

SARAS Sustainability Report 2022

Highlights and main KPIs

Sustainability & Investor Relations May 2023

Sustainability: the balance point between Man and Ecosystem





"Sustainable development meets current needs, without compromising the ability of future generations to meet their own needs"

Brundtland Report for the World Commission on Environment and Development (WCED), 1987

Saras Group Sustainability Report





Saras just published its sixth annual Sustainability Report (SR), which represents the main corporate tool to illustrate the Group's ESG credentials. It is also a valid reference instrument on which Green Funds can base their investment decisions, as well as the Report used to fulfil all the requirements of Italian Legislative Decree 254/2016 (pursuant to EU Directives)

Material Impacts according to new GRI Standard



The **SR 2022 adopts the new GRI Standards edition 2021**, including the specific «Oil & Gas» sector standards (GRI 11), and the new methodology for the materiality analysis

By analyzing the GRI 11, Italian & European legislation, international ESG ratings, media, and benchmarking with leading companies, a list of «topics» was identified with actual and potential **impacts generated by Saras on the environment, people and the economy**

These impacts were subsequently **prioritized** by measuring **severity**, **scope** and **irremediable character** (actual impacts), and **likelihood of occurrence** (potential impacts)



SEVERITY

The severity of an impact is determined by:

- 1. **Scale:** how severe is the impact, and which is the external context in which it happens, including geography
- 2. **Scope:** how widespread is the impact, and how it far does it reach within the value chain
- 3. Irremediable character: how hard it is to counteract or make good the resulting harm

LIKELIHOOD

The likelihood of a potential impact refers to the chance of the impact happening:

- The likelihood of an impact can be measured or determined qualitatively or quantitatively
- The likelihood considers also the measures adopted by the Company to prevent or mitigate the impact

	Impact	Materiality	Correlation	United Nations' SDGs
Env	GHG Emissions	000	Direct & Value Chain related	13 martine Co
Env	Stack Emissions	000	Direct & Value	
Env	Biodiversity	•	Direct & Value	
Env	Soil degradation	•	Direct & Value	
Env	Water Consumption and Stress	000	Direct & Value	
Env	Waste production and disposal	00	Direct & Value	
Env	Contribution to the development of the circular economy	Not Material	Chain related	
Env	Site dismantling	Not Material		
Env	Contribution to the Energy Transition	ĐĐ	Direct	
	Impact	Materiality	Correlation	United Nations' SDGs
eop	Workers Health & Safety	000	Direct & Value Chain related	3 mile B miles
eop	Workers Human Rights (child labour, forced labour, etc)	Not Material		
eop	Workers Development of Skills & Competences	••	Direct	1 mmr 4 mm 5 mm 8 mmr 10 mm 4
eop	Development and Protection of local Communities and territories	••	Direct	1 mmr t.t+t+t 3 mm 5 mm
eop	Discrimination on the work-place	•	Direct	
eop	Mgmt of Local Communities & land- property rights along value chain	Not Material		
eop	Rights of collective bargaining and freedom of association	Not Material		
eop	Odours	•	Direct	
eop	Noise and noise pollution	•	Direct	
eop	Contribution to local Energy Security	•••	Direct	7
	Impact	Materiality	Correlation	United Nations' SDGs
con	Indirect Economic effects	00	Direct & Value Chain related	1 mmm ² 5 mm, 8 mmm ² 8 mm ² €
con	Contribution to Technological	••	Direct	8 mm
con	Corruption and Organized crime	•	Direct & Value Chain related	
con	Privacy & Sensitive data protection	Not Material		
con	Asset integrity and prevention of Relevant Incidents	•	Direct	
con	Conflict management and Security along the value chain	Not Material		
con	Anti-competitive behaviours	Not Material		
con	Transparency on Taxes and Contributions	•	Direct & Value Chain related	1 and
con	Lobbying on Governments	Not Material		



Additional information: SR 2022 – pages 31 ÷ 37

Health and Safety



Saras always ensures compliance with the highest national and international standards for the protection of Health & Safety in the workplace. In this regard, the Group adopts an integrated HSE management system at the Sarroch site, certified according to standards ISO 14001 (Environment) and ISO 45001 (Health and Safety), which also includes the Prevention of Major Accidents (PIR). In addition, Saras actively promotes a culture of safety, not only among its own personnel, but also with its suppliers and contractors

Injuries and Injury Rates:

- → Reporting according to GRI standards (403), on medical treatments, injuries classified according to severity, deaths and their respective frequencies
- → Decrease in Frequency rate (4 injuries vs. 5 in 2021; none with "severe consequences" – i.e., causing more than 6 months of absence from work)

Behaviour Based Safety (BBS):

 \rightarrow 16,404 observations, with 98.6% of safe behaviours detected







SR 2022 - pages 88 ÷ 93

Sarlux - Injuries and «Near miss»

Air Pollutants and Greenhouse Gases (GHG) Emissions



Rational use of energy, investments to increase energy efficiency, and specific interventions to improve combustion and reduce particulate matter, represent the path taken by the Saras Group to control and reduce emissions from the Sarlux industrial site

Stack Emissions:

→ Stack Emissions of pollutants into the atmosphere (SO_x, NO_x, CO and dust) in 2022 remained in line with the previous year, and are always significantly lower than the Regulatory limits, thanks to consolidated improvements in combustion techniques and targeted technological interventions, carried out over the years

Emissions of Greenhouse Gases (GHG):

→ Emissions of greenhouse gases (CO₂) slightly increased compared to 2021, due to scheduled maintenance, processing levels, and the external context (availability of raw materials, product sales, etc.)







Stack Emissions Index [tons emitted/kt crude +feedstock processed]

■ Refinery ■ IGCC

North Plants

Water Resource Management



Given the low rainfall in Sardinia, Saras has always paid great attention to the management of water resources, also using the ISO 14001 Environmental Management System and the EMAS protocol, with the aim of minimizing untreated water withdrawals from the industrial consortium, thus leaving more water available for the local communities (agriculture, other activities)

Water footprint:

- → Total water consumption in 2022 in line with previous years, with just 9% of water consumption from industrial consortium (thanks to the increase in recycled water)
- → 91% of the withdrawal is in fact from the sea, treated in the desalination plants and subsequently returned to the receiving body (with qualitative characteristics substantially equivalent to the water withdrawn)

Water Withdrawals of Sarlux site [m³]

Parameter	2020		2021		2022		
Untreated water from the industrial consortium	5.997.790	9%	6.060.035	9%	6.277.376	9%	
Sea water	58.832.422	91%	59.264.685	91%	60.371.482	91%	
Total water withdrawals of Sarlux site	64.830.212		65.324.720		66.648.858		

Sarlux Water Consumption by source







Waste Management and Spills



With reference to waste-related matters, the subsidiary Sarlux, owner of the Sarroch industrial site, generates approximately 98% of the waste (both hazardous and non-hazardous) produced by the entire Group. All aspects relating to the management and monitoring of waste and spills produced at the Sarroch site are codified using the ISO 14001 certified Environmental Management System and the EMAS scheme

Waste management:

- → Approx. 98% of the Group's waste goes to appropriate forms of treatment, while only a minimal part is sent to landfills
- → Alignment with GRI 306 (details on recycling, recovery, including energy recovery, incineration/thermal destruction, etc.)



Spills:

- → The Group adopts policies and specific technical & management tools to prevent accidental releases into water, soil and subsoil
- → In 2022 there were no significant spills, either at sea or on land
- → Modest spill of heavy hydrocarbon product, on 22 June 2022 at the Sarlux – South Plant (small area in the ST42 containment basin; all safety measures were immediately implemented)







Saras is committed to guaranteeing continuity and security of supply to the Sardinian electricity grid, in a logic of efficiency and decarbonisation

With such approach, the Group produces approx. 4TWh/year of electricity through its combined cycle gasification plant (IGCC) integrated with the refinery, within the Sarroch industrial site. Furthermore, it develops in parallel the electricity production from Renewable Sources through its subsidiary Sardeolica SrI, which currently has an installed capacity of 171MW

Sardeolica is building an **80MW photovoltaic farm in Macchiareddu**, and it has several advanced projects in its **pipeline**. Overall, Saras aims to reach an installed capacity of approximately 500MW in 2025, and 1GW in 2028 (according to the advancement of the authorization procedures)

Power generation from IGCC:



- \rightarrow 4,100 GWh power production from IGCC, sold to the grid
- \rightarrow 45.9% Sardinian power consumption¹

Power generation from Renewable sources:

- \rightarrow 273.4 GWh power production from Renewable Sources (wind)
 - \rightarrow 197,100 persons, equivalent energy need per year
 - \rightarrow 177,200 tons of avoided CO₂ emissions, thanks to production from Renewables

1. Source: Terna "Rapporto Mensile sul Sistema Elettrico" Dec 2022



Energy transition



In a context of growing pressure to decarbonize the Planet, the Saras Group developed a Roadmap to accompany the Energy Transition, while continuing with the highest commitment its production of essential energy and fuels for the Country







The Saras Group has a "glocal" culture, as it identifies simultaneously with the global dimension of the oil markets and with the local dimension of its reference Communities, where it plays a fundamental role in the local value creation

The 3 macro areas of economic impact are:

Impact of Wages in Sardinia:

→ Approx. €149 million/year (one third direct and two thirds indirect impact) up by 11% compared to 2021

Impact of Tax and Duties paid in Sardinia:

→ Approx. €526 million/year (approximately 55% direct and 45% indirect impact), down by 7% compared to 2021, but in line with the three-year period 2020-22

Impact of Goods & Services purchased from local suppliers:

→ Equal to 210 million €/year (evenly split between direct and indirect impacts), 54% higher than in 2021 (the year in which, due to Covid pandemic, the Group had to apply rigorous measures to preserve a solid balance sheet)

Economic impact of Saras Group's activities in Sardinia (EUR million)

Parameters	Average 2014÷2016	Average 2017÷2019	Average 2020÷2022	2021	2022
Group employees' wages	46	49	49	45	50
Taxes and Duties paid in Sardinia	455	424	290	313	289
Good & Services purchased from local suppliers	101	152	104	68	105
Total direct impact	601	626	443	426	444
Wages to Group employees - indirect impact	110	99	98	89	99
Taxes and Duties paid in Sardinia - indirect impact	378	347	238	256	237
Good & Services purchased from local suppliers - indirect impact	110	152	104	68	105
Total indirect impact	588	598	439	414	441
Wages impact (direct + indirect)	155	148	147	134	149
Taxes and Duties paid in Sardinia (direct + indirect)	833	772	528	570	526
Good & Services purchased from local suppliers - indirect impact (direct + indirect)	201	305	207	136	210



Human Resource management and development (1/2)



People represent the most important resource for the Saras Group. Their commitment, professionalism and dedication are essential to ensure growth and prosperity for the company's business and the communities of reference.

Workforce:

- → 1576 employees (95,9% in Italy, 86,5% in Sardinia)
- ightarrow 99,4% full time

Diversity and equal opportunity:

- → Saras protects gender diversity and offers equal opportunities to all its employees, without any discriminatory behaviour
- \rightarrow 87% male employees (Sarlux "Blue Collar" category)
- \rightarrow 13% female employees (203); higher % among clerical & management categories
- ightarrow 30% of women among Graduates

Education:

- → 27,3% University degree or higher qualification (75% technicalscientific degree; 19% Economics, Law or Political Science; 6% Human Science)
- ightarrow 69,2% High school diploma
- \rightarrow 3,4% lower qualifications



100%

50%

0%

Employees by Qualification



Employees by Group companies



Employees by type of Contract 0.4% 0.2%





Employees by Gender



Development, training and enhancement of skills are essential levers for the creation of value, not only for the Group, but more generally, for the economic systems and the territories in which it operates.

Learning and training:

- → In 2022, like in previous years, "SarasLearning" digital platform continued to be the main training environment where content could be accessed, for the development of technical skills, language skills, managerial and soft skills, as well as Compliance training (Privacy, HSE and Organizational Model 231/2001)
- → The methodological approach based on the development of "Learning Agility" increased the effectiveness of learning and the immediate adoption of field skills, favouring the optimization of times and the achievement of pre-set targets
- → Training for operational roles has remained the main opportunity for developing specialist technical and behavioural know-how
- → Training programs aimed at developing managerial skills (leadership, individual coaching, mentoring, etc.) and an inclusive organizational culture continued
- → In total, 35,539 hours of training were provided in 2022, of which over 11,300 of the HSE type (in line with the previous year)





Average hours/year of training by professional category





Among the new elements contained in the SR 2022, there is the **reporting of the financial impact on Saras activities that could derive from risks and opportunities related to climate change**, according to the TCFD (Task Force on Climate-Related Financial Disclosure) and GRI 201-2 methodology:

- Type of risk (physical, regulatory, reputational) and opportunities (new products, markets, etc.)
- Time Horizon in which it is expected that they may generate financial implications, and likelihood of occurrence
- Estimated financial impact (positive or negative) in terms of Capex, Opex, operational availability, products/services demand, margins, etc.
- Measures adopted (or still to be implemented) in order to manage/mitigate the risk or seize the opportunities

Type of Risk	Description Evaluation		Financial Impact	Mitigation Measures			
Physical Risk	Significant incidents to assets due to adverse weather events (e.g., torrential rain; lightning; sea level rise; high temperature; drought; etc.)	Time Horizon -> medium/long term Likelihood -> medium/low	Lower asset availability; operating costs; lost production; repair capex	Insurance coverage; Inclusion of contractual clauses related to weather events (force majeure); HSE management system; interventions for rainfall management; water supply optimization; specialized staff training on technical and HSE topics			
Regulatory risk	Further unfavourable evolution in European/National legislation on vecarbonization and Ecological/Energy TransitionTime Horizon -> medium termLikelihood -> high / medium		Increased operating costs and margin erosion; Reduced consumption of petroleum products; Capex of plant upgrades	European Regulatory Monitoring (ETS, RED II, etc.); initiatives to increase energy efficiency; asset maintenance/upgrade to improve environmental performance and adapt production (biofuels)			
Reputational risk	Negative evaluation of sustainable business strategy and sustainability/ ESG performance by financial stakeholders	Time Horizon -> short/medium term Likelihood -> medium	Increased cost of capital; difficulty accessing credit; loss of value in share prices	Engagement activities with financial stakeholders; Materiality analysis to identify material issues/impacts; drafting of Sustainability Report to document corporate ESG credentials; review and control process of ESG ratings to guarantee reliable information to external stakeholders; at country level, balancing with strategic "security of supply" needs			

TCFD – Opportunities from Climate Change



Type of opportunity	Description	Evaluation	Financial Impact	Management method
Production of electricity from renewable sources	Business development of renewables (wind, solar, etc.)	Time Horizon -> short/medium term Probability -> high	Increase in revenues; Partnerships, JVs and/or acquisitions of companies engaged in these fields	Strategic focus on the development of Renewable Sources; Targeted investments for new plants and/or revamping of existing assets; collaborations with local institutions (e.g.: promotion of renewable energy communities); Acquisition of companies active in the sector
"Low-carbon" productions (biofuels; waste-to-fuels; etc.)	Development of products for decarbonisation and the circular economy	Time Horizon -> short/medium term Probability -> high	Increase in revenues; Partnerships, JVs and/or acquisitions of companies engaged in these fields	Increased production of biofuels; strategic focus on products with a lower carbon footprint and projects to develop the circular economy; targeted investments for new plants and/or technological upgrading of existing assets; collaborations with institutions and leading companies in the sector
Technologies for decarbonization (CCUS, Green Hydrogen, etc.)	Adoption of technologies for decarbonization	Time Horizon -> medium term Probability -> medium	Reduction of operating costs (due to lower purchase of CO2 quotas); Partnerships and/or JVs with companies engaged in these fields	Production of green hydrogen; strategic focus on decarbonisation technologies; targeted investments for new plants and/or technological upgrading of existing assets; collaborations with institutions and leading companies in the sector
Energy efficiency	Further efficiency and energy optimization of the Sarroch industrial site	Time Horizon -> short/medium term Probability -> high	Reduction of operating costs (internal consumption of fuels and electricity); Cost reduction associated with climate-changing gas emissions (CO2)	Energy assessments to identify suitable solutions and maximize savings (also through ISO 50001); implementation of ESTI projects to increase performance and operational efficiency; Reduction of consumption and losses and CO2 emissions





In accordance with the provisions of the **EU Regulation on Taxonomy and the Delegated Act on Climate**, since 2021 Saras has been analyzing its economic activities according to the following evaluation process:

- Verification of the eligibility of each activity as per the list included in the Delegated Act (it contributes directly to the achievement of one of the climate objectives, or can be classified as an enabling or transition activity: "Eligible" or "Taxonomy-aligned");
- Verification of compliance with the technical screening criteria envisaged for each activity, so that the contribution to achieving the climate objective takes place without causing significant harm to the other environmental objectives identified by the EU ("DNSH" principle);
- Verification of the adoption, in carrying out the activity, of the minimum social safeguard measures required by art. 17 of the Taxonomy Regulation (procedures compliant with the International Bill of Human Rights, the OECD Guidelines for multinational companies, the eight Fundamental Conventions of the International Labor Organization, and the United Nations Guiding Principles on business and human rights)

The analysis confirmed that the activities of Sardeolica SrI (production of electricity from renewable sources) are "eco-sustainable" as defined in the Taxonomy Regulation. The SR 2022 therefore provides the financial information relating to Revenues, CAPEX and OPEX, as required by EU Delegated Regulation no. 2021/2178

Classification of SARAS Group Activities according to EU Regulation 2020/852 ("Taxonomy")													
	-		2021				2022						
(data in k€)	Classification	Revenues CAPEX		K	OPEX		Revenues		CAPEX		OPEX		
		k€	%	k€	%	k€	%	k€	%	k€	%	k€	%
"Renewables"	eco-sustainable (Taxonomy-aligned)	32,113	0.4%	30,683	30.7%	6,724	0.7%	43,812	0.3%	18,912	17.9%	8,637	0.5%
"Industrial & Marketing"	NON-eligible	8,529,210	99.6%	69,369	69.3%	1,026,493	99.3%	15,733,335	99.7%	86,762	82.1%	1,612,548	99.5%
Total Saras Group		8,561,323		100,052		1,033,218		15,777,147		105,674		1,621,185	



Note: the 6 climate objectives identified by EU are: 1. climate change mitigation; 2 climate change adaptation; 3. sustainable use and protection of water resources; 4. circular economy; 5. pollution prevention and control; 6. protection of biodiversity and ecosystems