



## **REPORT ON REMUNERATION POLICY AND COMPENSATION PAID**

Pursuant to art. 123 ter of Legislative Decree no. 58/1998 and  
of art. 84 quater and annex 3A of CONSOB Regulation no. 11971/99

25 MARCH 2022

**Buzzi Unicem SpA**  
Registered office in Casale Monferrato (AL) - Via Luigi Buzzi 6  
Share capital: €123,636,658.80  
Company Register of Alessandria no. 00930290044

## Introduction

This document includes the "*Report on remuneration policy and compensation paid*" ("**Report**") of Buzzi Unicem SpA ("**Buzzi Unicem**" or "**Company**") prepared by the Board of Directors pursuant to art. 123 ter of Legislative Decree no. 58/1998 ("**TUF**") as well as art. 84-quater and Annex 3A of Consob Regulation no. 11971/1999 ("**Issuers' Regulation**").

Pursuant to art. 123 ter of TUF and art. 84-quater and Annex 3A of the Issuers' Regulation, the Report consists of two sections:

- the first section illustrates the company's policy on the remuneration of the members of the administrative body, of other key management personnel and, without prejudice to the provisions of art. 2402 of the Italian Civil Code, of the members of the control bodies, as well as the procedures used for the adoption and implementation of this policy ("**Remuneration Policy**").

According to the provisions of art. 123 ter, paragraph 3 ter of TUF, the Shareholders' Meeting shall express itself with a binding vote on the first section of the Report;

- the second section includes the representation of each of the items that make up the remuneration of the members of the administrative and control bodies and, in aggregate form, of other key management personnel and analytically illustrates the remuneration paid to the above-mentioned persons for any reason and in any form by the company and by subsidiaries or associates in the reference year (i.e. in this case 2021).

According to the provisions of art. 123 ter, paragraph 6, of the TUF, the Shareholders' Meeting shall express a non-binding consultative vote on the second section of the Report.

The Report was approved by the Board of Directors on 25 March 2022.

## **SECTION I**

### **Remuneration policy for corporate bodies and key management personnel**

This section illustrates the Remuneration Policy of Buzzi Unicem (prepared pursuant to TUF and in accordance with the Issuers' Regulation as well as the recommendations of the Corporate Governance Code) regarding the members of its Board of Directors and of its Statutory Auditors' Committee, as well as the key management personnel ("**KMP**"), being identified, other than in the CEOs of Buzzi Unicem, in the heads of the following functions:

- the CEO Dyckerhoff
- the CEO Buzzi Unicem USA
- the manager responsible for preparing Buzzi Unicem's financial reports
- the heads of Buzzi Unicem corporate functions who are mainly dedicated to coordination and control activities for the group, identified in the Finance and Treasury function, in the Sustainability function and in the Group Technical Department.

#### **1. Bodies involved in the preparation and approval of the Remuneration Policy (Annex 3A, letters a), b) and d) Issuers' Regulation)**

The bodies involved in the preparation, approval and implementation of the Remuneration Policy are the following:

##### **Shareholders' Meeting**

- it establishes the overall remuneration of the Board of Directors and of the Statutory Auditors;
- it expresses a binding vote on the Remuneration Policy contained in Section I of this Report;

- it expresses a non-binding vote on the compensation paid annually indicated in Section II of this Report;

#### Board of Directors

- in case of determination by the Shareholders' Meeting of an overall compensation of the Board of Directors, it distributes this compensation among its members;
- it defines the Remuneration Policy and its possible revision as well as the Report on Remuneration Policy and compensation paid to be submitted to the Shareholders' Meeting;
- it establishes, after obtaining the opinion of the Committee for Related-Party Transactions, where applicable, the remuneration of the Chief Executive Officers (attributed in the form of remuneration for employees) and the remuneration of Directors in charge of special tasks pursuant to art. 2389 of the Italian civil code;

#### Independent directors

- they represent the majority of the directors and contribute to the evaluation and discussion within the meetings of the Board of Directors regarding the Remuneration Policy and its implementation, in particular concerning the remuneration of the CEOs and of the Directors in charge of special tasks;

#### CEOs

- they are responsible for the implementation of the Remuneration Report approved by the Shareholders' Meeting;
- in accordance with the Remuneration Policy, they establish, after obtaining the opinion of the Committee for Related-Party Transactions, where applicable, the remuneration of KMP;

#### Statutory Auditors' Committee

- it has a general supervisory task over the Remuneration Policy and its implementation;
- it issues the opinion on the occasion of the allocation of compensation pursuant to art. 2389 of the Italian Civil Code to Directors in charge of special tasks.

The Company has not currently established a Remuneration committee, also due to the involvement of the independent Directors (who, as already mentioned, are the majority of the members of the Board of Directors) in the process of determining the remuneration of executive Directors.

In preparing the Remuneration Policy, the Company did not involve any independent external experts.

## **2. Considerations on compensation and working conditions of employees in determining the Remuneration Policy (Annex 3A, letter c) Issuers' Regulation)**

Buzzi Unicem is characterized by being a multiregional group operating in areas with different and articulated needs. Human resources are considered as a constant factor for Company growth and the enhancement of human capital has always been a pillar on which the competitive development of the Company is based.

Buzzi Unicem strives to ensure that, in each country where the group operates, not only the individual regulations protecting working conditions are respected but also the skills and professional growth of all employees are enhanced.

As regards employee remuneration, a total compensation system has been established for some time, i.e. a remuneration package which, in addition to the basic remuneration, may include variable remuneration (typically linked to performance) at the level of individuals or

categories of workers, benefits and cash bonuses.

According to the different and articulated needs of the countries where the group operates, initiatives have been adopted that contribute to improving the living conditions of employees, and that may include a physical work environment offering guarantees of safety, attention to gender diversity issues, professional development and practical training in the workplace in order to develop skills and competences, training courses, the opportunity to move to more mature leadership roles and benefits such as food services or meal vouchers, health insurance, educational incentives (e.g. scholarships for children), paid vacation periods in addition to the annual amount of holidays if dedicated to volunteering, flexible working time, part-time working, supplementary pension and smart working.

The group aims to be socially responsible and to apply strict rules of conduct based on ethics in the relations with its employees and, in particular, to focus on the person: the pursuit of fairness and wage equity represents a key factor that influences the well-being of employees with a view to balancing the value generated by the employee for the Company and the enhancement perceived as a return.

The Company's Remuneration Policy relating to the members of the Board of Directors and to KMP has been drawn up in accordance with the principles highlighted above, also providing for the allocation of a variable part of the remuneration of top managers upon the achievement of high standards in terms of safety at work.

### **3. Purposes, duration and possible revisions of the Remuneration Policy (Annex 3A, letter e), Issuers' Regulation)**

Buzzi Unicem's Remuneration Policy aims to attract, retain and motivate qualified people with professional skills and qualities which are appropriate to the management needs of the Company and the group it heads. This objective is pursued in a logic of prudent management and sustainability of costs and results over time, with a view to seeking the alignment of the interests of management with those of the Company and shareholders, by pursuing the goal of creating value for shareholders in the medium-long term. Furthermore, the Policy aims to facilitate the achievement of the Company's sustainability targets being consistent with the industrial strategy.

These targets are also pursued on the basis of short and long-term incentive plans, which must in any case also include objectives linked to sustainability indicators.

The Company therefore adopts annual plans based on Management by Objectives (MBO) mechanisms which aim, on the one hand, at encouraging the constant growth of the economic/financial results of the Company and of the group and, on the other hand, at pursuing the sustainability of the Company's and the group's business.

Furthermore, the Company has adopted a long-term incentive plan of a cash nature, linked to the achievement of economic/financial and non-financial objectives (described in the following paragraph 4.4) aimed at the Chief Executive Officers and the CEOs Dyckerhoff and Buzzi Unicem USA, with the objective of building loyalty and incentivizing top management to achieve growth objectives in the medium-long term, avoiding excessive focus on the short term. The plan is aimed at encouraging recipients to align their commitment and behavior with the interests of the shareholders by rewarding the efforts to achieve strategic, economic and sustainability targets, and at obtaining lasting improvement in Company results.

As part of this plan, the economic/financial target assigned (ROS) aims to incentivize operating profitability in relation to the sales made and the Company's efficiency in generating profits compared to the turnover posted, while the use of the CO<sub>2</sub> reduction parameter is aimed at encouraging the recipients to make the greatest efforts so that one of the main targets of improving the sustainability of the group's business is achieved in a context in which the attention to Climate Change is at its highest level.

The Remuneration Policy applies to the financial years 2020-2022 and it was not revised.

#### **4. Description of the Remuneration Policy (Annex 3A, letters f), g), h), i), n) and o) Issuers' Regulation)**

##### **4.1 Remuneration of the members of the Board of Directors**

The remuneration of the Board of Directors is established by the ordinary Shareholders' Meeting and is divided equally in the Board among all the directors, except for those who are also employees of the Company, who are remunerated only in their capacity of employees. To the Chairman a double share is allocated compared to the directors by virtue of the general representation function attributed to him/her and of the functions performed as Chairman of the Board of Directors. The Chairman also receives emoluments relating to any positions held in subsidiaries.

The remuneration of non-executive Directors does not depend on the economic results achieved by Buzzi Unicem, and is established in a single fixed component commensurate with the commitment required and the skills and professionalism of the same. No variable component is foreseen in this case.

Non-executive Directors called to be part of the Control and Risk Committee, which operates on an ongoing basis, are assigned by the Board of Directors, after obtaining the opinion of the Statutory Auditors' Committee, a fixed annual remuneration according to the commitment required.

Non-executive directors called to be members of the Committee for Related-Party Transactions, which is called upon to express its views on individual specific transactions, may be assigned by the Board of Directors a remuneration based on the individual transactions that are submitted to it and commensurate with the commitment required, after obtaining the opinion of the Statutory Auditors' Committee.

The remuneration of Directors charged with special tasks is resolved by the Board of Directors in a fixed amount, after obtaining the opinion of the Statutory Auditors' Committee.

##### **4.2 Remuneration of the members of the Statutory Auditors' Committee**

The remuneration of the Statutory Auditors' Committee is established by the ordinary Shareholders' Meeting, pursuant to Article 2402 of the Italian Civil Code, in a fixed amount for the entire duration of the office, in addition to the reimbursement of expenses incurred for the office, adjusted according to the commitment required and the skills and professionalism of the same and in line with the remuneration of other companies of comparable size and sector.

##### **4.3 Remuneration of the CEOs of Buzzi Unicem, of Directors being also employees of Buzzi Unicem and of KMP**

Buzzi Unicem's CEOs, Directors being also employees<sup>1</sup> of Buzzi Unicem (collectively

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<sup>1</sup> In addition to the CEOs, director Luigi (Gigi) Buzzi is also linked to the company by an employment relationship as an executive of the same.

“Directors being also employees”) and KMP are paid as employees and also receive emoluments in relation to any offices held in subsidiaries.

The remuneration as employee consists of a fixed component, a short-term variable component, as well as a long-term variable component envisaged for the CEOs of Buzzi Unicem and the CEOs of Dyckerhoff and Buzzi Unicem USA.

#### **4.3.1 Fixed component**

The fixed component consists of the remuneration as an employee and of the emoluments for offices held in subsidiaries and aims at adequately remunerating the technical and managerial skills required for the position and the functions fulfilled and the consequent responsibilities.

A package of non-cash benefits, which does not represent more than 20% of the fixed remuneration as an employee and which generally encompasses the assignment of a car for both private and work use as well as meal vouchers, is also included.

The fixed component must be sufficient to adequately remunerate the performance even if the variable component is not paid due to the failure to achieve the objectives to which this component is linked.

#### **4.3.2 Short-term variable component**

The structure of the short-term variable component is established with reference to the remuneration as an employee, is applied to managers in general and is based on a Management by Objectives (MBO) mechanism which provides for the assignment of targets set annually, both of an economic/financial nature and of a non-financial nature representing other aspects of the Company activity, each with differentiated weights and with a prevalence of the objectively measurable economic ones.

There is a minimum threshold below which the right to variable remuneration does not accrue and, in the same way, there is a maximum limit.

The economic/financial targets consist of achieving certain levels of recurring EBIT in the Italy, Dyckerhoff, USA areas and of consolidated EBIT according to the respective areas of responsibility and, only for the CEOs, also of net consolidated profit attributable to shareholders. For the purposes of verifying the achievement of the aforementioned performance targets, reference is made to the data resulting from the accounting situation prepared by the subsidiaries for the preparation of the consolidated financial statements, by adjusting them to take into account non-recurring income and expenses as described in the consolidated financial statements of the Company (see paragraph relating to “Alternative Performance Measures”) as well as the write-downs of non-current assets.

The level of the bonus relating to the economic/financial targets varies according to the achievement of a minimum of 80% and a maximum of 120% compared to the corresponding parameter of the previous year and the budget forecast for the relevant year. MBO does not accrue below the minimum level, while with results higher than the maximum one, the amount of the bonus cannot in any case exceed the fixed maximum sum.

Non-financial targets consist of injury indices, and in particular of the group’s LTIFR index<sup>2</sup> (Lost Time Injury Frequency Rate) with respect to certain target levels set annually, or of other targets regarding environmental impact or energy efficiency.

Finally, for the recipients of MBOs other than the CEOs, individual targets may be provided,

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<sup>2</sup> This index relates the number of accidents entailing absence from work to the hours worked.

concerning specific projects or the efficiency of the specific area of responsibility.

The annual MBO varies from a minimum of zero (in the event of failure to achieve all the targets assigned) up to a maximum – equal to 50% for the CEOs and the CEOs of Dyckerhoff and Buzzi Unicem USA and to 30% for director Gigi Buzzi – of the fixed component of the remuneration as an employee depending on the level achieved of the targets assigned.

The payment of the MBO is made after the approval of the financial statements for the year in relation to which the variable part itself has matured.

Below is a diagram of the annual MBOs envisaged for the Directors being employees and the two key managers whose remuneration is indicated by name in the tables of Section II:

Targets	CEOs		Director Gigi Buzzi	
	% targets on total MBO	maximum % on remuneration as employee	% targets on total MBO	maximum % on remuneration as employee
<b>Economic/financial targets</b>	<b>92%</b>	<b>46%</b>	<b>70%</b>	<b>21%</b>
EBIT Italy				
Vs year -1	14%	7%	11.7%	3.5%
Vs budget	14%	7%	11.7%	3.5%
EBIT Dyckerhoff				
Vs year -1	14%	7%	11.65%	3.5%
Vs budget	14%	7%	11.65%	3.5%
EBIT USA				
Vs year -1	14%	7%	11.65%	3.5%
Vs budget	14%	7%	11.65%	3.5%
Consolidated net profit attributable to shareholders				
Vs year -1	4%	2%		
Vs budget	4%	2%		
<b>Sustainability (group's LTIFR)</b>	<b>8%</b>	<b>4%</b>	<b>15%</b>	<b>4.5%</b>
<b>Individual target (*)</b>			<b>15%</b>	<b>4.5%</b>
<b>Total</b>	<b>100%</b>	<b>50%</b>	<b>100%</b>	<b>30%</b>

(\*) referring to specific projects or to the efficiency of the organizational structures of the relevant functions

Targets	CEO Dyckerhoff		CEO Buzzi Unicem USA	
	% targets on total MBO	maximum % on remuneration as employee	% targets on total MBO	maximum % on remuneration as employee
<b>Economic/financial targets</b>	<b>75%</b>	<b>37.5%</b>	<b>90%</b>	<b>45%</b>
EBIT Dyckerhoff				
Vs year -1	25%	12.5%		
Vs budget	25%	12.5%		
EBIT USA				
Vs year -1	10%	5%	45%	22.5%
Vs budget	10%	5%	45%	22.5%
EBIT Buzzi Unicem group				
Vs year -1	5%	2.5%		
<b>Sustainability</b>	<b>10%</b>	<b>5%</b>	<b>10%</b>	<b>5%</b>
<b>Individual target (*)</b>	<b>15%</b>	<b>7.5%</b>		
<b>Total</b>	<b>100%</b>	<b>50%</b>	<b>100%</b>	<b>50%</b>

(\*) referring to specific projects or to the efficiency of the organizational structures of the relevant functions

The following table shows the ratio between the fixed and variable short-term component (annual MBO) of the remuneration as an employee if all the targets assigned are achieved. The calculation takes into account the ratio between the fixed component as employees net of non-

cash benefits and the short-term variable component of remuneration.

	% fixed component of the remuneration as employee	% annual MBO	Total remuneration as employee
CEOs	67%	33%	100%
Director Gigi Buzzi	77%	23%	100%
CEO Dyckerhoff/Buzzi Unicem USA	67%	33%	100%

For the KMP other than those indicated above, the annual MBOs are represented by economic/financial targets consisting of the achievement of certain levels of recurring EBIT in the Italy, Dyckerhoff, USA areas and of consolidated EBIT according to the respective areas of responsibility, by non-financial targets represented by the group's LTIFR index with respect to certain target levels established annually and by individual targets consisting of specific projects or of the efficiency of the organizational structures of the respective functions.

The economic/financial targets represent 70% of the MBO, the non-financial targets 15% of the MBO and the individual targets the remaining 15% of the MBO.

The criteria for verifying the achievement and payment of the targets are the same as those used for the directors being also employees and for the CEOs Dyckerhoff and Buzzi Unicem USA.

The total amount of the bonus of the other KMP cannot exceed 40% of the fixed gross annual remuneration of the relevant year.

#### **4.4 Long-term variable component of the remuneration of CEOs of Buzzi Unicem and of CEOs Dyckerhoff and Buzzi Unicem USA**

The long-term variable component is represented by a cash incentive plan for the years 2020-2022 ("**LTI 2020-2022**") approved by the Board of Directors on 25 March 2020, after obtaining the favorable opinion of the Committee for Related-Party Transactions, structured as follows:

- it is objective and calculated according to the targets to be achieved at the end of the three-year period of application of the plan, both of an economic/financial nature and related to corporate social responsibility, each of them representing 50% of the plan;
- there is a minimum threshold below which the right to variable remuneration does not accrue and, in the same way, there is a maximum limit;
- it is determined with reference to the remuneration as employees.

The targets of the plan are represented:

- with regard to the economic/financial objective, by the achievement in the three-year period of application of the plan of an average value of the ROS resulting from the consolidated financial statements according to the determination of the Board of Directors, which is attributed only to the CEOs;
- as regards the target related to corporate social responsibility, by the reduction of CO<sub>2</sub> emissions of the group, taking into account the objectives stated in the Sustainability Report, which is attributed to both the CEOs and the CEOs Dyckerhoff and Buzzi Unicem USA.

The long-term variable part of the salary varies:

- for the CEOs from a minimum of zero (in the event of failure to achieve both targets assigned) up to a maximum of 60% of the fixed part of the gross remuneration as an



- employee for the year 2020 in the event of achievement of both targets assigned;
- for the CEOs Dyckerhoff and Buzzi Unicem USA from a minimum of zero (in the event of failure to achieve the target assigned) up to a maximum of 30% of the fixed part of the gross remuneration as an employee for the year 2020 in the event of achievement of the target assigned.

The payment of the variable part linked to the 2020-2022 LTI plan is deferred to the end of the period and will be made after the approval of the financial statements for the year 2022 only if, at the time of disbursement, the beneficiaries are still employees and have held the respective offices for the entire three-year period. In the event of termination of the employment relationship and of the office due to death or inability to work, the long-term variable remuneration is fully recognized if the event occurred between the end of the reference period and the disbursement, and is recognized proportionally if the event occurs in the last half-year of the reference period.

The following table shows the ratio between the short-term (annual MBO) and the long-term (LTI 2020-2022) fixed and variable component of the remuneration as employees in the event of achievement of all the targets assigned in the year in which any disbursement of the variable part linked to the LTI plan (2023) occurred. The calculation takes into account the ratio between the fixed component of the remuneration as employees net of non-cash benefits and the short-term and long-term variable component of the remuneration.

	% fixed component of the remuneration as employee	% annual MBO	% LTI 2020/2022	Total remuneration as employee
CEOs	48%	24%	28%	100%
CEOs Dyckerhoff/Buzzi Unicem USA	55%	28%	17%	100%

#### **4.5 Claw-back clause relating to the variable components of the remuneration**

Within the limits of the provisions of the applicable regulations and collective agreements, the variable part of the remuneration, both short-term and long-term, is subject to reimbursement, in whole or in part, in the event that it was determined on the basis of data which subsequently proved to be manifestly incorrect. However, the refund is provided only in the event that the incorrect data on the basis of which the variable part of the remuneration is determined differ from the correct figure by more than 5%.

The repayment of the variable part of the remuneration is anyway provided for in case it has been determined on the basis of established fraudulent behavior, without prejudice to the other remedies available to the Company by law or by contract.

### **5. Information on the contribution of the Remuneration Policy to the corporate strategy, to the pursuit of long-term interests and to corporate sustainability (Annex 3A, letter j) Issuers' Regulation)**

It is deemed that the significance of the fixed component of the remuneration compared to the variable one, as well as the adoption of a long-term incentive plan for top management guarantee the contribution of the Remuneration Policy to the pursuit of long-term interests of

the Company as well as to proper management of corporate risks.

It is also believed that the economic/financial targets of the short-term and long-term variable remuneration are consistent with the targets of the policy.

As a matter of fact, the short-term and long-term economic/financial targets contribute to align the interest of top management with the target of constant growth in the economic/financial results of the Company and the group, while the non-financial targets contribute to the pursuit of a sustainable development of the group's industrial activity in the most sensitive areas represented by workplace safety and the reduction of CO<sub>2</sub> emissions.

In defining the remuneration system of the Company and the group, all the elements useful for reducing the risk of loss of both strategic and technical know-how and for medium-long term economic/financial development were considered.

The Company's remuneration system aims to strengthen values, skills and behaviors in line with the development strategy, through the alignment of the interests of management and shareholders and through a strong link between remuneration and corporate and individual performance. The Remuneration Policy therefore aims to generate sustainable value and defines a system providing that the overall remuneration is made up of an important variable component, to be paid exclusively in the event that the results are actually achieved.

## **6. Financial instrument assignment plans (Annex 3A, letter k) and l) Issuers' Regulation)**

There are no plans for the assignment of financial instruments either for the members of the Board of Directors and of the Statutory Auditors of the Company or for the KMP.

## **7. Compensation provided for in the event of termination of office or termination of the employment relationship (Annex 3A, letter m) Issuers' Regulation)**

As regards the Directors who are not linked to the Company by an employment relationship, no indemnity is envisaged in the event of termination of office.

Regarding the Directors being also employees of the Company and the KMP being employees of the Company, since there is a permanent employment relationship, the national collective agreement of industry managers applies, providing:

- in the event of resignation, a notice period, commensurate with length of service, between 2 and 4 months;
- in the event of dismissal, the obligation for the Company of a notice period, commensurate with the length of service, between 6 and 12 months which can be replaced by the payment of the corresponding monthly salaries;
- in the event of unjustified dismissal, in addition to notice, an indemnity is due to the employee, commensurate with length of service, equal to a minimum of 4 and a maximum of 24 monthly salaries;
- the employee severance indemnity.

For the employees of the Company, in relation to the variable part of the remuneration, the payment of the accrued annual bonus is envisaged if they are still employees at the time of the expected payment, otherwise they lose the right to receive the annual bonus.

For KMP being employees of foreign subsidiaries, the employment relationship is based on

individual permanent contracts providing:

- as for the CEO Dyckerhoff, in the event of termination of the employment relationship, a notice period of 12 months (except in the case of misconduct). No specific indemnities are foreseen and the payment of the annual MBO accrual is envisaged;
- as for the CEO Buzzi Unicem USA:
  - in the event of resignation, a notice period of 30 days and no indemnity;
  - in the event of Termination by the Executive for Good Reason, a notice period of 30 days and the payment of an indemnity equal to one year of fixed remuneration and the annual MBO;
  - in the event of Involuntary Termination by the Company Without Just Cause, no notice but the payment of an indemnity equal to one year of fixed remuneration and the annual MBO;
  - in the event of Termination by the Company for Just Cause, no notice or indemnity.

For the other KMP being employees of foreign subsidiaries, with regard to the variable part of the remuneration, the payment of the annual bonus accrued up to the termination of the employment relationship is foreseen.

In relation to the 2020-2022 LTI plan, reference is made to the indications contained in paragraph 4.4 above for cases of termination of the employment relationship of the recipients. There are no further severance payments beyond those indicated above, neither non-competition commitments nor the assignment of non-monetary benefits or the stipulation of consultancy contracts for a period subsequent to the termination of the employment relationship.

## **8. Insurance or social security or pension coverage other than the compulsory one (Annex 3A, letter n) Issuers' Regulation)**

With reference to the members of the Board of Directors who are not employees of the Company, no insurance, social security or pension coverage is envisaged.

With reference to the Directors who are also employees of the Company and to the KMP, there are insurance, social security, pension and health care coverage provided for by the respective local regulations and by the related permanent employment contracts.

For Directors who are also employees of the Company and the KMP of the Italy area, there is supplementary health, accident and life coverage provided through an assistance fund.

The KMP of the Dyckerhoff area do not have any supplementary health coverage, but a supplementary pension form has been accorded, the benefits of which will be provided at the end of the work activity.

The CEO Buzzi Unicem USA benefits from supplementary health coverage provided through the health insurance plan in force at the Company. In addition, this Manager has been granted a social security treatment by agreement which provides for the continuity of INPS (Italian social security system) payments, calculated on the last salary received by him in Italy.

All members of the Board of Directors and of the Statutory Auditors' Committee of the Company and the KMP are beneficiaries of a D&O (Directors' and Officers' Liability) insurance policy stipulated with a leading insurance company at market conditions for this type of coverage.

## **9. Remuneration policies of reference (Annex 3A, letter p) Issuers' Regulation)**

For the definition of the Remuneration Policy, no remuneration policies of other companies were used as a reference.

## **10. Possible derogations from the Remuneration Policy (Annex 3A, letter q) Issuers' Regulation)**

As a rule, the Company does not derogate from the principles that are the basis of its Remuneration Policy. However, where exceptional circumstances occur (including but not limited to: sensitive changes in the scope of business activity, sales of shareholdings or company branches on which performance targets are based, acquisition of new material assets), the need to adapt the elements of the Remuneration Policy to any change in some industrial targets during the duration of the Policy itself may lead to a derogation from the same. The derogation from the Remuneration Policy may, in particular, consist of a different content and a different weight between the targets of the annual MBOs indicated in the previous paragraph 4.3.2, provided that the ratio between fixed and variable component of the remuneration as an employee cannot be changed.

It will be possible to apply the derogation by resolution of the Board of Directors, subject to the application of the Procedure for Related-Party Transactions adopted by the Company and pro tempore in force.

## **SECTION II**

### **Compensation paid to members of the administrative and control bodies and to key management personnel**

The Section II, which is divided into two parts, illustrates by name the remuneration referred to the year 2021 of the members of the Board of Directors and the Statutory Auditors' Committee as well as, in the cases provided for by current legislation, including regulatory ones, of KMP. In particular, the First Part of Section II provides a representation of the items that make up the remuneration of the aforementioned persons.

In the Second Part of Section II, the remuneration for the year 2021, for any reason and in any form, of the aforementioned persons, as well as the equity investments held in the Company by such persons, are analytically reported.

#### **FIRST PART**

##### **1.1 Representation of the items that make up the compensation**

###### **Members of the Board of Directors**

a) The entire Board of Directors was assigned an annual fixed amount determined by the Shareholders' Meeting of 8 May 2020 at the time of the appointment, equal to a total of €450,000. These amounts were divided by resolution of the Board of Directors equally among all Directors, with the allocation of a double share to the Chairman and with the exclusion of the Directors who are paid as employees.

The remuneration of the Directors who are not paid as employees for the year 2021 was therefore equal to an annual amount of:

- €90,000 for the Chairman;
- €45,000 for each director;

attributed pro rata temporis to each of the entitled persons, based on their tenure in office, as indicated in Table 1 below;

- b) a fixed amount was attributed to director Paolo Burlando, pursuant to art. 2389 of the Italian Civil Code, determined by the Board of Directors of 8 May 2020 at €180,000 per year for the special tasks assigned to him;
- c) each member of the Control and Risk Committee was assigned a fixed amount, pursuant to art. 2389 of the Italian Civil Code, determined by the Board of Directors of 8 May 2020 at €15,000 per year each;
- d) each member of the Related-Party Committee was assigned a fixed amount, pursuant to art. 2389 of the Civil Code, determined by the Board of Directors at €2,500 each for the participation in the one meeting held in 2021.

###### **Members of the Statutory Auditors' Committee**

The members of the Statutory Auditors' Committee were awarded a fixed amount determined by the Shareholders' Meeting of 8 May 2020 at the time of appointment, equal to €67,500 for the Chairman and €45,000 for each Statutory Auditor.

###### **Directors being employees of Buzzi Unicem and Key Management Personnel**

The remuneration as an employee relating to 2021 was the following:

- a) CEO Pietro Buzzi
- €270,000 as fixed component
  - €75,060 as annual MBO

- b) CEO Michele Buzzi
  - €271,679 as fixed component
  - €75,527 as annual MBO
- c) Director Luigi (Gigi) Buzzi
  - €108,828 as fixed component
  - €20,078 as annual MBO
- d) CEO Dyckerhoff
  - €575,004 as fixed component
  - €213,957 as annual MBO
- e) CEO Buzzi Unicem USA
  - USD 600,000 (equal to €507,313) as fixed component
  - USD 264,340 (equal to €223,505) as annual MBO.

The fringe benefits, in line with the Policy, consist of the car for both private and work use and of meal vouchers.

The amount relating to the annual MBO will be paid in 2022 after the approval of the financial statements for 2021.

Information on the targets achieved in relation to the MBOs awarded in 2021 is provided below.

Targets	CEOs			
	% targets on total MBO	maximum % on remuneration as employee	% target achievement	% on remuneration as employee 2021
<b>Economic/financial targets</b>	<b>92%</b>	<b>46%</b>		<b>23.80%</b>
EBIT Italy Vs year -1 Vs budget	14% 14%	7% 7%	< 80% < 80%	0 0
EBIT Dyckerhoff Vs year -1 Vs budget	14% 14%	7% 7%	98% 106%	3.92% 5.04%
EBIT USA Vs year -1 Vs budget	14% 14%	7% 7%	104% > 120%	4.76% 7.00%
Consolidated net profit attributable to shareholders Vs year -1 Vs budget	4% 4%	2% 2%	97% > 120%	1.08% 2.00%
<b>Sustainability (group's LTIFR)</b>	<b>8%</b>	<b>4%</b>	<b>100%</b>	<b>4%</b>
<b>Total</b>	<b>100%</b>	<b>50%</b>		<b>27.80%</b>

Targets	Director Luigi (Gigi) Buzzi			
	% targets on total MBO	maximum % on remuneration as employee	% target achievement	% on remuneration as employee 2021
<b>Economic/financial targets</b>	<b>70%</b>	<b>21%</b>		<b>10.95%</b>
EBIT Italy Vs year -1 Vs budget	11.7% 11.7%	3.5% 3.5%	< 80% < 80%	0 0
EBIT Dyckerhoff Vs year -1 Vs budget	11.65% 11.65%	3.5% 3.5%	98% 106%	2.21% 2.68%
EBIT USA Vs year -1 Vs budget	11.65% 11.65%	3.5% 3.5%	104% > 120%	2.56% 3.50%
<b>Sustainability (group's LTIFR)</b>	<b>15%</b>	<b>4.5%</b>	<b>100%</b>	<b>4.5%</b>
<b>Individual</b>	<b>15%</b>	<b>4.5%</b>	<b>96%</b>	<b>3%</b>
<b>Total</b>	<b>100%</b>	<b>30%</b>		<b>18.45%</b>

<b>CEO Dyckerhoff</b>				
Targets	% targets on total MBO	maximum % on remuneration as employee	% target achievement	% on remuneration as employee 2021
<b>Economic/financial targets</b>	<b>75%</b>	<b>37.5%</b>		<b>28.71%</b>
EBIT Dyckerhoff				
Vs year -1	25%	12.5%	98%	8.32%
Vs budget	25%	12.5%	106%	9.71%
EBIT USA				
Vs year -1	10%	5%	104%	3.81%
Vs budget	10%	5%	> 120%	5.00%
EBIT Buzzi Unicem group				
Vs year -1	5%	2.5%	103%	1.87%
<b>Sustainability (Injury indices)</b>	<b>10%</b>	<b>5%</b>	<b>20%</b>	<b>1%</b>
<b>Individual</b>	<b>15%</b>	<b>7.5%</b>	<b>100%</b>	<b>7.5%</b>
<b>Total</b>	<b>100%</b>	<b>50%</b>		<b>37.21%</b>

<b>CEO Buzzi Unicem USA</b>				
Targets	% targets on total MBO	maximum % on remuneration as employee	% target achievement	% on remuneration as employee 2021
<b>Economic/financial targets</b>	<b>90%</b>	<b>45%</b>		<b>40.94%</b>
EBIT USA				
Vs year -1	45%	22.5%	104%	18.44%
Vs budget	45%	22.5%	> 120%	22.50%
<b>Sustainability</b>	<b>10%</b>	<b>5%</b>	<b>63%</b>	<b>3.12%</b>
<b>Total</b>	<b>100%</b>	<b>50%</b>		<b>44.06%</b>

The targets of the objectives are not indicated, as they are determined also taking into account internal forecasts that are not disclosed to the market. The individual targets are not indicated as they concern development and organizational projects that are internal and confidential.

The following table shows the ratio between the fixed and variable short-term component (annual MBO) of the remuneration as an employee for the year 2021. The calculation takes into account the ratio between the fixed component as employee net of non-cash benefits and the short-term variable component of remuneration.

	% fixed component of the remuneration as employee	% annual MBO	Total remuneration as employee 2021
CEOs	78%	22%	100%
Gigi Buzzi	84%	16%	100%
CEO Dyckerhoff	73%	27%	100%
CEO Buzzi Unicem USA	69%	31%	100%

For the other KMP, the amounts are provided in an aggregate manner in the tables referred to in the following Second Part of this Section, to which reference is made.

It should be noted that the amount of the bonus varies between 20% and 30% of the fixed remuneration and will be paid in 2022.

The consideration awarded in 2021 and described above comply with the Company's Remuneration Policy.

In particular, the short-term targets, referring to the result targets of the various geographical areas of the group and to sustainability targets linked to safety in the workplace, having reached

high levels, contributed to maintaining constant growth in the Company's results over time and to the improvement of the working conditions of employees in general.

## **1.2 Allocation of indemnities and/or benefits for the termination of office or the employment relationship**

During 2021 no indemnity was allocated in the event of termination of office or the employment relationship.

## **1.3 Departures from the Remuneration Policy**

During 2021 no departures from the Remuneration Policy were applied.

## **1.4 Application of ex post correction mechanisms**

During 2021 no ex post correction mechanisms were applied to the variable component of remuneration.

## **1.5 Comparison information**

Comparison information is provided below with regard to the annual change:

- a) of the total remuneration of the CEOs and the KMP indicated by name in the following Table 1:

	% change 2019 vs 2018	% change 2020 vs 2019	% change 2021 vs 2020
<b>CEOs</b>			
Michele Buzzi	8.17%	1.42%	6.21%
Pietro Buzzi	8.56%	1.46%	7.38%
<b>KMP indicated by name in Table 1</b>			
Massimo Toso (CEO Buzzi Unicem USA) <sup>3</sup>	21.26%	0.60%	2.56%
Dirk Beese (CEO Dyckerhoff)	2.91%	5.76%	5.40%

The considerations for non-executive directors and for participation in internal board committees did not change in the reference periods. There have been subjective changes determined exclusively by the changed composition of the Board of Directors and of the internal board committees.

The considerations allocated by the Company to the Statutory Auditors did not change<sup>4</sup>.

- b) of the Company's results:

Company's results	% change 2019 vs 2018	% change 2020 vs 2019	% change 2021 vs 2020
Consolidated net sales	12.11%	0.03%	6.92%
Consolidated EBITDA	26.14%	7.24%	1.77%
Consolidated EBIT	33.09%	11.89%	4.14%
Consolidated net profit for the year	0.82%	45.23%	(3.24%)

<sup>3</sup> The remuneration of the CEO Buzzi Unicem USA is paid in USD and the changes are calculated on the remuneration in USD. In the tables attached to this Report, the remuneration is expressed in euros on the basis of the average ratio EUR/USD exchange rate of the reference year and therefore the figures reported in the attached tables may be affected by the exchange rate effect

<sup>4</sup> As a result of appointments or terminations of other offices in statutory auditors' committees in subsidiaries and associates:

- the considerations of the auditor Paola Lucia Giordano increased by 4.76% in 2019 compared to 2018 and by 15.3% in 2020 compared to 2019, while they declined by 1.45% in 2021 compared to 2020;
- the consideration of the auditor Giorgio Zoppi increased by 0.27% in 2019 compared to 2018 and declined by 10.59% in 2020 compared to 2019 and by 8.55% in 2021 compared to 2020.



It should be noted that the consolidated results of the group were taken as a reference considering that the Company is an industrial holding operating in various countries and that, therefore, consolidated data are more significant than the development of the results of the same.

- c) of the average gross annual remuneration, based on full-time employees, of the employees of the group other than the Directors being employees of Buzzi Unicem and than the CEOs Dyckerhoff and Buzzi Unicem USA:

	% change 2019 vs 2018	% change 2020 vs 2019	% change 2021 vs 2020
Average gross annual remuneration of full-time employees of the group	4.3%	4.2%	3.9%

It should be noted that the average of all employees of the group was taken as a reference considering that the Company operates in various countries and that KMP is paid, in some cases, by subsidiaries of countries other than Italy.

The calculation method used is represented by the arithmetic mean of the gross salaries of full-time employees in each country in which the group operates.

#### **1.6 Voting results of the shareholders' meeting**

The Shareholders' Meeting held on 7 May 2021 approved the Section II of the Remuneration Report for the 2020 financial year with the following results:

- in favor 97.3% of those present
- against 1.9% of those present
- abstained 0.7% of those present.

## SECOND PART

**TABLE 1: Compensation paid to members of the administrative and control bodies, general managers and other key management personnel**

### Board of Directors

Name and surname	Office	Period for which office was held	Expiry of office (1)	Fixed compensation			Compensation for participation in committees	Variable non-equity remuneration		Non-cash benefits	Other remuneration	Total	Fair value of equity compensation	Severance indemnity for end of office or termination of employment
				for the office	for special tasks	as an employee		Bonuses and other incentives	Profit sharing					
<b>Veronica Buzzi</b>	Chairman	1/1/2021-31/12/2021	2022											
(I)	Compensation in the company preparing the financial statements			90,000								<b>90,000</b>		
(II)	Compensation from subsidiaries and associates			40,000								<b>40,000</b>		
(III)	Total			<b>130,000</b>								<b>130,000</b>		
<b>Michele Buzzi</b>	CEO	1/1/2021-31/12/2021	2022											
(I)	Compensation in the company preparing the financial statements			271,679			75,527 <sup>2</sup>	12,141 <sup>3</sup>				<b>359,347</b>		
(II)	Compensation from subsidiaries and associates			84,000								<b>84,000</b>		
(III)	Total			<b>84,000</b>			<b>75,527</b>	<b>12,141</b>				<b>443,347</b>		
<b>Pietro Buzzi</b>	CEO	1/1/2021-31/12/2021	2022											
(I)	Compensation in the company preparing the financial statements			270,000			75,060 <sup>2</sup>	10,912 <sup>3</sup>				<b>355,972</b>		
(II)	Compensation from subsidiaries and associates			60,000								<b>60,000</b>		
(III)	Total			<b>60,000</b>			<b>75,060</b>	<b>10,912</b>				<b>415,972</b>		
<b>Paolo Burlando</b>	Director	1/1/2021-31/12/2021	2022											
(I)	Compensation in the company preparing the financial statements			45,000	180,000		15,000 <sup>4</sup>					<b>240,000</b>		
(II)	Compensation from subsidiaries and associates			40,200								<b>40,200</b>		
(III)	Total			<b>85,200</b>	<b>180,000</b>		<b>15,000</b>					<b>280,200</b>		
<b>Luigi (Gigi) Buzzi</b>	Director	1/1/2021-31/12/2021	2022											
(I)	Compensation in the company preparing the financial statements			108,828			20,078 <sup>2</sup>	9,405 <sup>5</sup>				<b>138,311</b>		
(II)	Compensation from subsidiaries and associates			40,000								<b>40,000</b>		
(III)	Total			<b>40,000</b>			<b>108,828</b>	<b>20,078</b>	<b>9,405</b>			<b>178,311</b>		
<b>Elsa Fornero</b>	Director	1/1/2021-31/12/2021	2022											
(I)	Compensation in the company preparing the financial statements			45,000			2,500 <sup>6</sup>					<b>47,500</b>		
<b>Aldo Fumagalli Romario</b>	Director	1/1/2021-31/12/2021	2022											
(I)	Compensation in the company preparing the financial statements			45,000			17,500 <sup>7</sup>					<b>62,500</b>		
<b>Linda Orsola Gilli</b>	Director	1/1/2021-31/12/2021	2022											
(I)	Compensation in the company preparing the financial statements			45,000								<b>45,000</b>		
<b>Antonella Musy</b>	Director	1/1/2021-31/12/2021	2022											
(I)	Compensation in the company preparing the financial statements			45,000			15,000 <sup>4</sup>					<b>60,000</b>		
<b>Mario Paterlini</b>	Director	1/1/2021-31/12/2021	2022											
(I)	Compensation in the company preparing the financial statements			45,000								<b>45,000</b>		
<b>Gianfelice Rocca</b>	Director	1/1/2021-31/12/2021	2022											
(I)	Compensation in the company preparing the financial statements			45,000			2,500 <sup>6</sup>					<b>47,500</b>		
<b>Giovanna Vitelli</b>	Director	1/1/2021-31/12/2021	2022											
(I)	Compensation in the company preparing the financial statements			45,000								<b>45,000</b>		

- (1) Approval of the financial statements
- (2) Cash incentive relating to the variable part of the remuneration paid in 2022 based on the achievement of the objectives assigned for 2021
- (3) It includes annual fee paid by the company to the supplementary pension fund for €7,200
- (4) Remuneration received as a member of the Control and Risk Committee
- (5) It includes annual fee paid by the company to the supplementary pension fund for €5,424
- (6) Remuneration received as a member of the Related-Party Committee
- (7) Remuneration received as a member of the Control and Risk Committee (€15,000) and of the Related-Party Committee (€2,500)

## Statutory Auditors' Committee

Name and surname	Office	Period for which the office was held	Expiry of office (1)	Fixed compensation	Compensation for participation in committees	Variable non-equity remuneration		Non-cash benefits	Other remuneration	Total	Fair Value of equity compensation	Severance indemnity for end of office or termination of employment
						Bonuses and other incentives	Profit sharing					
<b>Fabrizio Riccardo Di Giusto</b>	Chairman of the Statutory Auditors' Committee	1/1/2021-31/12/2021	2022									
(I)	Compensation in the company preparing the financial statements			67,500						67,500		
<b>Paola Lucia Giordano</b>	Member	1/1/2021-31/12/2021	2022									
(I)	Compensation in the company preparing the financial statements			45,000						45,000		
(II)	Compensation from subsidiaries and associates			17,500						17,500		
(III)	Total			62,500						62,500		
<b>Giorgio Zoppi</b>	Member	1/1/2021-31/12/2021	2022									
(I)	Compensation in the company preparing the financial statements			45,000						45,000		
(II)	Compensation from subsidiaries and associates			31,250						31,250		
(III)	Total			76,250						76,250		

(1) Approval of the financial statements

## Other Key Management Personnel

Name and surname	Office	Period for which the office was held	Expiry of office	Fixed compensation as an employee	Compensation for participation in committees	Variable non-equity remuneration		Non-cash benefits	Other remuneration	Total	Fair Value of equity compensation	Severance indemnity for end of office or termination of employment
						Bonuses and other incentives	Profit sharing					
<b>Massimo Toso</b>	CEO Buzzi Unicem USA	1/1/2021-31/12/2021										
(II)	Compensation from subsidiaries <sup>1</sup>			507,313		223,505 <sup>2</sup>		98,643 <sup>3</sup>		829,461		
<b>Dirk Beese</b>	CEO Dyckerhoff	1/1/2021-31/12/2021										
(II)	Compensation from subsidiaries			575,004		213,957 <sup>2</sup>		199,255 <sup>4</sup>		988,216		
<b>Other Key Management Personnel <sup>5</sup></b>												
(I)	Compensation in the company that edits the financial statements			515,019		101,804 <sup>2</sup>		27,869 <sup>6</sup>		644,692		
(II)	Compensation from subsidiaries			179,835		53,627 <sup>2</sup>		29,914 <sup>7</sup>		263,376		
(III)	Total			694,854		155,431		57,783		908,068		

(1) The remuneration to the CEO Buzzi Unicem USA is paid in USD. The table shows the corresponding amounts in euros based on the average EUR/USD exchange rate for the year 2021

(2) Cash incentive relating to the variable part of the remuneration paid in 2022 based on the achievement of the objectives assigned for 2021

(3) It includes payment for the purposes of future retirement benefits in Italy for €70,508

(4) It includes portion of provision for the purposes of future pension treatment for €187,227

(5) It includes no. 4 Key Managers

(6) It includes annual fee paid by the company to the supplementary pension fund for €19,884

(7) It includes portion of provision for future retirement benefits for €21,762

**TABLE 3B: Cash incentive plans for members of the administrative body, general managers and other key management personnel**

A	B	(1)	(2)			(3)			(4)
			Bonus of the year			Bonuses of previous years			Other Bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/Paid	Deferred	Deferral period	Not payable anymore	Payable/Paid	Still deferred	
Name and surname	Office	Plan							
<b>Michele Buzzi</b>	CEO								
Compensation in the company preparing the financial statements		MBO 2021	75,527 <sup>1</sup>						
		LTI 2020-2022		54,335 <sup>2</sup>				54,335 <sup>3</sup>	
<b>Pietro Buzzi</b>	CEO								
Compensation in the company preparing the financial statements		MBO 2021	75,060 <sup>1</sup>						
		LTI 2020-2022		54,000 <sup>2</sup>				54,000 <sup>3</sup>	
<b>Massimo Toso</b>	CEO Buzzi Unicem USA								
Compensation from subsidiaries		MBO 2021	223,505 <sup>1</sup>						
		LTI 2020-2022		52,530 <sup>2</sup>				52,530 <sup>3</sup>	
<b>Dirk Beese</b>	CEO Dyckerhoff								
Compensation from subsidiaries		MBO 2021	213,957 <sup>1</sup>						
		LTI 2020-2022		57,500 <sup>2</sup>				57,500 <sup>3</sup>	
<b>Other key management personnel</b>		MBO 2021							
(I) Compensation in the company preparing the financial statements			101,804 <sup>1</sup>						
(II) Compensation from subsidiaries			53,627 <sup>1</sup>						
(III) Total			<b>155,431</b>						

(1) Cash incentive relating to the variable part of the remuneration paid in 2022 based on the achievement of the objectives assigned for 2021

(2) This amount represents the maximum payable amount pertaining to 2021 against the achievement of the maximum level of the objectives assigned with the 2020-2022 LTI plan. The disbursement of this amount is subject to verification of the achievement of the objectives assigned to be carried out with the approval of the financial statements for the year 2022

(3) This amount represents the maximum payable amount pertaining to 2020 against the achievement of the maximum level of the objectives assigned with the 2020-2022 LTI plan. The disbursement of this amount is still deferred and subject to verification of the achievement of the objectives assigned to be carried out with the approval of the financial statements for the year 2022

## DIAGRAM 7-TER

**Table 1: Equity investments of members of the administrative and control bodies and general managers**

Name and surname	Office	Investee company	Number of shares held at the end of the previous year (31/12/2020)	Number of shares purchased	Number of shares sold	Number of ordinary shares deriving from conversion of savings shares (1)	Number of shares held at the end of the current year (31/12/2021)
<b>Directors</b>							
Veronica Buzzi	Chairman	Buzzi Unicem SpA Buzzi Unicem SpA	60,300 ord. 85,730 sav.			57,439 ord.	117,739 ord.
Michele Buzzi	CEO	Buzzi Unicem SpA	31,130 sav.	340 ord. (2)		20,857 ord.	21,197 ord.
Pietro Buzzi	CEO	Buzzi Unicem SpA Buzzi Unicem SpA	2,560 ord. 38,610 sav.	340 ord. (2)		25,868 ord.	28,768 ord.
Paolo Burlando	Director	Buzzi Unicem SpA	13,000 sav.			8,710 ord.	8,710 ord.
Luigi (Gigi) Buzzi	Director	Buzzi Unicem SpA	50,364 sav.	8.257 ord.		33,743 ord.	42,000 ord.
Giovanna Vitelli	Director	Buzzi Unicem SpA	8,300 ord.				8,300 ord.

(1) it occurred effective from 18 January 2021

(2) shares acquired by way of inheritance

**Table 2: Equity investments of other key management personnel**

No. of key managers	Investee company	Number of shares held at the end of the previous year (31/12/2020)	Number of shares purchased	Number of shares sold	Number of ordinary shares deriving from conversion of savings shares (1)	Number of shares held at the end of the current year (31/12/2021)
6	Buzzi Unicem SpA	2,250 ord. 28,490 sav.	1,960 ord. (2)		19.088 ord.	23,298 ord.

(1) it occurred effective from 18 January 2021

(2) of which 340 shares acquired by way of inheritance