount and adequate with respect to the responsibility, professionalism and commitment required by the relevance of the role covered and the size and sector characteristics of the company and its situation.

4. The Internal Control and Risk Management System

The Board is responsible for the internal control and risk management system, it establishes the guidelines and periodically assesses their adequacy. To do this, the Board relies on the Control, Risk and Sustainability Committee (the “Committee”) and the Internal Audit Function.

In 2019, the Control and Risk Committee¹³ reported on a half-yearly basis to the Board of Directors on the activities carried out and, at the meeting on 4 March 2019, expressed a judgement on the adequacy of the internal control and risk management system with respect to the characteristics of the company and the risk profile assumed, as well as on its effectiveness, in light:

- of the updates received from the Director responsible for the Internal Control and Risk Management System, supported by the Risk Officer, on the suitability of the activities of control and mitigation of the risks adopted by the Company;
- of the information from the Internal Audit Manager, on the results of the audits conducted, the activities carried out and the evaluation of the suitability of the internal control and risk management outlined in the half-yearly report;
- of the judgment expressed by the Designated manager responsible for drafting company accounting documents, the representatives of the audit firm, which was appointed to conduct the independent audit engagement pursuant to Legislative Decree no. 39 of 27/1/2010, and by the Board of Statutory Auditors, regarding the correct use of the accounting standards and their consistency for the purposes of drafting of the consolidated financial statements;
- of the information received from the management on the activities carried out and in progress targeted at improvement in the internal control and risk management system.

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 System¹⁴;
- (b) the Control, Risk and Sustainability Committee, having the characteristics indicated in Art. 7.P.4, with the aim of supporting, with appropriate preliminary activities, assessments and decisions of the Board of Directors concerning the Internal Control and Risk Management System.

The Internal Audit Function reports directly to the Board of Directors and reports on its activity to the Control, Risk and Sustainability Committee, the Board of Statutory Auditors

¹³ See note 6.

¹⁴ At the meeting on 3 May 2018, the Board identified the Chief Executive Officer as the manager in charge of the Internal control and risk management system assigning to him the duties and functions provided in the Corporate Governance Code in relation to that office.

and the Supervisory Body established pursuant to Legislative Decree 231/01. It has the specific task of verifying the operation and adequacy of the internal control and risk management system through independent and objective activities and of assessing and improving the effectiveness of governance, risk management and control processes of the Company and the other companies of the Saras Group. The Company's Internal Audit Function Manager is Ferruccio Bellelli.

In 2019, the Internal Audit Manager prepared (i) periodic reports on the results of the verifications performed and (ii) half-yearly reports to provide information on its activities, on how risk management is performed and compliance with the plans defined for their containment and an assessment regarding the suitability of the internal control and risk management system.

These reports, also discussed in the Control and Risk Committee¹⁵, 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.

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

- the Board of Statutory Auditors and the Internal Audit Function Manager are invited to attend meetings of the Control, Risk and Sustainability Committee. The Chief Executive Officer and the General Manager (also as "Director responsible for the Internal Control and Risk Management System), the Chief Financial Officer (also as the Designated manager responsible for drafting company accounting documents), the Risk Officer and the representatives of the audit firm are also called to participate, at least on a half-yearly basis; the Control, Risk and Sustainability Committee reports to the Board of Directors on a half-yearly basis.
- the Company Supervisory Body's members include the internal audit function manager and a member of the Board of Statutory Auditors; it reports to the Board of Directors on its activities in half-yearly reports, sends to the members of the Board of Statutory Auditors the reports and documentation examined and discussed at its meetings and takes part, through its delegates, in the meetings of the Board of Statutory Auditors;
- Internal Audit Manager also holds the role of Risk Officer, which helps to further focus the internal audit activities on a risk-based approach; in addition to taking part in all the meetings of the Control, Risk and Sustainability Committee, he is invited to the meetings of the Board of Statutory Auditors; he has periodic meetings with representatives of the audit firm. Forms part of the Company's Supervisory Body and reports at the Control, Risk

¹⁵ See note 6.

and Sustainability Committee also on the updating of the Organisational, Management and Control Model and the activities aimed at verifying its implementation.

The Internal Audit function has monitored, with the functions concerned, the implementation/progress status of the improvement actions agreed with said functions during the audits, through the use of an IT platform which allows each manager (or his delegate) to access the database of actions within his competence, updating their implementation status or proposing their closure following implementation; the Internal Audit function also sends, on a monthly basis, to each Line manager a follow-up report of the actions within his competence of the reference area. The implementation status of the improvement actions has been the subject of periodic reporting to the Committee and, as far as falling within the scope of their responsibility, to the Supervisory Bodies of each company.

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

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

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

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

In addition, as set forth in regulation 262/2005 and the Regulation of the Designated manager responsible for drafting company accounting documents adopted by the Company, the “Financial Statements and Compliance” function, part of the broader administrative function of the group, gathers, every six months, the certifications of the adequacy of the process design and the correct implementation of the controls required by the company regulatory documents, by the Control owners and the Process owners of the administrative processes. On a half-yearly basis, the Designated manager responsible for drafting company accounting documents informs the Board of Directors, through an appropriate report, of the activities carried out regarding the internal control and risk management system of the financial disclosure process.

The Company has also identified a complete picture of the significant risks for the Group (Corporate Risk Profile) and identified the Risk Officer, with hierarchical reporting to the Chief Executive Officer and General Manager (who also holds the role of director in charge of the internal control and risk management system), as the person responsible for overseeing all the activities aimed at monitoring and updating the “Corporate Risk Profile” by periodically collecting information relating to risk identification, assessment and management, made available by each risk owner and by formalising the appropriate reporting at the same time.

In 2019, the Risk Officer collected all the necessary information from the risk owners to prepare the half-yearly and yearly reports on the monitoring of the main risks to which the Group is exposed.

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

The results of the annual Risk assessment monitoring were shared, for that which falls within their scope, with the senior management of each company, the manager in charge of the internal control and risk management system and were presented to the Control and Risk Committee.¹⁶

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 Committee¹⁶, the role of the Risk Officer as a collector of information relating to the main business risks does not include any operating responsibility regarding the defining of tools aimed at risk management and their implementation; this assignment therefore allows the Internal Audit Manager to focus more on Internal Audit activities with a risk-based approach, without compromising organisational independence.

The results of the half-yearly monitoring of the main risks were also used by the Internal Audit Manager to define the verification scheduled in the 2019 Audit Plan subjected, after obtaining the opinion of the Control and Risk Committee¹⁶, to the approval of the Board of Directors of Saras and, for the relevant audits, to the Boards of Directors of its subsidiaries.

¹⁶ See note 6.

The Code of Ethics¹⁷ of the Saras Group is a fundamental element of the internal control system; it contains the values, principles and behavioural rules that Saras and its subsidiaries must follow to carry out their business activities.

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

The 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 of 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.

The last update, carried out in 2018, concerned the “General Part” of the Model, following the changes made by Law no. 179/2017 to Art. 6 of Legislative Decree 231/01 on the reporting of offences or irregularities, and also involved the “Special Parts” relating to Market Abuses and Corporate Crimes in order to implement the regulatory changes that occurred. This update was approved by the Board of Directors at its meeting on 14 May 2018.

In 2019, an e-learning training activity was also carried out on the Model and on Legislative Decree 231/01, which concerned all Italian companies in the Group. This activity is incorporated in and completes the process, already initiated in previous years, of training on the Model, the Code of Ethics, conflicts of interest and fraud prevention, carried out in the classroom with the contribution of external advisors.

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

¹⁷ It can be obtained from the *link*: <http://www.saras.it/en/governance/documents-and-procedures/laws-and-company-articles>

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

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

The Saras Supervisory Body, whose composition, following the expiry of the term, was modified by resolution of the Board of Directors on 14 May 2018, is comprised of Francesco Marini (Chairman of the Board of Directors of the subsidiary Sarlux s.r.l., with the role of Chairman of the SARAS Supervisory Body), Paola Simonelli (external member and member of the Board of Statutory Auditors) Simona Berri (General Counsel and Corporate Affairs) and Ferruccio Bellelli (Internal Audit Manager).

Group companies (Sarlux s.r.l., Sartec s.r.l., Deposito di Arcola s.r.l., Sardeolica s.r.l.) have adopted and updated their Organisation, Management and Control Models; the companies have also established their respective Supervisory Bodies. Also the Spanish subsidiary Saras Energia SAU, by reference to the Código Penal, has adopted and updated its “*Manual de Prevención de Riesgos Penales*” and appointed a *Comitè Etico* and, likewise, Saras Trading S.A. (set up on 4 September 2015 in Geneva), by reference to the Swiss Criminal Code, has adopted in the month of May 2017 its own “Organisational Model” and appointed the Internal Audit Manager with “Supervisory” duties.

5. Processing of corporate information

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

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

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

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

6. Internal Dealing procedure

Also 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”¹⁸ as updated on 1 August 2016 to the latest regulatory changes made by the MAR Regulation, directly applicable in Italy, which also transposes and gives application (where not conflicting with the afore-mentioned MAR) to the provisions of Art. 114, paragraph 7 of the TUF and Articles 152-*sexies* and following of the Issuers’ Regulations, to ensure correct and adequate transparency of information in respect of the market in relation to transactions carried out by persons internal to the Company on its securities. Said Procedure lays down precise rules of conduct and communication in relation to transactions in shares or debt securities, derivatives or other financial instruments linked thereto issued by Saras and performed by relevant subjects (specifically the Company's directors and auditors, any senior executive with standard access to insider information and with the power to take management decisions that could impact the market trend and future prospects of the Company and any direct or indirect shareholder who owns at least 10% of the share capital of Saras) and people closely associated with these relevant subjects. In line with best practice, the Procedure also prohibits such relevant subjects or people closely associated with them, to perform transactions in the Company’s securities in certain periods.

¹⁸ Available from the following link: <https://www.saras.it/en/governance/internal-dealing>

7. Directors' interests and significant transactions with related parties

The Board of Directors has adopted procedures for transactions with related parties in accordance with the “Regulations regarding transactions with related parties” adopted by Consob (Resolution no. 17221 of 12 March 2010 - the “Regulations”), also in consideration of what indicated in Consob Communication no. DEM/10078683 of 24 September 2010.

The procedures are available on the Company website.

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

The Board has also approved a “*Code of Conduct for directors of the Group*”, which was also positively assessed by the Control and Risk Committee¹⁹ and the Board of Statutory Auditors, whose primary purpose is to provide the directors it is intended for with homogeneous conduct criteria to enable them to perform their office in an organic framework of reference, respecting the legislation regarding the interests of directors and the principles of corporate governance and, when possible, in line with the interest of the Saras Group.

8. Designated manager responsible for drafting company accounting documents

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

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

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

¹⁹ See note 6.

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' Regulations²⁰, decided to proceed with the voluntary publication, starting from 10 January 2017 and until it decides otherwise, of the information relating to business developments for the first and third quarter of each year that will be subject to the approval of Board of Directors meetings to be held within 45 days after the closure of the first and third quarter of each year.

10. Board of Statutory Auditors

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

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

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

²⁰As 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).

In fact, with regards to 2019, at least one third of standing and alternate members of the Board of Statutory Auditors was composed of statutory auditors from the less represented gender.

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

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

The Board of Statutory Auditors currently in office - which was appointed by list voting at the meeting held on 27 April 2018 and will expire on the date of approval of the financial statements as at 31 December 2020, comprises the following members at the date of publication of this Report:

Giancarla Branda	Chairwoman
Giovanni Luigi Camera ²¹	Statutory auditor
Paola Simonelli	Statutory auditor
Pinuccia Mazza	Alternate auditor
Andrea Perrone	Alternate auditor

In the 2019 financial year, the Board of Statutory Auditors held 14 meetings. In 2020, up to the date of publication of this Report, the Board had met 4 times. The meetings were regularly attended by the standing auditors, as analytically indicated in the attached summary table *sub* 2, to which reference should be made.

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

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

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

11. Shareholder relations

The Company, since listing its shares on the Stock Exchange, decided in line with its own specific interest - in addition to having a duty in respect of the market - to establish a regular dialogue with shareholders in general and institutional investors; a dialogue intended in any case to also be conducted in compliance with, in addition to the existing legislation and principles contained in the “Guidelines for information to the market” published by Borsa Italiana S.p.A., the Internal regulations to manage 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, “Investor Relations” section), where information can be found, in Italian and English, of an economic and financial nature (financial statements,

²¹ Mr. Giovanni Luigi resigned from office effective from the date of the Shareholders' Meeting

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"²² which provides information about the procedures for participating and exercising the right to vote in meetings in accordance with applicable legislation, as well as documentation relating to items on the agenda, including lists of candidates for the posts of director and auditor with their personal and professional details.

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

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

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

12. Shareholders' Meetings

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

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

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

All the documentation relating to items on the agenda of the shareholders' meeting is disclosed to the public, as required by the law, and therefore it is filed at the registered office and the administrative offices, and also at the authorised storage mechanism "1info" (www.1info.it). The documentation as provided for by Art. 125-*quater* of TUF is made available on the Company website. Pursuant to Art. 14 of the Articles of Association persons with voting rights are entitled to attend a shareholders' meeting provided that their legitimacy is certified according to the methods and by the deadlines provided for by law and by the regulations.

Pursuant to Art. 83-sexies of Legislative Decree no. 58/98, the eligibility to attend the Shareholders' Meeting and exercise the right to vote is certified by a communication to the

²² Accessible from the following link: <https://www.saras.it/en/shareholders-meetings?year=2020>.

Company, issued by an intermediary, in accordance with the data in its accounting records, certifying the party entitled to vote on the base of the shareholder information applicable upon conclusion of the accounting day for the seventh day of market trading before the date fixed for the first convening of the Shareholders' Meeting.

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

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

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

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

In accordance with the recommendations referred to in Art. 9 of the Code, the Company has adopted a suitable shareholders' meeting regulation²³, also drawn up according to the system developed up by ABI and Assonime, designed to ensure the orderly and effective conducting of meetings through detailed rules for the various stages, in compliance with the fundamental right of each shareholder to request clarification on different topics under discussion, to express their opinion and formulate proposals.

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

13. Considerations on the letter of 19 December 2019 of the Chairman of the Corporate Governance Committee.

The letter by the Chairman of the Corporate Governance Committee dated 19 December 2019 (the "Letter") was distributed and shared with the members of the Remuneration and Nomination Committee and those of the Board of Directors and the Board of Statutory Auditors of the Company.

²³ See: <https://www.saras.it/en/governance/shareholders-meetings>

In particular, the contents of the recommendations put forward in the Letter and in the last “*2019 Report on the application of the Code*” published together with the Letter were specifically considered, also during the Board's self-assessment and when preparing and approving this report on 2 March 2020, in order to identify, according to the principles of the Corporate Governance Code, possible developments in governance, highlighting for this purpose the main areas for improvement of compliance, or to fill any gaps in the application or explanations provided.

In particular, in relation to the first critical area identified in the Letter - concerning the management of the sustainability issues of company activities and its ability to pursue the creation of long-term value for the benefit of its shareholders - it is acknowledged that Saras, drawing inspiration from the main national and international regulations, has, over time, recognised the growing importance of the contribution of non-financial aspects in defining the Company's value and has considered the topic of sustainability as an integral and fundamental part of its business strategy, first and foremost through the publication of its own “Sustainability Report”. As specified below, Saras started a materiality analysis process aimed at identifying the areas of the greatest interest as well as those characterised by the greatest risks-opportunities for the development of the Company’s business and the creation of value with a view to long-term sustainability. In addition, at the meeting on 6 February 2020, the Company's Board of Directors, notwithstanding the powers already conferred to the Steering and Strategies Committee for the definition of the guidelines and strategic directions of the Group regarding sustainability policies, attributed and supplemented the functions of the Control and Risk Committee with functions of supervision, evaluation and monitoring regarding the sustainability profiles connected with business activities, and the aforementioned Committee assumed the new name “Control, Risk and Sustainability Committee”.

Therefore, Saras has fully complied with the recommendation of the Chairman of the Corporate Governance Committee.

With reference to the second area of improvement identified in the Letter in which the Chairman of the Corporate Governance Committee hoped for an improvement in the quality of the Board information flows, Saras points out that, at the time of the Board Evaluation performed in 2018 and 2019, the information documents provided to the directors were considered adequate, as was the quality and average time-scale of the information flows, in particular if compared with the results of the previous Board Evaluations, but, however, an area of improvement was highlighted in terms of the possibility of further anticipating the transmission to the directors and sharing of the documentation relating to the items on the agenda.

By contrast, in relation to the other critical areas identified in the Letter, it should be noted that the Company is already in line with the recommendation regarding the practical and full application of the independence criteria recommended by the Corporate Governance Code given that, as specified below, at the date of the publication of this Report, as many as six of the twelve directors on the Board are non-executive directors who meet the independence requirements pursuant to Art. 3.C.1 of the Code and/or Articles 147-ter, paragraph 4, and 148, paragraph 3, of the TUF.

The number of directors who meet the independence requirements provided for by Art. 148, paragraph 3 of the TUF therefore complies with the provisions of Art. 147-ter, paragraph 4 of the TUF as amended by Legislative Decree no. 303 of 29 December 2006, in relation to boards of directors of listed issuers comprising more than seven members. The Company also promoted the constant monitoring and verification of the satisfaction, continued satisfaction and full and complete application of the independence criteria by its independent directors.

Lastly, with reference to the final area of improvement highlighted in the Letter, concerning the remuneration of non-executive directors and the members of the control body, to be considered in light of the expected commitment from said persons in fulfilling their office and the subsequent responsibility profiles, Saras communicates that the judgment on the quantification of aforesaid compensation - which, nonetheless, appears to be commensurate to the required commitment and relevance of the role, as well as the characteristics of the company - was issued by its majority shareholder.

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

TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES AS AT 31/12/2019

Board of Directors													Control and Risk Committee		Remuneration and Nomination Committee		Steering and Strategies 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 positions ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	
Chairman	Massimo Moratti	1945	26/06/1972	27/04/2018	App. of 2020 financial statements	M	X					5/5					4/4	M	
Chief Executive Officer •◇	Dario Scaffardi	1958	19/10/2006	27/04/2018	App. of 2020 financial statements	M	X					5/5					4/4	M	
Director	Angelo Moratti	1963	28/04/1993	27/04/2018	App. of 2020 financial statements	M		X				5/5					4/4	P	
Director○	Gilberto Callera	1939	30/04/1987	27/04/2018	App. of 2020 financial statements	M		X		X		5/5	4/4	P	4/4	P			
Director	Angelomario Moratti	1973	30/05/2005	27/04/2018	App. of 2020 financial statements	M		X				5/5					4/4	M	
Director	Gabriele Moratti	1978	27/04/2010	27/04/2018	App. of 2020 financial statements	M		X				2/5					2/4	M	
Director	Giovanni Emanuele Moratti	1984	20/04/2017	27/04/2018	App. of 2020 financial statements	M		X				5/5					4/4	M	
Director	Adriana Cerretelli	1948	28/04/2015	27/04/2018	App. of 2020 financial statements	M		X	X	X		5/5	2/4	M					
Director	Isabelle Harvie-Watt	1967	28/04/2015	27/04/2018	App. of 2020 financial statements	M		X		X		4/5	3/4	M					
Director	Laura Fidanza	1973	28/04/2015	27/04/2018	App. of 2020 financial statements	M		X	X	X		5/5	4/4	M	4/4	M			
Director	Francesca Luchi	1967	27/04/2018	27/04/2018	App. of 2020 financial statements	M		X	X	X	1	4/5			4/4	M			
Director	Leonardo Senni	1961	27/04/2018	27/04/2018	App. of 2020 financial statements	m		X	X	X		4/5	3/4	M					
DIRECTORS WHO LEFT OFFICE DURING THE REFERENCE FINANCIAL YEAR																			
-	-	-	-	-	-								-	-	-	-	-	-	
Number of meetings held during the financial year:						Control and Risk Committee:			Remuneration and Nomination Committee:						Steering and Strategies Committee:		Executive Committee: -		
						4			4						4				

	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%
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NOTES

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

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

◊ This symbol indicates the 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 selected ("M": majority list; "m": minority list).

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

(*) This column indicates the attendance of directors at meetings of the BoD and committees respectively. For each director, the number of meetings attended with respect to the total number of meetings which he or she could have attended is indicated.

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

TABLE 2: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AS AT 31.12.2019

BOARD OF STATUTORY AUDITORS									
<i>Office</i>	Members	Year of birth	Date of first appointment*	In office since	In office until	List **	Indep. Code	Board meetings attendance ***	Number of other positions ****
Chairwoman	Branda Giancarla	1961	28/04/2015	27/04/2018	Approval of the 2020 financial statements	m	X	14/14	8
Statutory auditor	Camera Giovanni Luigi	1936	28/03/1985	27/04/2018	Approval of the 2020 financial statements	M	X	9/14	8
Statutory auditor	Simonelli Paola	1964	28/04/2015	27/04/2018	Approval of the 2020 financial statements	M	X	14/14	22
Alternate auditor	Mazza Pinuccia	1957	28/04/2015	27/04/2018	Approval of the 2020 financial statements	M	X		
Alternate auditor	Andrea Perrone	1965	27/04/2018	27/04/2018	Approval of the 2020 financial statements	m	X		
AUDITORS WHO LEFT OFFICE DURING THE REFERENCE FINANCIAL YEAR									
Number of meetings held during the financial year: 14									
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%									

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 selected ("M": majority list; "m": minority list).

*** This column shows the attendance of auditors at meetings of the Board of Statutory Auditors (it features the number of meetings attended compared to the total number of meetings, which could have been attended).

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