

(Translation from the Italian original which remains the definitive version)



# **2015 ANNUAL REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE**

Report as at 10 March 2016 regarding financial year 2015 (in accordance with Article 123-bis of the Consolidated Finance Act)

## CONTENTS

GLOSSARY	3
INTRODUCTION	4
1. ISSUER'S PROFILE	5
2. INFORMATION ON THE OWNERSHIP STRUCTURE AS AT 31 DECEMBER 2015	5
3. COMPLIANCE	7
4. BOARD OF DIRECTORS	8
5. PROCESSING COMPANY INFORMATION	20
6. COMMITTEES WITHIN THE BOARD	20
7. APPOINTMENTS AND REMUNERATION COMMITTEE	20
8. REMUNERATION OF DIRECTORS	23
9. CONTROL AND RISKS COMMITTEE	24
10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM	25
11. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES	29
12. APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS	30
13. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS	31
14. SHAREHOLDER RELATIONS	32
15. SHAREHOLDERS' MEETINGS	32
16. ADDITIONAL CORPORATE GOVERNANCE PRACTICES	33
17. CHANGES SINCE YEAR-END	34

**ANNEX 1: Paragraph on the “Primary characteristics of the existing risk management and internal control systems in relation to the financial reporting process” in accordance with Article 123-bis, Paragraph 2, letter b) of the Consolidated Finance Act.**

## GLOSSARY

For the purposes of this document, the meaning of the terms listed below shall be as follows:

- **Code:**  
the Corporate Governance Code of listed companies approved in July 2015 by the Corporate Governance Committee (as amended) and promoted by Borsa Italiana S.p.A., ABI (Italian Banking Association), Ania (National Association of Insurance Companies), Assogestioni (Italian asset management association), Assonime (Association of Italian joint stock companies) and Confindustria (Italian Manufacturers' Federation).
- **Italian Civil Code:**  
the Italian Civil Code.
- **Code of Ethics:**  
The code of ethics pursuant to Legislative Decree no. 231/2001 (as amended), adopted by the Issuer.
- **Board:**  
the Board of Directors of the Issuer.
- **Issuer or Company:**  
the issuer of listed shares as referenced herein.
- **Financial year:**  
the financial year to which the Report refers.
- **Instructions to the Stock Market Regulations:**  
the Instructions to the Regulations of the Markets organised and operated by Borsa Italiana S.p.A.
- **Issuers' Regulations:**  
the Regulations for issuers promulgated by Consob with its resolution no. 11971 of 1999 (as subsequently amended).
- **Market Regulations:**  
the Regulations for markets promulgated by Consob with its resolution no. 16191 of 2007 (as subsequently amended).
- **Consob Related Parties Regulations:**  
the Regulations for transactions with related parties promulgated by Consob with its resolution no. 17221 of 12 March 2010 (as subsequently amended).
- **Stock Market Regulations:**  
the Regulations of the Markets organised and operated by Borsa Italiana S.p.A.
- **Report:**  
the Report on corporate governance and ownership structure which Companies must prepare in accordance with Article 123-*bis* of the Consolidated Finance Act.
- **Consolidated Finance Act /TUF:**  
Legislative Decree no. 58 of 24 February 1998 (Consolidated Finance Act), as amended.

## INTRODUCTION

This Report, approved by the Board on 10 March 2016, provides a general and complete description of the Corporate Governance and ownership structure of the Issuer at 31 December 2015, drafted in compliance with Article 123-bis of the Consolidated Finance Act and in light of the recommendations of the Code, as well as taking into account the document “Format for the report on corporate governance and ownership structure” (V Edition, January 2015) prepared by Borsa Italiana.

Please see the Report on Remuneration pursuant to Article 123-ter of the Consolidated Finance Act, approved by the Board on 10 March 2016 and published together with this Report, for information on remuneration.

The text of this Report is available at the registered office and on the Issuer’s website ([www.cementirholding.it](http://www.cementirholding.it)) and it has been delivered to Borsa Italiana, according to the procedures and within the terms prescribed by current regulations.

Please note that words beginning with a capital letter are defined as set forth in the Glossary.

# 1. ISSUER'S PROFILE

## 1.1. Foreword

The Company is the parent company of an international group operating in the white and grey cement and concrete industry and in waste treatment and management.

The Company manufactures and distributes grey and white cement, aggregates, concrete and cement products in many Countries throughout the world. With plants located in 16 Countries and over 3,032 employees, the Company is a world leader in the production of white cement; it is also the only cement manufacturer in Denmark, the third largest in Turkey and the fourth largest in Italy, in addition to being the leading concrete manufacturer in Scandinavia.

Since 21 May 2009, Cementir stocks have been listed on the Star segment of the Electronic Equity Market of Borsa Italiana.

The Company's shares had already been listed in the Star segment from 2001 to 2007 and in 2007 the Company had been taken out of the Star segment and placed in the Blue-Chip segment after exceeding the capitalisation threshold; after 22 September 2008, it had been moved to the Standard segment.

## 1.2. Company Organisational Structure

The management and control model adopted by the Company is the traditional one set forth in the Italian Civil Code, featuring the Board of Directors and the Board of Statutory Auditors and an independent auditor.

The Corporate Governance system is based on the essential role of the Board of Directors (as the highest body responsible for managing the Company in the interest of its shareholders), on transparency in the company's decision-making processes and on an effective internal control system.

The system was implemented by the Company by preparing and adopting codes, standards, rules and procedures that govern and regulate the conduct of the activities of all organisational and operating units of the Company.

The **Shareholders' Meeting** is responsible for passing ordinary and extraordinary resolutions on the matters reserved to the Meeting by law or by the Articles of Association.

The **Board of Directors** is vested with the broadest powers of ordinary and extraordinary administration, with the exception of those exclusively reserved to the Shareholders' Meeting by law and by the Articles of Association.

The Board elects a Chairman and the Chief Executive Officer from among its members and it may elect a Deputy Chairman to replace the Chairman in case of absence or disability. The Board has established three committees from within its ranks to provide advice and submit proposals: the Executive Committee, the Control and Risks Committee and the Appointments and Remuneration Committee.

The **Board of Statutory Auditors** shall not only monitor compliance with the law and the Articles of Association as well as with the principles of correct administration in the conduct of Company business, but also monitor the effectiveness of the internal control, internal audit and risk management system as well as the financial reporting and statutory account auditing process and the independence of the outside auditor or audit company.

Account auditing shall be performed by a specialised company duly registered with the Consob, specifically appointed by the Shareholders' Meeting on proposal of the Board of Statutory Auditors. The independent auditor appointed to audit the Company's accounts shall hold the same appointment for nearly all of the companies in the Group.

## 2. INFORMATION ON THE OWNERSHIP STRUCTURE (pursuant to Art. 123-bis, paragraph 1 of the Consolidated Finance Act) as at 31 December 2015

### Paragraph 1

#### a) Share capital structure (pursuant to art. 123-bis, paragraph 1, letter a), of the Consolidated Finance Act)

The Company's subscribed and paid up share capital as at 31 December 2015 amounts to EUR 159,120,000 divided into 159,120,000 ordinary shares with a par value of EUR 1.00 each.

SHARE CAPITAL STRUCTURE				
	No. of shares	Percentage of share capital	Listed	Rights and obligations
Ordinary shares	159,120,000	100%	Borsa Italiana - STAR Segment	Those ordinarily prescribed by current regulations
Multiple voting right shares	/	/	/	/
Voting right shares	/	/	/	/
Non-voting shares	/	/	/	/
Other	/	/	/	/

The shares are indivisible and freely transferable and each share entitles to one vote. Shareholders can exercise the corporate and capital rights attributed to them by current regulations, in compliance with the limits set out therein.

The Company has not issued other categories of shares or of financial instruments that may be converted or are exchangeable with shares.

At the date of the Report's approval there were no stock-based incentive plans involving share capital increases.

**b) Restrictions on the transfer of shares (pursuant to art. 123-bis, paragraph 1, letter b), of the Consolidated Finance Act)**

There are no restrictions of any kind on the transfer of shares.

**c) Material holdings (pursuant to art. 123-bis, paragraph 1, letter c), of the Consolidated Finance Act)**

Please note that the Issuer can be qualified as a SME pursuant to Art. 1, Paragraph 1, letter w-quater.1) of the Consolidated Finance Act since it falls within the parameters established by said rule. Therefore, the threshold for disclosing the material holdings pursuant to Art. 120 of the Consolidated Finance Act is 5% of the share capital with voting rights.

On the basis of available information and the notifications received pursuant to Article 120 of the Consolidated Finance Act, as at 31 December 2015 the shareholders holding over 5% of the share capital of Cementir Holding S.p.A. are:

MATERIAL HOLDINGS AS AT 31 December 2015			
Declarant	Direct shareholder	Percentage of ordinary capital	Percentage of voting capital
Francesco Gaetano CALTAGIRONE	NO through: Vianini Industria S.p.A. LAV 2004 S.r.l. CALT 2004 S.r.l. Caltagirone S.p.A. Pantheon 2000 S.p.A. Gamma S.r.l.	65.105%	65.105%
Francesco Gaetano CALTAGIRONE	YES	0.834%	0.834%
Francesco CALTAGIRONE	NO through: Chupas 2007 S.r.l.	3.035%	3.035%
Francesco CALTAGIRONE	YES	1.992%	1.992%

**d) Shares entitling to special rights (pursuant to art. 123-bis, paragraph 1, letter d), of the Consolidated Finance Act)**

No shares entitling to special control rights have been issued.

**e) Employee shareholdings: voting rights exercising procedure (pursuant to art. 123-bis, paragraph 1, letter e), of the Consolidated Finance Act)**

No employee shareholding system has been established, so there is no specific procedure for the exercise of voting rights by employees.

**f) Restrictions on voting rights (pursuant to art. 123-bis, paragraph 1, letter f), of the Consolidated Finance Act)**

There are no restrictions on voting rights.

**g) Shareholder agreements (pursuant to art. 123-bis, paragraph 1, letter g), of the Consolidated Finance Act)**

At the date of the Report's approval no shareholder agreements pursuant to Article 122 of the Consolidated Finance Act, concerning the exercise of rights pertaining to the shares or their transfer were known or reported.

**h) Change of control clauses (pursuant to art. 123-bis, paragraph 1, letter h), of the Consolidated Finance Act) and articles of association provisions on takeover bids (pursuant to articles 104, paragraph 1-ter and 104-bis, paragraph 1)**

As part of its ordinary financial operations, the Issuer has signed a three-year loan of 50 million euros which imposes a repayment obligation on the Issuer in the event of Issuer's change of control. The Issuer's Subsidiaries have in course loan contracts that include standard clauses of change of control that are consistent with the commercial procedures.

The articles of association of the Issuer do not provide any waivers of the passivity rule as set out by Article 104, Paragraphs 1 and 1-bis of the Consolidated Finance Act and do not provide for the enforcement of the neutralisation rules contemplated by Article 104-bis, Paragraphs 2 and 3 of the Consolidated Finance Act.

**i) Powers to increase the share capital and authorisations to purchase treasury shares (pursuant to art. 123-bis, paragraph 1, letter m), of the Consolidated Finance Act)**

The Extraordinary Shareholders' Meeting of Cementir Holding S.p.A of 23 February 2015 approved granting a five-year delegation to the Board of Directors to increase the share capital pursuant to Article 2443 of the Italian Civil Code, without exclusion of pre-emption rights, and the consequent amendment of Article 3 of the Articles of Association.

The delegation specifically concerns the right for the Board of Directors to increase the share capital, in one or more stages, for consideration, and with partial subscription permitted, through the issue of ordinary shares. The maximum amount of the increase, including any premium, shall not exceed 300 million euros.

The Board of Directors cannot issue participatory financial instruments.

The Shareholders' meeting has not authorised the purchase of treasury shares in accordance with Articles 2357 et seq. of the Italian Civil Code.

Please see Paragraph 2 (a) (Share capital structure).

### **I) Management and coordination (per Article 2497 et seq. of the Italian Civil Code)**

The Company is not subject to management and coordination by other companies, since it autonomously defines its own general and operating objectives. In particular, the Company's Board of Directors alone has the authority to examine and approve the strategic, industrial and financial plans and the adequacy of the company's organisation, administration and accounting.

Therefore, the conditions set out in Article 37 of the Market Regulations do not apply.

The information required by Article 123-bis, first paragraph, letter i) (Compensation of directors in the event of resignation, dismissal or termination of employment as a result of a public tender offer) is contained in the Remuneration Report which is published in accordance with Art. 123-ter of the Consolidated Finance Act.

The information required by Art. 123-bis, first paragraph, letter l) (Appointment and replacement of directors) is contained in paragraph 4 (Board of Directors) of this Report.

### **Paragraph 2**

#### **a) Adoption of a code of conduct**

See paragraph 3 (Compliance).

#### **b) Description of existing risk management and internal control systems in relation to the individual and consolidated financial reporting process**

See paragraphs 5 (Handling of Corporate Reporting), 10 (Internal Control and Risk Management System), and Annex 1 on the "Primary characteristics of existing risk management and internal control systems in relation to the financial reporting process".

#### **c) Shareholders' Meetings procedures**

See paragraph 15 (Shareholders' Meetings).

#### **d) Composition and operation of the governing and supervisory bodies and of their committees**

See paragraphs 4 (Board of Directors), 6 (Committees within the Board), 7 (Appointments and Remuneration Committee), 9 (Control and Risks Committee), 12 (Appointment of the Board of Statutory Auditors) and 13 (Composition and operation of the Board of Statutory Auditors).

## **3. COMPLIANCE (pursuant to Art. 123-bis, paragraph 2, letter a) of the Consolidated Finance Act)**

The Issuer has formally adopted the Code, accessible to the public at the Website of Borsa Italiana (<http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf>).

The Company's Board of Directors resolved to comply with the principles set out in the Code approved by the Borsa Italiana S.p.A. Corporate Governance Committee and bring the governance system in line with the new regulatory provisions.

With regard to any failure to comply with one or more recommendations of this Code, please see the specific explanations in the various sections of this Report.

The Issuer and its strategic subsidiaries are not subject to any provisions under foreign law that would affect the Issuer's Corporate Governance structure.

## 4. BOARD OF DIRECTORS

### 4.1. Appointment and replacement of directors

The Company Directors are appointed by the Shareholders' Meeting at the direct proposal of the Shareholders, based on the provisions of the Articles of Association and current laws. It should be reiterated that on 7 November 2013 the Board of Directors amended the Articles of Association by introducing the principle that, in accordance with the law, the members of the Board of Directors should ensure equal representation of both genders.

Members of the Board of Directors are elected on the basis of lists submitted by Shareholders with voting rights who represent at least 2% of the share capital or the different threshold set in accordance with current regulations (for 2015, it was set at 2.5% of the share capital). Each list containing a number of candidates equal to or more than three shall be composed of a number of candidates belonging to the gender with fewer members so as to ensure a balance between both genders to the extent required by the laws and regulatory provisions in force.

The lists shall be filed at the Company's registered office no later than 25 days prior to the date set for the Shareholders' Meeting on first call.

The lists contain candidates who fulfil the independence requirements set by law, and at least equal to the number of independent directors legally required to be on the Board of Directors, and they are accompanied by the CV of the candidates, describing their professional and personal characteristics and their acceptance of the candidacy.

Each shareholder may submit or participate in the submission of a single list containing no more than 15 candidates, designated with a progressive number; each candidate may run for office in only one list under penalty of ineligibility. Those submitting the lists must prove that they are Shareholders by depositing, together with the list, the documentation attesting possession of the number of shares required for submission of the list.

The first candidate of the minority list receiving the second-highest number of votes, not connected in any way - even indirectly - with the list that received the highest number of votes, shall be elected Director; the other members of the Board of Directors shall be elected according to the progressive order indicated in the list that received the most votes.

If at the outcome of voting the composition of the Board of Directors does not respect a balance between genders to the extent required by the laws and regulatory provisions in force, the last member on the list receiving the highest number of votes shall be replaced with the first person on the list belonging to the gender with fewer members. If through the scrolling method a balance between genders is not reached to the extent required by the laws and regulatory provisions in force then the Shareholders' Meeting shall resolve on the issue with a majority prescribed by law.

If only one list is submitted or if only one list receives votes, all of its candidates shall be elected on the basis of ordinary majorities as prescribed by law, while still fulfilling the requirement to respect a balance between genders to the extent required by the laws and regulatory provisions in force.

Any lists that failed to receive at least half the percentage of votes required for their submission shall not be taken into account for the purposes of the allocation of the Directors to be elected.

When directors have to be appointed in situations other than the renewal of the entire Board of Directors, the Shareholders' Meeting shall decide with the majorities prescribed by law and without following the aforesaid process while still fulfilling the requirement to respect a balance between genders to the extent required by the laws and regulatory provisions in force.

If one or more Directors leave office during the year, the provisions of Article 2386 of the Italian Civil Code shall apply while still fulfilling the requirement to respect a balance between genders to the extent required by the laws and regulatory provisions in force.

The Shareholders' Meeting may appoint an Honorary Chairman, who need not be a member of the Board of Directors, identifying him among those persons who particularly distinguished themselves by their work and their achievements for the Company, and by the merits they earned during their professional career. The Honorary Chairman may attend Board of Directors meetings in a consultative role and without voting rights. The Honorary Chairman shall be entitled to the same compensation prescribed by the Articles of Association and by the Shareholders' Meeting for members of the Board of Directors.

The Articles of Association do not specify additional independence requirements aside from those set out for statutory auditors in accordance with Article 148 of the Consolidated Finance Act, and/or additional integrity and/or professionalism requirements for eligibility to serve as directors, also with reference to the requirements set out by the Code.

Furthermore, in implementation of the additions made to the Consolidated Finance Act in July 2011, to ensure a balance between genders within the governing and supervisory boards of companies with listed shares, as well as in light of the implementing provisions laid down by CONSOB in its regulation, and on the basis of the amendments to the Articles of Association made by the Company during the first three renewals of the Board of Directors subsequent to 12 August 2012, lists with three or more candidates must also include candidates of the less represented gender in the amount of one fifth of the candidates who will become members of the Board of Directors for the first subsequent term and one third of the candidates who will become members of the Board of Directors appointed for the two subsequent terms, according to what will be specifically set forth in the shareholders' meeting notice.



Aside from the rules set out in the Consolidated Finance Act, the Issuer is not subject to any additional rules on the composition of the Board of Directors with the exception of those prescribed by the Code and by Stock Market regulations for companies listed in the Star segment.

### **Succession plans**

Considering the particular shareholder structure, characterised by a concentrated shareholder control model, and the current system for assigning powers within the Board itself, at the date of this Report's approval, the Board of Directors deemed it unnecessary to adopt a succession plan for executive directors.

Indeed, in view of the size and characteristics of the Company, it is considered that managing the early replacement of executive directors according to methods and timing to be determined according to the actual occurrence of such event is a more timely and efficient system for meeting the objective of avoiding disruption and uncertainty in the business organisation in a more functional manner.

In any case, in the event of early termination of a director with respect to the ordinary expiration of his/her office, the rules for co-optation laid down by Art. 2386 of the Italian Civil Code shall apply, subject to compliance with the criteria for the Board of Directors' composition established by law and the Articles of Association.

## **4.2. Composition**

In accordance with its Articles of Association, the Company is governed by a Board of Directors comprising no fewer than five members and no more than fifteen members elected by the Shareholders' Meeting. The Directors' term of office is three years, expiring at the date of the Shareholders' Meeting convened for the approval of the financial statements for the last year of their term of office. Directors may be re-elected in accordance with Article 2383 of the Italian Civil Code.

Currently, the Company is governed by a Board of Directors comprising thirteen Directors - three of whom independent - appointed with 75.428588% favourable votes on the basis of the single list of 13 candidates submitted by the majority shareholder Calt 2004 S.r.l., by the ordinary Shareholders' meeting held on 21 April 2015. The Board formed in this way will remain in office three financial years, that is until the date the Shareholders' Meeting called to approve the financial statements relating to the year that ends on 31 December 2017.

Please note that there were no changes in the composition of the Board of Directors at the date the year ended.

The characteristics of the reports to the Board enable Directors to obtain adequate knowledge of the Issuer's industry, of its corporate dynamics and evolution, and of the reference prescriptive and regulatory framework.

The following table shows the composition of the Board of Directors and of the Committees as at 31 December 2015.

Office	Name	Birth year	Date of first appointment	In office from	In office until	List (M/m)	NON EXEC	EXEC	INDEP TUF	INDEP CODE	N. other appointment	% BOARD	EC	% EC	A.R.C.:	% A.R.C.	C.R.C.	% C.R.C.
Chairman Chief Executive Officer	Francesco <i>CALTAGIRONE</i>	1968	21.04.09	Sh. Mtg. 21/04/2015	Approval of 2017 Fin. St.	M		X			6	100	C	/				
Deputy- Chairman	Carlo <i>CARLEVARIS</i>	1931	21.04.09	Sh. Mtg. 21/04/2015	Approval of 2017 Fin. St.	M	X		X		5	100						
Director	Alessandro <i>CALTAGIRONE</i>	1969	21.04.09	Sh. Mtg. 21/04/2015	Approval of 2017 Fin. St.	M	X				7	55						
Director	Azzurra <i>CALTAGIRONE</i>	1973	21.04.09	Sh. Mtg. 21/04/2015	Approval of 2017 Fin. St.	M	X				8	80						
Director	Edoardo <i>CALTAGIRONE</i>	1944	21.04.09	Sh. Mtg. 21/04/2015	Approval of 2017 Fin. St.	M	X				/	80						
Director	Saverio <i>CALTAGIRONE</i>	1971	21.04.09	Sh. Mtg. 21/04/2015	Approval of 2017 Fin. St.	M	X				/	100						
Director	Mario <i>CILIBERTO</i>	1946	21.04.09	Sh. Mtg. 21/04/2015	Approval of 2017 Fin. St.	M	X				7	100						
Independent Director	Paolo <i>DI BENEDETTO</i>	1947	18/04/2012	Sh. Mtg. 21/04/2015	Approval of 2017 Fin. St.	M	X		X	X	2	90			C	100	C	100
Director	Fabio <i>CORSICO</i>	1973	21.04.09	Sh. Mtg. 21/04/2015	Approval of 2017 Fin. St.	M	X				3	90						
Director	Mario <i>DELFINI</i>	1940	21.04.09	Sh. Mtg. 21/04/2015	Approval of 2017 Fin. St.	M	X				9	100	M	/	M	100	/	/
Director and General Manager	Riccardo <i>NICOLINI</i>	1968	21.04.09	Sh. Mtg. 21/04/2015	Approval of 2017 Fin. St.	M		X			6	100	M	/				
Independent Director	Veronica <i>DE ROMANIS</i>	1969	21/04/2015	Sh. Mtg. 21/04/2015	Approval of 2017 Fin. St.				X	X	/	33						
Independent Director	Chiara <i>MANCINI</i>	1972	21/04/2015	Sh. Mtg. 21/04/2015	Approval of 2017 Fin. St.				X	X	1	33						

#### DIRECTORS RESIGNING DURING THE PERIOD

Office	Name	Birth year	Date of first appointment	In office from	In office until	List (M/m)	NON EXEC	EXEC	INDEP TUF	INDEP CODE	N. other appointment	% BOARD	EC	% EC	A.R.C.:	% A.R.C.	C.R.C.	% C.R.C.
Director	Flavio <i>CATTANEO</i>	1963	21.04.09	Sh. Mtg. 18/04/2012	Approval of 2014 Fin. St.	M	X		X	X	3	10			M	50	M	75
Director	Alfio <i>MARCHINI</i>	1965	21.04.09	Sh. Mtg. 18/04/2012	Approval of 2014 Fin. St.	M	X		X	X	2	0					M	75

The percentage of shares held by each member at the meetings is shown in the table above.

The following table shows the number of meetings held by the Board of Directors, by the Control and Risks Committee, by the Appointments and Remuneration Committee and by the Executive Committee as at 31 December 2015 and the percentage of shares held by each member at the meetings.

Number of meetings held in 2015	BoD: 9	CRC: 4	ARC: 2	EC: 1
---------------------------------	--------	--------	--------	-------

#### Key

**Exec.:** checked if the director qualifies as an executive director

**Non exec.:** checked if the director qualifies as a non-executive director

**Indep. TUF:** checked if the director fulfils the independence requirements set out in Article 148, Paragraph 3 of the Consolidated Finance Act (Article 144 decies, of the Issuers' Regulations)

**Indep. Code:** checked if the director fulfils the independence requirements set out in the Code.

**% BoD:** the directors' percentage of attendance at Board meetings (the percentage is calculated according to the number of meetings attended by the director relative to the number of Board meetings held during the year or after the director took office)

**Other positions:** the positions held in other companies listed in regulated markets (also abroad), in financial, banking, insurance companies or in companies of significant size, identified according to criteria defined by the Board.

**EC:** C/M entered if chairman/member of the executive committee.

**% EC:** the directors' percentage of attendance at executive committee meetings (the percentage is calculated according to the number of meetings attended by the director relative to the number of executive committee meetings held during the year or after the director took office)

**A.R.C.:** C/M entered if chairman/member of the appointments and remuneration committee

**% A.R.C.:** the directors' percentage of attendance at remuneration committee meetings (the percentage is calculated according to the number of meetings attended by the director relative to the number of remuneration committee meetings held during the year or after the director took office)

**C.R.C.:** C/M entered if chairman/member of the control and risks committee

**% C.R.C.:** the directors' percentage of attendance at internal control committee meetings (the percentage is calculated according to the number of meetings attended by the director relative to the number of internal control committee meetings held during the year or after the director took office)

The following table shows the positions held by the Company's Directors in other companies listed in regulated markets (also abroad), in financial, banking, insurance companies or companies of significant size:

<b>Name</b>	<b>Office</b>	<b>Other positions</b>
Francesco <i>CALTAGIRONE</i>	Chairman and Chief Executive Officer	Deputy Chairman Cimentas A.S. Deputy Chairman Cimbeton A.S. CEO Aalborg-Portland Holding A.S. Director Caltagirone S.p.A. Director Caltagirone Editore S.p.A. Director Acea S.p.A.
Carlo <i>CARLEVARIS</i>	Deputy- Chairman	Hon. Chairman Banca Finnat Euramerica S.p.A. Director Vianini Industria S.p.A. Director Vianini Lavori S.p.A. Director Il Messaggero S.p.A. Director Immobiliare Caltagirone ICAL S.p.A.
Alessandro <i>CALTAGIRONE</i>	Director	Director Caltagirone S.p.A. Deputy Chairman Aalborg-Portland A.S. Director Vianini Lavori S.p.A. Director Caltagirone Editore S.p.A. Director Unicredit S.p.A. Director Il Messaggero S.p.A. Director Cimentas A.S.
Azzurra <i>CALTAGIRONE</i>	Director	Chairman FGC S.p.A. Deputy Chairman Caltagirone Editore S.p.A. Chairman il Gazzettino S.p.A. Deputy Chairman Caltagirone S.p.A. Deputy Chairman Il Messaggero S.p.A. Director Il Mattino S.p.A. Director Aalborg Portland Holding A.S. Director Piemme S.p.A.
Edoardo <i>CALTAGIRONE</i>	Director	
Saverio <i>CALTAGIRONE</i>	Director	
Mario <i>CILIBERTO</i>	Director	Chairman Cementir Italia S.p.A. Chairman Betontir S.p.A. Chairman Vianini Pipe Inc. Chairman Gaetano Cacciatore LLC Chairman Aalborg Cement Company Inc. Chairman Aalborg Portland US Inc. Director Sinai White Portland Cement Co. S.A.E.
Paolo <i>DI BENEDETTO</i>	Director	Director Edison S.p.A. Chairman Fondo Nazionale di Garanzia (National Compensation Fund)
Fabio <i>CORSICO</i>	Director	Director Il Gazzettino S.p.A. Director Grandi Stazioni S.p.A. Director Terna S.p.A.
Mario <i>DELFINI</i>	Director	Chairman Vianini Lavori S.p.A. Chairman Vianini Industria S.p.A. Deputy Chairman Cementir Italia S.p.A. Director Caltagirone S.p.A. Director Caltagirone Editore S.p.A. Deputy Chairman Fabrica Immobiliare SGR S.p.A. Director Il Messaggero S.p.A. Director Piemme S.p.A. Director FGC S.p.A.
Riccardo <i>NICOLINI</i>	Director	Director Cimentas A.S. Director Aalborg Portland A.S. Chairman Aalborg Portland Malaysia Snd Bhd Chairman Aalborg Portland (Anging) Co. Ltd Deputy Chairman Unicon A.S. Deputy Chairman Sinai White Portland Cement Co. S.A.E.
Veronica De Romanis	Director	
Chiara Mancini	Director	Director Astaldi S.p.A.

With reference to the personal and professional characteristics of each Director in office, reference is made to the curricula vitae published, together with the aforementioned list, on the Company's website ([www.cementirholding.it](http://www.cementirholding.it)), in the section entitled *Investor Relations / Corporate Governance / 2015 Shareholders' Meeting / List of candidates for Board of Directors*.

### Maximum number of positions held in other companies

The Board of Directors elected not to express a preference in abstract terms with respect to the maximum number of positions compatible with the effective performance of duties as the Issuer's director, because it deemed that such an assessment should be carried out, firstly, in the concrete, by the shareholders upon appointment of the directors and, subsequently, by individual directors upon acceptance of the office.

In light of the proper functioning of the Board and due to the different roles and the many different and theoretically conceivable situations, it is considered as more in line with the company's strategy to opt for a case-by-case assessment that takes into account the characteristics of each director in order to establish in practice the compatibility of his/her office with other offices held.

This procedure enables a more in-depth analysis of whether the commitment required for any other positions held in other companies actually affects the activities to be performed for Cementir Holding.

In any case, the Board annually verifies whether the number of governing board positions assumed in other companies by its members is compatible with the effective performance of their duties, taking into account the directors' varying levels of effort in relation to the role in which they serve (e.g. executive, non-executive, independent, member of multiple committees, etc.); the nature and the size of the companies in which the positions are held and whether or not the companies belong to the Issuer's group.

\*\*\*

Within the Board of Directors, the Directors are constantly updated about the company's situation and developments, including with respect to the regulatory and self-regulatory reference framework, in order for them to efficiently carry out their duties.

All the Directors have a thorough and up-to-date knowledge of their own duties and responsibilities, and of the Company's organisational developments, on the basis of information constantly provided at Board meetings.

### 4.3. Role of the Board of Directors

The Board of Directors plays a central role in the strategic guidance of the Company and the Group, as well as in the supervision of all business activities, with the authority to make policies concerning management as a whole, and with the power to directly intervene in decisions necessary or useful for the pursuit of the company's purpose.

The Board of Directors is the body responsible for making the most important decisions in terms of financial/strategic aspects as well as structural impact on operations, which are needed to carry out the activities of directing and controlling the Company and the Group.

In carrying out its tasks, the Board of Directors relies on the support of dedicated Committees established from within its ranks, which conduct investigations, provide advice and submit proposals.

The Board of Directors meets at least four times per year; additionally, meetings are called in a timely manner whenever the need arises.

In 2015, the Board of Directors held nine meetings with the regular attendance of the Directors, representatives of the Board of Statutory Auditors, the Manager responsible for preparing the company's financial reports, the General Counsel, and in some cases the Head of Internal Control, who provided details on the topics set out in the agenda.

In addition, company executives can be called on to participate in meetings held by the Board of Directors in order to provide any necessary information on the topics set out in the agenda.

Board of Directors meetings lasted an average of approximately one hour in 2015.

At least 5 meetings are scheduled in 2016.

No minimum periodicity for Board meetings is specified in the Articles of Association.

In 2015 the Board of Directors of the Company met on 10 January, 12 January, 5 February, 10 March, 23 April, 11 May, 30 July, 10 November and 10 December.

The activities of the Board of Directors are coordinated by the Chairman, who has powers of initiative and supervises the operations of that body. In particular, the Chairman calls board meetings, establishes meeting agendas and chairs the meeting.

Please note that a complete pre-board meeting documentation is distributed to the Directors (in electronic format) by the Office of the Secretary of the Board of Directors, at the behest of the Chairman, at least 5 days before the board meeting, in order to ensure a full and correct assessment of the topics brought to the attention of the Board.

\*\*\*

The Board may delegate all or part of its responsibilities and powers to the Chairman and to other members, or to non-Board members, determining the content, limits and any methods for exercising the mandate pursuant to Article 2381 of the Italian Civil Code; it may also appoint a Chief Executive Officer, and determine his or her duties and remuneration.

The Board may appoint its members to form an Executive Committee, granting it responsibilities and powers, within the limits set forth in Article 2381 of the Italian Civil Code.

The Board may establish one or more special technical and administrative Committees, and also ask non-Board members to be part of them, and determine any remuneration.

Finally, the Board may appoint a General Manager and one or more Directors, and may grant Powers of attorney.

\*\*\*

Within the scope of the Company's purpose, the Board is fully empowered to decide and carry out all acts of ordinary and extraordinary administration, excepting only those decisions that are reserved for the Shareholders' Meeting by law or by the Articles of Association.

Therefore, the Board shall also authorise real estate purchases and sales, investments in other enterprises or companies, incorporated or to be incorporated, also in the form of asset transfers, any transaction involving Public Debt, Cassa Depositi e Prestiti, Banks, issuing Institutions, and all other public and private Entities, the creation, subrogation, postponement, cancellation or waiver of mortgages, registration and annotations of any kind, legal actions, including those involving quashing or reversal, and preliminary arrangements or settlements.

The Board of Directors may also resolve, pursuant to Article 2365, Paragraph 2 of the Italian Civil Code, on the following matters:

- mergers in the cases specified by Articles 2505 and 2505 bis of the Italian Civil Code;
- the opening, relocation and closure of secondary sites;
- share capital reduction in case of shareholders' withdrawal;
- changes to the Articles of Association to comply with regulatory provisions.

Furthermore, in compliance with the Corporate Governance Code, the Board of Directors:

- examines and approves the strategic, industrial and financial plans of the Company and the Group, periodically monitoring their implementation;
- define the nature and System of corporate governance of the Issuer and the Group;
- prepare and adopt the Company's corporate governance rules and define Group governance guidelines;
- defines the nature and level of risk compatible with the Issuer's strategic objectives;
- defines the guidelines of the internal control system and appoint a director in charge of supervising the internal control system, defining his or her duties and powers;
- supervises the system for the supervision and governance of risks within the company;
- assesses the adequacy of the Issuer's organisation, administration and general accounting system, as well as that of the subsidiaries with strategic relevance, with particular reference to the internal control and risk management system;
- establishes one or more board Committees, appointing their members and setting forth their duties, powers and remuneration;
- grants and revokes mandates to Managing Directors and to the Executive Committee, defining the limitations and methods for the exercise of such powers; also establishes the frequency, in any event no greater than one quarter, with which the cognisant bodies must report to the Board about the activities carried out to exercise the mandates granted to them;
- define the general remuneration policy;
- set the remuneration of Managing Directors and of the other Directors tasked with specific duties, after examining the proposals of the Appointments and Remuneration Committee and after consultation with the Board of Statutory Auditors;
- assess general operating performance, taking particular account of information received from the cognisant bodies as well as periodically comparing the results achieved with those planned;
- examine and approve the Issuer's and, where necessary, its subsidiaries' transactions in advance, when such transactions have strategic, economic or financial relevance;
- carries out, at least annually, an assessment on the size, composition and operations of the Board and of its Committees, possibly providing guidance on the professional figures that it deems should be present on the Board;
- prior to the appointment of the new board, provide guidelines to the shareholders on the professional profiles that it deems should be present on the Board;
- upon proposal of the Chairman and Chief Executive Officer, adopt a procedure for the internal handling and disclosure to third parties of documents and information concerning the issuer, having special regard to price sensitive information, in order to ensure the correct handling of corporate information;
- establish the Supervisory Body pursuant to Legislative Decree no. 231 of 8 June 2001;
- approve, at least annually, the work plan prepared by the Head of Internal Audit;
- appoint the General Managers and the Manager responsible for preparing the company's financial reports, also determining their responsibilities and powers, and identify the Key Executives;
- *appoint and remove the Head of Internal Audit at the proposal of the director in charge of supervising the internal control system, and determine his or her responsibilities and remuneration, after consultation with the Control and Risks Committee, the Risks and Corporate Governance Committee and the Board of Statutory Auditors;*
- assess and approve the documentation of the periodic financial reporting set forth in applicable regulations;
- assess and approve related party transactions according to the provisions of the Procedure for Related-Party Transactions;
- make proposals to be submitted to the Shareholders' Meeting;
- exercise the other powers and fulfil the tasks assigned to it by law and by the Articles of Association.

\*\*\*

As provided in the Articles of Association, the Board of Directors is the body vested with the broadest powers of ordinary and extraordinary management, which is responsible for guiding business management by defining the proxy model, granting and

revoking mandates, as well as examining, approving and constantly monitoring strategic, industrial and financial plans prepared by the corporate bodies, the group's corporate structure, transactions of economic and financial significance, transactions in which the corporate bodies are in a conflict of interests and those with related parties, for which it is responsible on the basis of the procedures on the topic.

In its meeting of 17 December 2013, the Board of Directors reviewed and approved the Group's 2014-2016 Business Plan which was subject to monitoring during 2015.

The Board of Directors also approved an organisation in order to make Management's action more incisive during its meeting on 10 December 2015. The Group's reorganisation project is aimed at strengthening management on the regional level to guarantee more effective coordination of the production activities and the business development of the local subsidiaries. It will also allow the Parent Company to focus on strategic guidelines and acquisition project to support development strategy.

Starting from 1 January 2016, the new Group organisation will be centred on four areas: the Nordic&Baltic and USA Region, which in addition to the Scandinavian Countries also includes the United Kingdom, Poland, Iceland, Russia and the United States; the Eastern Mediterranean Region, which includes Turkey and Egypt; the Asia-Pacific Region, which includes China, Malaysia and Australia; and lastly Italy.

\*\*\*

At least annually, the Board assessed:

- the adequacy of the Issuer's organisation, administration and general accounting system, with the assistance of the Board of Statutory Auditors;
- the effectiveness and actual operation of the internal control and risk management system, with the assistance of the Control and Risks Committee, supported by the Head of Internal Audit.

The Board of Directors, supported by the Audit and Risk Committee, also verified the acceptable level of risk at all the operating Group companies.

The Board also assessed the adequacy of the organisation, administration and accounting structure of the Issuer and all the operating Group Companies, in particular, these assessments were adopted on the basis of the analysis by the director in charge of the internal control and risk management system and with the opinion of the Control and Risks Committee, which during their meetings - with the participation of the Head of Internal Audit - was able to monitor the adequacy and the effectiveness and actual operation of the internal control and risk management system of both the Issuer and the Group, with particular reference to strategically significant companies.

\*\*\*

The Chairman of the Board of Directors and Chief Executive Officer constantly, and at least quarterly, reports to the Board of Directors and the Board of Statutory Auditors on the main activities carried out in the exercise of his/her powers in order to ensure transparency in the management of the company.

\*\*\*

In 2015, the Board periodically evaluated the general performance of the Company, taking into account the information received from the Chairman of the Board of Directors and Chief Executive Officer upon approval of the interim reports on operations, by periodically comparing the results achieved with those planned.

\*\*\*

The Board of Directors examined and approved the transactions when such transactions have strategic, economic or financial relevance, and examined the transactions of its subsidiaries that define, in total autonomy, their general and operating objectives when such transactions have strategic, economic or financial relevance

Additionally, the Board did not deem it necessary to set, in advance, general criteria for identifying significant transactions, preferring, in the light of their sporadic occurrence, to make such assessments case by case, on the basis of the information received from the Executive Directors.

In any event, transactions of economic and financial significance, including transactions with related parties when the transaction is significant and relevant in accordance with the procedure for related-party transactions adopted by the Company, are subject to prior examination and approval by the Board of Directors, whose members shall be provided with the information required to pass resolutions on the various topics under discussion.

Prior to each of its meetings, the Board shall be supplied with adequate documentation to enable Directors to contribute to the decision-making process in an informed and effective manner.

\*\*\*

In accordance with the Code and international best practices, the Board of Directors provided its assessment on the operations of the Board and its Committees, as well as on their size and composition, also taking into account elements such as professional characteristics, experience, including managerial, and the gender of its members, as well as their seniority in the position.

This assessment regarding 2015 was made with a self-assessment system that involved all the Directors of the Issuer prepared by the Corporate Affairs Office with the support of a specialised consultancy firm, in this case Korn-Ferry/Hay Group. In particular, the Directors were given a special questionnaire to gather the assessments mentioned above.

A positive picture as a whole in terms of functionality of the Board and the Committees emerged from the results of the Self-assessment process presented to the Board at its 10 March 2016 meeting.

All Board Members appreciate the governance guidelines and rules applied in Cementir Holding. Particular evidence has been given to the governance rules of the Chairman of the Board of Directors and Chairman of the Statutory Auditors. Board Members find that the knowledge to the Code is widely known and broadcasted in relation to its role. The structure of the Board is considered well-balanced, with the correct proportion among executive Board Members, non-executive and independent.

In relation to the actual and future requirements of the Company and of the Group, the mix of competences inside the Board of Directors results to be appropriate for the fulfilment of the strategic goals of the Company.

The knowledge of the Cementir Group and its business are considered of good level due to the contribution of its managers, which some are also Board Members, to the presence of a large number of Directors inside the Auditing Board from many years, and to the family representation, which is majority shareholders, that has several extra-Board occasions to be involved in the business and with the Company.

The organisation of visits to operative plants of the Group is not deemed necessary for the further knowledge of the business and company operations.

Relatedly to the activities of the Board, under the quality profile, the aims in which Directors majorly express appreciation (replying "I agree" ), are for:

- the periodical verification of the independence requisites;
- the partition of tasks and responsibilities between the Board of Directors and Committees;
- the substantial contribution given by the independent Directors;
- the frequency and duration of the Board meetings, and effectiveness of the relevant agendas (as in 2013);
- the handling of any conflicts of interest (ditto);
- the overall contribution given to the Board by the Chairman;
- the effectiveness of the role played by the Lead Independent Director and the Board Secretary;
- The composition and overall work done by the Committees (although with less perception of the role played by the Executive Committee).

\*\*\*

To meet organisational needs, the Company's Shareholders' Meeting did not provide prior general authorisation for exceptions to the non-competition clause pursuant to Article 2390 of the Civil Code, but empowered the Board to assess any issues as and when they arise, and to notify the shareholders of any critical issues at the next Shareholders' Meeting.

In 2015, the Board did not examine any such case.

#### **4.4. Board Positions**

##### **Chairman of the Board of Directors and Chief Executive Officer**

The Board of Directors appointed Francesco Caltagirone as Chairman and Chief Executive Officer at its meeting on 23 April 2015, and granted him, or the Deputy Chairman Carlo Carlevaris in his stead, the broadest powers for carrying out all acts of ordinary and extraordinary management, with the sole exception of those reserved to the Shareholders' Meeting and the Board of Directors by law and by the Articles of Association.

The Chairman and Chief Executive Officer, and in the event of his absence or disability, the Deputy Chairman, is the Company's legal representative.

Considering that the Chairman and Chief Executive Officer reflects the views of the Issuer's controlling shareholder and holds shares on his own account, he is vested with all powers- to be exercised individually - necessary to carry out acts pertaining to the company's business in its various forms, none excluded. This is accompanied by the authority to issue special and general mandates, granting the assignee the power to sign individually or jointly, and by those powers that he may deem opportune to ensure the best Company performance, including the power to sub-delegate.

Due to the above, by way of example and without the universality of the powers as given above being limited in any way, the Chairman and Chief Executive Officer, Francesco Caltagirone, may therefore:

- a) Coordinate and supervise the corporate business and ensure implementation of the resolutions of the Board of Directors.
- b) Sign correspondence and actively and passively represent the Company in Italy and abroad in relations with the State Administrations; the Regional, Provincial, Municipal and local Administrations; with Public and Private Entities, Institutions, Agencies, Autonomous Agencies and Municipal Enterprises, and before any administrative, tax and judicial authority, whether ordinary, special or before an arbitration board.
- c) Propose and sign any appeal, request or defence, claim, statement or complaint, and any procedure document in any state,



- phase, stage and court, and before any administrative, tax, judicial and arbitration authority; transact disputes; appoint and annul lawyers and attorneys, including addressees; appoint and name consultants and arbitrators.
- d) Purchase, sell, exchange immovable and movable assets, agree on their price, pay it and grant extensions of payment, with or without mortgage security, issuing and accepting, if necessary, bills backed or not backed by mortgage with disinvestment, if necessary agreeing on the amount of interest and repayment of taxes and duties, shoulder allow the shouldering of liabilities already incurred by the seller, accepting and imposing the same obligations already assumed by the borrowers with the lenders in this case; request and sign guarantees relating to the ownership and availability of the assets and to their freedom from burdens, liens, mortgages and detrimental transcriptions; request and allow the entry into possession, accept and agree to obligations, reservations, servitudes and sharing; if necessary, waive the mortgage arising from the deeds of sale with exemption of the competent Real Estate Registrars from any liability to this effect, request the benefits granted by tax laws while undertaking to meet the requirements set out by the same laws and do whatever is necessary to finalise the transaction with all the powers necessary without any limitation of any kind, so that want or lack of mandate can never be claimed, with the right to issue to other people, in the name and on behalf of the Company, powers of attorney with all or part of the powers as granted above in order to carry out single purchase, sale and exchange transactions regarding movable and immovable assets.
  - e) Set up, transfer and abolish secondary sites and/or local units such as plants, sales offices, distribution centres, representations, agencies and warehouses of corporate products, and handle any formalities that may be necessary and/or advisable.
  - f) Stipulate - with all advisable clauses, including the arbitration clause - modify and resolve, also through attorneys, contracts and agreements with the State Administrations and with public and private Entities concerning:
    - the purchase, sale, lease and transfer of machinery, plants, equipment, materials in general, their maintenance, and supplies, also installed, and the sale of the company's products or, in any case, products that it handles;
    - the granting and taking on of contracts and subcontracts, also of services and supplies in general;
    - the sale and exchange of motor vehicles and means of transport in general, with the Public Registrars exempt from all obligations and liabilities;
    - the insurance contracts;
    - concessions and openings of credit for overdrawn current accounts in the name of the companies.
  - g) Permit registrations, subrogations, postponements, cancellations of mortgages and recognitions, even without compensation, and any mortgage annotation; all this with the competent Registrars exempt from all liabilities to this regard.
  - h) Establish Consortia and Enterprises according to the provisions of Art. 2602/2612 et seq. and 2615 of the Italian Civil Code, also under the form of Consortia and Temporary Company Consortia pursuant to Italian Laws 584/77, 1/1978 and 687/1984, or joint ventures between Cementir Holding S.p.A. and general and or specialised Enterprises, whether national or foreign, in order to be able to participate in the acquisition and execution of works and/or supplies, however compatible with the purpose of Cementir Holding S.p.A.
  - i) Acquire and/or disinvest holdings in Companies and/or Enterprises, or participate in the formation or form Companies and/or Enterprises having the same or similar purpose, or however connected directly or indirectly with that of Cementir Holding S.p.A. and, as a consequence, subscribe capital or capital increases, make loans even as capital funding, with all consequential rights, also with regard to the disinvestment or liquidation of the aforesaid holdings.
  - j) Sign the notices addressed to the Judicial Authorities, the Chambers of Commerce, Stock Exchanges and other Entities and public and private offices regarding fulfilments required of the Company by laws or regulations, including the signing of annual notices to the General Registry of Securities; sign the notices to Commissione Nazionale per le Società e la Borsa (CONSOB) required by laws and regulations.
  - k) Contract loans receivable and payable, transact transfers of credit and expired mandates, give and accept guarantees, also as counter-guarantees, and endorsements, negotiate and conclude credit line transactions, sign and endorse cheques, promissory notes, postal money orders and the like, sign and endorse post orders and drafts, issue bank cheques, also applied to openings of credit.
  - l) Stipulate lease and hire contracts - also for terms greater than nine years - agreeing to the relevant rentals and general and detailed conditions, summon and accept end of lease cancellations.
  - m) Demand and freely collect all sums whether in cash or securities, both for capital and interest accrued and accruing, from any natural person or legal entity, or Administration, Entity or Institute, and from all Public Administrations and, by way of example, from Ministries, Post Offices, Treasury Offices, Cassa Depositi e Prestiti, Civil Engineers, Bank of Italy, Banks, Financial and Credit Institutes, Companies, Consortia, Non-Profit-Making Bodies, Administrations, Regional, Provincial and Municipal Treasuries, Agency for the Development of Southern Italy and its assignees and agents, or from any other Administration, Public and/or Private Entity, Autonomous Agencies and Municipal Enterprises, collect deposits, sign receipts, orders and payment orders, issue receipts and quittances in the forms requested, with whoever pays exempt from any liability.
  - n) Have recourse to public auctions, private negotiations and bids and calls for tenders or other form of tender or competition for the acquisition of concessions, contracts and supplies with the right to sign and submit pre-qualification requests, offers, projects and estimates, determine prices and terms of payment and all other general or detailed conditions, stipulating the respective contracts, supplementary and submission documents with the broadest powers for executing them, also through contracts, subcontracts and supplies, also installed.
  - o) Take on, suspend and dismiss executives, middle managers, white-collar and blue-collar staff; appoint executives, agree

upon and grant wage increases and bonuses, inflict disciplinary sanctions, give consultancy appointments, including long-term.

- p) Issue Company employees (also if directors) or third parties special powers of attorney to exercise with separate or joint signature, which enable them to carry out certain acts or categories of acts in the name and on behalf of the Company, using the company signature for them, and also powers of attorney to represent the company in single ordinary and extraordinary shareholders' meetings as holders of shares and/or equity investments owned by Cementir Holding S.p.A.

In 2015, the Deputy Chairman, Mr. Carlevaris, was never required to employ his powers of Company management and representation in lieu of the Chairman.

The Chairman of the Board of Directors and Chief Executive Officer (i) is the main person responsible for the management of the Issuer, (ii) is not the controlling shareholder of the Company and (iii) does not have positions in other Issuers in which the Chief Executive Officer is an Issuer director.

#### **Executive Committee**

By a resolution passed on 23 April 2015, the Board of Directors appointed an Executive Committee, effective until the first meeting following the Shareholders' Meeting held to approve the 2017 financial statements, and determined that said Committee shall comprise three members:

- Francesco Caltagirone Chairman;
- Riccardo Nicolini Director;
- Mario Delfini Director;

and that the Board shall therefore confer upon these committee members all powers exercised by the Board of Directors, except those exclusively attributed to the Board itself by law or the Articles of Association pursuant to Articles 2423, 2443, 2446 and 2447 of the Italian Civil Code.

Since the Executive Committee's re-establishment, following the renewal of the Board of Directors resolved by the Shareholders' meeting on 23 April 2015, it met only once on 26 November 2015.

#### **Reports to the Board**

The Chairman of the Board of Directors and Chief Executive Officer constantly, and at least quarterly, reports to the Board of Directors and the Board of Statutory Auditors on the main activities carried out in the exercise of his/her powers in order to ensure transparency in the management of the company.

At every meeting of the Board of Directors, the committees established within the Board shall report on activities carried out in the performance of their assigned duties, either by introducing specific items on the agenda or by addressing them under "any other business".

#### **4.5. Other Executive Directors**

Riccardo Nicolini held the office of General Manager of the Company from 23 April 2015 until 31 December 2015.

By virtue of the office held within the Issuer, the Director Riccardo Nicolini is to be considered an executive director for 2015.

The Deputy Chairman, Mr. Carlevaris is not deemed to be an Executive Director, because he was never required to exercise his powers of Company management and representation in lieu of the Chairman in 2015.

#### **4.6. Independent Directors**

The Board of Directors includes three independent directors (Veronica De Romanis, Paolo Di Benedetto and Chiara Mancini) pursuant to the Consolidated Finance Act and the Code.

The Director Carlo Carlevaris also meets independence requirements as defined by the Consolidated Finance Act alone.

At the meeting held on 23 April 2015, the Board of Directors verified - applying the criteria set out in the Code - the independence requirements of the aforementioned directors pursuant to the Consolidated Finance Act and the Code.

The independent Directors:

- i) do not control the Issuer, directly or indirectly, even through subsidiaries, trust companies or third parties, or are able to exercise considerable influence on it;
- ii) do not take part in, directly or indirectly, any shareholders' agreement through which one or more parties may exercise control or considerable influence on the Issuer;
- iii) are not, and have not been during the previous three years, significant representatives (such being Chairman, the legal representative, the Chairman of the Board, an Executive Director or a Key Executive) of the Company, of one of its strategically significant subsidiaries, of a company or entity that, also jointly with others through a shareholders' agreement, controls the Issuer or is able to exercise significant influence on it;
- iv) do not have, or have not had during the previous year, directly or indirectly (for example, through subsidiaries or of which they are significant representatives in the sense specified under point (iii) above, or in the capacity of partners of a professional firm or consulting company), a significant business, financial or professional relationship or do not, or have not had during the previous three years, an employment relationship: (a) with the Issuer, with one of its subsidiaries, or with one of its significant

representatives, in the sense specified under point (iii) above; (b) with a party that, even jointly with others through a shareholders' agreement, controls the Issuer, or - as it is a company or entity - with its significant representatives, in the sense specified under point (iii) above;

v) without prejudice to what is indicated under point (iv) above, they do not have a working relationship as an employee or contractor, or other asset-based or professional relationships that could jeopardise their independence:

(a) with the Issuer, its subsidiaries or parent companies, or with companies subject to joint control; (b) with the Directors of the Issuer; (c) with spouses, relatives and the like up to the fourth degree of kinship of directors of the companies as under item (a) above; vi) do not receive, or have not received in the previous three financial years, any large bonuses from the Issuer, or from a subsidiary or parent company, additional to the "fixed" salary of a non-executive Director of the Issuer, including participation in incentive plans based on corporate performance, including stock option plans;

vii) have not been Directors of the Issuer for more than nine of the last twelve years;

viii) do not hold the position of Executive Director in another company in which one of the Issuer's executive directors is also a Director;

ix) are not shareholders or Directors of a company or entity belonging to the corporate network of the independent auditor of the Issuer;

x) are not close family members of a person who falls into one of the situations mentioned in the previous points and however are not spouses, relatives or relatives or the like up to the fourth degree of kinship of the Directors of the Issuer, its subsidiaries, parent companies or companies subject to its joint control.

This check was made on the basis of the information provided by the interested parties and in particular on the basis of statements of possessing the independence requirements and of the non-existence of cases suggesting an absence of independence pursuant to Art. 3 of the Corporate Governance Code. The existence of the integrity and professionalism requirements was also checked.

At the same meeting the independent Directors undertook to retain their independence during the term of their mandate, and in any case to promptly inform the Board of Directors regarding any situations that might jeopardise their independence.

The Board of Statutory Auditors checked that the criteria and verification procedures adopted by the Board to assess the independence of its members are properly applied and in view of the peremptoriness of the cases suggesting an absence of independence indicated in the application criteria of the Corporate Governance Code, agreed to consider any further cases, not explicitly contemplated by the Code, that might however appear capable of jeopardising the independence of the directors next year.

The Independent Directors did not meet during 2015 without the presence of other directors.

#### **4.7. Lead Independent Director**

The Board designated independent director Paolo Di Benedetto as Lead Independent Director, to serve as the representative and coordinator of the requests and contributions of the non-executive directors and particularly of the independent directors, and in this role he shall:

- collaborate with the Chairman of the Board of Directors and Chief Executive Officer to ensure that the Board functions as well as possible;
- have the right to call, independently or at the request of other directors, meetings, including informal meetings, of only the independent directors on topics inherent to the functioning of the Board of Directors in particular and the corporate governance system more generally, with the possibility of inviting representatives from management for discussions on the organisational structure;
- collaborate with the Chairman of the Board of Directors in order to ensure that the directors receive complete and timely information flows.

## 5. PROCESSING COMPANY INFORMATION

### Procedures for the internal handling and the public disclosure of information

In compliance with the Code, the Company adopted a procedure for “Handling information, with particular reference to confidential information”, whose full text is available in the *Corporate Governance/Internal Dealing* section of the Company’s website ([www.cementirholding.it](http://www.cementirholding.it)).

The purpose of this procedure is to define the responsibilities, terms and principles of conduct for the disclosure of confidential and inside information and the keeping of the Register of persons who have access to inside information, and, at the same time, to establish adequate corporate control procedures for the prevention of the Market Abuse offences envisaged in Legislative Decree 231/2001.

All employees of Cementir Holding and its subsidiaries are required to comply with the procedure.

Starting on 1 April 2006, the Company established the Register of persons with access to inside information in accordance with Article 115-bis of the Consolidated Finance Act, and in compliance with the procedures specified under Articles 152-bis et seq. of the aforesaid Issuers’ Regulations.

At the meeting of 17 December 2013, the Board of Directors, in compliance with the Code also adopted a new procedure for the internal handling and the public disclosure of documents and information regarding the Company in order to ensure proper management of corporate information and to define roles, responsibilities and operating procedures to be followed in the Group Investor Relations’ activities.

### Internal Dealing

In accordance with Article 114 of the Consolidated Finance Act, the Company has also adopted an Internal Dealing Code governing disclosure obligations regarding internal dealing, as specified under Articles 152-sexies et seq. of the Issuers’ Regulations.

The Code, in force since 1 April 2006, regulates the conduct and disclosure requirements with which “significant persons” (Directors, Standing Auditors, the CFO, etc.) are required to comply in their relations with Consob and the Company, in order to enable the Company to inform the market about transactions involving listed financial instruments or other related financial instruments issued by the Company or its subsidiaries in accordance with the methods and deadlines established by Consob’s Issuers’ Regulations.

*In accordance with the Stock Market Regulations for Issuers listed on the Star index, the Company updated its Internal Dealing Code to provide for a black-out period on the trading of Company shares during the 15 calendar days (up from 5) preceding Shareholders’ and/or Board meetings.*

The *Internal Dealing* code is available on the website of the Company ([www.cementirholding.it](http://www.cementirholding.it)) in the *Corporate Governance/Internal Dealing* section.

## 6. COMMITTEES WITHIN THE BOARD

In its first meeting following the expiration of the term of the Board and its Committees upon approval of the 2014 financial statements, the Board of Directors reappointed for the 2015-2017 term, up to the meeting of the Board following the Shareholders’ Meeting to approve the financial statements for 2017, the Executive Committee already discussed in Section 4.4 of this Report.

In accordance with the Code, the Board of Directors also set up the Control and Risks Committee and the Appointments and Remuneration Committee (“Committees”), both of which submit proposals and provide advice.

It should be mentioned that the composition, duties and operational procedures of the Committees are regulated by special rules.

For more information, please refer to Sections 7 and 9 of this Report.

None of the Committees’ duties set out in the Code were undertaken by the Board of Directors under the direction of the Chairman.

## 7. APPOINTMENTS AND REMUNERATION COMMITTEE

The Board of Directors resolved to set up an Appointments Committee from within its ranks and merge it with the Remuneration Committee, in compliance with the rules on the composition of committees established by the Code. It was decided to merge the two committees for internal organisational purposes and due to the fact that the duties performed by the Appointments Committee do not merit setting up a special separate committee as there have not been any issues raised, and none are foreseen, by shareholders with respect to proposing adequate candidates to ensure that the composition of the Board complies with the provisions set out in the Code.

### **Composition and operation of the Appointments and Remuneration Committee**

Therefore, this committee, named the Appointments and Remuneration Committee, has been assigned the duties and functions provided for under art. 5 of the Code (director appointments) and the duties and functions provided for under art. 6 of the Code (director remuneration).

The current Appointments and Remuneration Committee is composed of four non-executive directors, the majority of whom are independent and two of whom have financial and accounting experience that has been deemed adequate by the Board of Directors.

Specifically, in compliance with the provisions of the Code, the Company's Board of Directors appointed the following Directors to serve on the Appointments and Remuneration Committee:

- Paolo Di Benedetto (Committee Chairman - independent and non-executive);
- Mario Delfini (non-executive, experienced in the accounting and financial fields);
- Chiara Mancini (independent and non-executive);
- Veronica De Romanis (independent and non-executive experienced in the accounting and financial fields).

The Appointments and Remuneration Committee meets any time its Chairman deems appropriate and is coordinated by the latter, or if at least one member so requests and in any case, with enough frequency so as to ensure the correct execution of its tasks.

The Chairman of the Board of Statutory Auditors as well as - when deemed appropriate and at the invitation of the Committee - other Company representatives (General Counsel, Chief Financial Officer and Chief HR Officer), shall attend the Appointments and Remuneration Committee meetings. The Directors shall not participate in the Committee meetings in which proposals concerning their remuneration are formulated for submission to the Board.

The Appointments and Remuneration Committee met twice in 2015, on 3 March and 5 May, to:

- examine the remuneration policy and the 2014 remuneration report pursuant to Art. 123-ter of Legislative Decree 58/1998;
  - check the adequacy, overall consistency and actual enforcement of the remuneration policy adopted in the prior year.
- and to
- check and update the Regulations of the Appointments and Remuneration Committee;
  - propose the remuneration of the Chairman and Chief Executive Officer pursuant to Art. 2389, paragraph 3 of the Italian Civil Code;
  - check the long-term management incentive system ("Long Term Incentives" system or "LTI").

The meetings lasted about one and a half hours.

The meetings were attended by all members of the Committee, the Chairman of the Board of Statutory Auditors, the Chief Financial Officer, the Chief HR Officer and the General Counsel, who provided input on agenda items under their competence.

One meeting has been held in 2016 and at least one additional meeting is planned.

The percentage of attendance of each member at the Committee meetings held in 2015 is shown in the table in Article 4 (Board of Directors).

### **Duties assigned to the Appointments and Remuneration Committee**

The Appointments and Remuneration Committee provides advice and submits proposals to the Board of Directors, and supervises to ensure that the Remuneration Policy is defined and applied; specifically it shall:

- provide opinions to the Board of Directors in relation to its size and composition and to its Committees, as well as in relation to the responsibilities and professional figures that it deems should be present on the Board so that the Board can express its preference to the shareholders before the new Board is appointed, also taking into account the results of the annual self-assessment of the Board of Directors and of its Committees pursuant to the Corporate Governance Code;
- provide recommendations to the Board of Directors in relation to the maximum number of governing or supervisory board positions of other companies listed in regulated markets, financial, banking, insurance companies or in any case of significant size that may be considered compatible with the effective performance of the duties of a Company Director;
- provide recommendations to the Board of Directors in relation to any critical issues connected with application of the non-competition clause provided for by Art. 2390 of the Italian Civil Code to the Directors if the Shareholders' Meeting has previously and generally authorised exceptions to said clause for organisational requirements;
- while taking into account any suggestions made by the shareholders, propose candidates for the role of Director to the Board of Directors in cases in which independent directors are coopted if it is necessary to replace independent Directors;
- perform the preliminary check in relation to the periodic verifications of independence requirements and integrity of the directors and to the absence of causes for their incompatibility or ineligibility;

as well as:

- formulate proposals in relation to the policy for remunerating the Directors and Key Executives while periodically assessing the adequacy, overall consistency and actual enforcement of the policy adopted and making use of the information provided by the Chief Executive Office with regard to implementation of this policy towards the Key Executives;
- present proposals or provide opinions to the Board of Directors on the remuneration of the Executive Directors and the other Directors tasked with specific duties, as well as on the setting of performance targets correlated with the variable portion of

said remuneration, while monitoring enforcement of the decisions taken by the Board and particularly verifying the actual attainment of the performance targets;

- evaluate and formulate any proposals to the Board of Directors with regard to stock incentive, stock option, corporate shareholding and similar plans motivating and retaining the managers and employees of the Group companies controlled by the Company;
- report to shareholders on the ways it performs its duties; for this purpose, the Chairman of the Appointments and Remuneration Committee or another member of the Committee shall attend the annual Shareholders' meeting;
- examine in advance the annual report on remuneration to make available to the public before the annual Shareholders' Meeting called to approve the financial statements;
- provide opinions on issues submitted to it from time to time for screening by the Board of Directors, concerning remuneration or any pertinent or related topics;

\*\*\*\*

Minutes were duly kept during Appointments and Remuneration Committee meetings. In the performance of its functions, the Committee has access to Company data and resources necessary to carry out its duties, and may also enlist the assistance of outside consultants within the limits established by the Board, which do not have relations with the Company that could compromise the independence of their judgement.

If it deems it necessary or appropriate for the performance of its assigned duties, the Appointments and Remuneration Committee shall employ outside consultants who are knowledgeable in the field of compensation policies. The independence of the outside consultants shall be verified by the Appointments and Remuneration Committee before their appointment;

The Appointments and Remuneration Committee has an annual budget of 50 thousand euros for exercising its functions.

## **8. REMUNERATION OF DIRECTORS**

### **Remuneration policy**

Please refer to Chapter 1 of the Report on Remuneration

### **Stock incentive plans**

Please refer to Chapter 2.2.2 of the Report on Remuneration.

### **Remuneration of Executive Directors**

Please refer to Chapter 2.1 of the Report on Remuneration.

### **Remuneration of Key Executives**

Please refer to Chapter 2.1.4 of the Report on Remuneration.

### **Incentive schemes for the Internal Audit Department and for the Manager responsible for preparing the company's financial reports**

Please refer to Chapter 2.1.2 of the Report on Remuneration.

### **Remuneration of non-Executive Directors**

Please refer to Chapter 2.1 of the Report on Remuneration.

### **Agreements pursuant to Article 123-bis Paragraph 1, letter i) of the Consolidated Finance Act**

Please refer to Chapter 2 of the Report on Remuneration.

## 9. CONTROL AND RISKS COMMITTEE

In compliance with Article 7 of the Code, the Board of Directors decided to set up a Control and Risks Committee within the Board.

The current Control and Risks Committee comprises three non-executive independent directors in accordance with the Consolidated Finance Act, one of whom has a level of experience in accounting and finance that is deemed sufficient by the Board.

More specifically, in compliance with the provisions of the Code, the Board of Directors of the Company appointed the following directors as members of the Control and Risks Committee:

- Paolo Di Benedetto (Committee Chairman - independent and non-executive);
- Chiara Mancini (independent and non-executive);
- Veronica De Romanis (independent, non-executive, experienced in the accounting and financial fields).

### Functions of the Control and Risks Committee

The Control and Risks Committee is responsible for supporting the Board of Directors in carrying out tasks relating to the internal control system, such as:

- defining the internal control and risk management system guidelines, so that the main risks of the Company and of its subsidiaries are correctly identified and adequately measured, managed and monitored, whilst also establishing the degree of compatibility of such risks with business management that is in line with individual strategic objectives, formulating proposals to the Board of Directors in this regard;
- assessing, at least annually, the adequacy of the internal control and risk management system with respect to business characteristics and the risk profile assumed, as well as its effectiveness;
- approving, at least annually, the work plan prepared by the Head of Internal Audit, having consulted with the Board of Statutory Auditors (and the director in charge of the internal control and risk management system);
- after consultation with the board of statutory auditors, assessing the results expressed by the independent auditor in any letter of recommendations and in reports on the issues which fundamentally emerged during the statutory audit;
- together with the Manager responsible for preparing the company's financial reports, and after consultation with the independent auditor and the Board of Statutory Auditors, assessing the correct use of accounting standards and their homogeneity for the purpose of drafting the consolidated financial statements.

At the request of the Board of Directors, it provides opinions:

- on specific aspects concerning the identification of the main business risks;
- on the design, creation and management of the internal control system;
- on the appointment and removal of the Head of the Internal Audit department;
- on the adequacy of the resources assigned to the Head of the Internal Audit department to fulfil his or her responsibilities;
- on the definition of the remuneration of the Head of the Internal Audit department.

It shall also:

- examine periodic reports concerning the assessment of the internal control and risk management system, and those of particular significance prepared by the Internal Audit department;
- monitor the autonomy, suitability, effectiveness and efficiency of the Internal Audit department;
- ask the Internal Audit department to check specific operating areas if required, also notifying the Chairman of the Board of Statutory Auditors;
- report to the Board of Directors, at least every six months, on the activities carried out as well as on the adequacy of the internal control and risk management system.

The Control and Risks Committee meets whenever its Chairman, who coordinates the committee's operation, deems it appropriate or when requested by at least one member and in any case at intervals that are sufficient for the proper performance of its duties.

The meetings of the Control and Risks Committee are attended by the Chairman of the Board of Statutory Auditors and - if deemed appropriate and at the request of the Committee - by other Company representatives (such as the Head of Internal Audit, the Head of Risk and Compliance the General Counsel, the Chief Financial Officer). The Directors shall not participate in Committee meetings in which proposals are submitted to the Board regarding their remuneration.

In 2015, the Control and Risks Committee met 5 times to:

- analyse activities related to the risk management and assessment system;
- examine financial reports for the period with particular reference to correct use of accounting standards and their consistency in order to draft periodic reports, statutory financial statements and consolidated financial statements;
- analyse the update of the audit plan for 2016;
- analyse audit activities;
- update Guidelines of the internal control and risk management system;



- assess the correct use of accounting standards and their consistency in order to draft periodic reports, statutory financial statements and consolidated financial statements;
- assess the size of the internal audit department;
- assess the adequacy of the internal control and risk management system.

On average, the meetings lasted about one and a half hours and they were coordinated by the Committee Chairman.

The Control and Risks Committee meetings were attended the Chairman of the Board of Statutory Auditors, the Head of Risk and Compliance and the Head of Internal Audit. In 2015, the Financial Reporting Manager and the Independent Auditor took part in four and one meetings respectively, by invitation from the Committee, who provided input on agenda items within their competence.

In 2016 the Control and Risks Committee met once and three additional meetings are expected to be held during the year.

The percentage of attendance of each member at the Committee meetings held in 2015 is shown in the table in Article 4 (Board of Directors).

The Control and Risks Committee has an annual budget of 50 thousand euros for exercising its functions.

## 10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Company's internal control and risk management system consists of a set of rules, procedures and organisational structures established to ensure, through the appropriate identification, measurement and management of major risks, the sound management of the Company in a manner consistent with its objectives.

The Board, in accordance with the Control and Risks Committee, updated the guidelines to the internal control and risk management system so that the primary risks of the Issuer and its subsidiaries are identified correctly and adequately measured, managed and monitored, ensuring that these risks are compatible with company operations and strategic objectives. The document is updated at the fourth version dated 29 July 2015.

The Board, in accordance with the Control and Risks Committee, has examined the validity and effectiveness of the internal control and risk management system.

For the description of the primary characteristics of the existing internal control and risk management systems related to separate and consolidated financial reporting, please refer to [Annex 1](#).

### 10.1. Executive director in charge of the internal control system

In compliance with the provisions of Article 7 of the Code, during its meeting on 23 April 2015 the Board of Directors appointed the Chairman and Chief Executive Officer Francesco Caltagirone as the director in charge of the internal control and risk management system, and gave him the following duties:

- identifying the main business risks, taking into consideration the characteristics of the activities carried out by the issuer and its subsidiaries, and periodically submitting them to the board of directors for analysis;
- executing the guidelines defined by the board of directors, handling the design, creation and management of the internal control and risk management system and continuously checking its adequacy and effectiveness;
- updating the internal control and risk management system on the basis of operating conditions and the legislative and regulatory panorama;
- asking the Internal Audit department to check specific operating areas and compliance with internal rules and procedures in the execution of business transactions, also notifying the chairman of the board of directors, the chairman of the control and risks committee and the chairman of the board of statutory auditors;
- reporting promptly to the control and risks committee (or to the Board of Directors) on the issues and criticalities which arose while carrying out his activities or concerning which he has been informed, so that the committee (or the board) can initiate the appropriate actions;
- with the favourable opinion of the Control and Risks Committee and after consultation with the Board of Statutory Auditors, proposing the appointment and removal of the Head of Internal Audit and the definition of his or her remuneration in line with company policies and in compliance with current regulations to the Board of Directors, so that it may resolve in that regard; after sharing with and receiving the favourable opinion of the Control and Risks Committee and having consulted with the Board of Statutory Auditors, defining the annual and long-term targets of the Head of Internal Audit and assessing the results achieved, ensuring that they are independent of the targets defined for operating managers.

### 10.2. Head of the Internal Audit department

The Board of Directors in 2015 has appointed Franco Doria as the Head of Internal Audit.

The appointment was made upon the recommendation of the Chairman of the Board of Directors, after consultation with the Control and Risks Committee.

The Director in charge of the internal control and risk management system determined remuneration for the head of internal audit according to corporate policy and ensured that the latter is provided with adequate resources and a specific budget to carry out his or her responsibilities.

*The Head of Internal Audit shall report to the Board of Directors and interact with the Control and Risks Committee, the Director in charge of the internal control and risk management system and the Board of Statutory Auditors so as to ensure constant efficacy and the requirement of independence in carrying out his tasks in compliance with the Company's governance system, with the Code and in line with international best practices. The Head of Internal Audit has no operating responsibilities and reports to the board of directors; he/she has direct access to all information that is useful for the performance of his/her duties.*

In fulfilling his duties, the Head of Internal Audit shall report to the Director in charge of the internal control and risk management system, to the Board of Statutory Auditors and to the Control and Risks Committee concerning the following:

- providing an annual assessment on the adequacy and effectiveness of the organisation's control and risk management processes
- reporting on significant problems relating to the Company's and its subsidiaries' control systems, proposing possible improvements, and following up on those problems until they are resolved;
- providing periodic updates on the progress and results of the annual audit plan and on the adequacy of the department's resources;
- supervising and coordinating with the other control and monitoring functions.

The Head of Internal Audit shall also be responsible for the following activities:

- developing a flexible annual audit plan based on an appropriate approach for assessing risks, including those identified by management; submitting it to the Board of Statutory Auditors and to the director in charge and to the Control and Risks Committee for examination and approval, and periodically disclosing plan updates;
- executing the annual audit plan as it was approved, if applicable including any specific activities or projects requested by the Board of Statutory Auditors, by the Director in charge and/or by Management;
- ensuring that Internal Audit department staff has sufficient professionalism, abilities and experience to satisfy the requirements of the position;
- providing advisory services, other than Internal Audit's typical assurance services, to support the management in reaching its targets;
- promptly reporting any case of suspected fraud which involves the management or employees in key positions in the company's internal control system to the Director in charge of the internal control and risk management system;
- assisting in the investigation of cases of suspected internal fraud and informing the Director in charge of the internal control and risk management system, the management and the Internal Control Committee of the results.

Within the scope of their activities, the Board of Statutory Auditors and the Control and Risks Committee may ask the Internal Audit department to conduct investigations on specific operating areas or business transactions.

In 2015, the Head of Internal Audit carried out the following activities:

- devised the 2015 audit plan approved by the Board of Directors, including certain formal requests by the Chairman of the Board of Statutory Auditors, the Director in charge and the Control and Risks Committee;
- checked implementation, in the operating companies and in Cementir Holding, of a standard risk assessment and management methodology as envisaged by the Company's Risk Policy, with implementation of the SAP "Governance Risk & Compliance" (GRC) module;
- strengthened the Complaints Management System as an element of the Group Corporate Governance by introducing a specific reference to the topic on the Group Internet and Intranet sites, providing the specific traditional mail addresses, email addresses and telephone numbers that employees or third parties can use to freely send their reports, remaining anonymous. The same information was provided in the local language on the company noticeboards of the Group production sites.

### **10.3. Organisational Model in accordance with Legislative Decree 231/2001**

With its Board of Directors resolution of 8 May 2008, the Issuer adopted the Management and Internal Control Organisation Model and a Code of Ethics in accordance with Legislative Decree no. 231/2001, drafted both on the basis of the instructions contained in the Confindustria Guidelines, and existing best practice in this field in Italy

The Model was drafted after analysing the risks associated with the Company's nature as a holding company in the cement and cement derivatives industry, and with its basic organisational structure. Based on an analysis of the risks and the consequent assessment of the existing internal control system, procedures were developed to reduce the risks of criminal conduct relating to sensitive, key activities covered in the aforementioned legislative decree.

With reference to the SB, the "231 Model" establishes the following:

- the requirements of autonomy, independence, professionalism and continuity of action;
- the free access of the SB to the entire corporate organisation and to all functions;
- the SB's access to all corporate information;
- the allocation of a specific budget;
- the SB's ability to use the support of the corporate organisation or of external consultants, with availability of the above budget for such purpose.

In 2015, the appointment given in 2012 to the Supervisory Body - currently comprising one external, independent member, Prof. Mario Venezia, who serves as Chairman, two members from within the company who are Mr. Francesco Paolucci, the Head of Internal Audit, and Mr. Franco Doria, the Head of Risk and Compliance - was renewed for three years (i.e. until approval of the 2017 financial statements).

In addition to its statutory duties, the Supervisory Body is responsible for the following:

- verifying the effectiveness and the adequacy of the model;
- supervising the operation of and compliance with the model;
- overseeing the implementation of the Model;
- upgrading the Model and Code of Ethics so that they always reflect the Company's activities and procedures, and comply with the law;
- monitoring breaches of the model, including breaches of the Code of Ethics.

The Body is governed by its own rules which define the more operational and technical aspects of its activities (scheduling, minuting, information flows, control methods).

In 2015, the Supervisory Body formally met four times, for the purpose of:

- monitoring the progress of the activities to update the 231 Model;
- verifying implementation of the "Organisation, Management and Control Model";
- planning work for the year 2016;
- monitoring the implementation of the 231 Model by the Italian subsidiaries and its repercussions on foreign subsidiaries;
- verifying any reports of breaches of Model provisions.

The Chairman of the Board of Statutory Auditors participated in two Supervisory Body meetings. Represented by one or more of its members, the Supervisory Body participated in five meetings of the Board of Statutory Auditors held in 2015 and four meetings of the Control and Risks Committee. The Supervisory Body also met with the General Counsel of the company during 2015.

Minutes are taken at the Body's meetings.

The Body has its own budget, set by the Board of Directors, which is adequate for its operations.

For more information about the 231 Model and the Code of Ethics adopted by the Company, please refer to the Investor Relations/Corporate Governance section of the Company's Website ([www.cementirholding.it](http://www.cementirholding.it)).

#### **10.4. Independent Auditors**

In accordance with the law, an auditing firm registered with Consob has been appointed to audit the Company's accounts. The appointment was made by the Shareholders' Meeting following a justified recommendation by the Board of Statutory Auditors. KPMG S.p.A. is the auditing firm appointed by the Shareholders' Meeting of 18 April 2012 to conduct auditing activities on the Company's separate financial statements and the consolidated financial statements for the 2012-2020 period. The appointment is due to expire upon approval of the financial statements as at 31 December 2020.

#### **10.5. Manager responsible for preparing the company's financial reports**

In accordance with Article 16 of the Company's Articles of Association, in compliance with art. 154 bis of the Consolidated Finance Act, the Board of Directors appoints the manager responsible for preparing the Company's financial reports ("Financial Reporting Manager"), with due regard for the opinion of the Board of Statutory Auditors. The manager is selected among candidates who have accumulated adequate experience in administration, finance and control in large companies or in the exercise of their profession, and who meet the integrity requirements prescribed for Directors.

Should the manager no longer meet such integrity requirements during the term of office, he/she must forfeit the position. In such cases, the manager shall promptly be replaced.

The Financial Reporting Manager shall remain in office for a one-year term, until the Board of Directors meeting subsequent to the Shareholders' Meeting that approves the financial statements for the year.

At the meeting held on 23 April 2015, the Company's Board of Directors renewed the appointment of Mr. Massimo Sala - the Company's Chief Financial Officer, responsible for administration, finance and control - as the Financial Reporting Manager, pursuant to Article 16 of the Articles of Association and Article 154 bis of the Consolidated Finance Act.

At the proposal of the Chairman, having received the favourable opinion of the Board of Statutory Auditors, the Board assessed Mr. Sala's background and experience and appointed him to the position until the meeting subsequent to the shareholders' meeting for the approval of the 2015 financial statements, while assigning the Chairman the task of formalising this appointment and vesting him with all powers necessary to carry out his duties.

Implementing the aforementioned resolution, the Financial Reporting Manager has been vested with the powers and means necessary to carry out his duties including the following, merely by way of example:

- in the presence of company deeds and communications disclosed to the market concerning financial reporting, including interim reports, to sign a declaration certifying that the aforementioned deeds and communications comply with the accounting documentation, books and records (Article 154-bis, Paragraph 2 of the Consolidated Finance Act);
- to prepare adequate administrative and accounting procedures for drafting the separate financial statements and the consolidated financial statements as well as any other financial communication (Article 154-bis, Paragraph 3 of the Consolidated Finance Act);

- to certify, in the manner prescribed by law, pursuant to Article 154-bis, Paragraph 5 of the Consolidated Finance Act, in conjunction with the delegated administrative bodies, in a special report to be attached to the annual financial statements (separate and consolidated) and to the condensed half-year financial statements, the adequacy and actual enforcement of the procedures referred to in the previous paragraph, during the period to which the documents refer, and the conformity of these documents with the accounting documentation, books and records and their suitability to provide a truthful and fair representation of the financial position and performance of the Company and the group of companies included within the scope of consolidation, as well as the conformity of the documents to the applicable international accounting standards recognised in the European Community (Article 154-bis, Paragraph 5 of the Consolidated Finance Act);
- to assess, together with the Control and Risks Committee, and having consulted with the Independent Auditor and the Board of Statutory Auditors, the correct use of accounting standards and their homogeneity for the purpose of drafting the consolidated financial statements;
- to participate in Board of Directors meetings during which topics are discussed which affect the financial situation and performance and in the cases in which topics concerning his activities are discussed; he has the right to propose changes to the company processes and procedures for which he is not the process owner, including IT procedures, which have an indirect impact on the drafting of the financial statements or on the company's financial situation and performance;
- to revise existing procedures and, where appropriate, establish new procedures to ensure, within the scope of internal organisational processes, the traceability of information flows, the assignment of duties and responsibilities and their timing, the security of IT systems with regard to information flows, and the existence of an adequate control system;
- to report to the Board, on at least a quarterly basis and in any case at the time of approval of the annual and interim financial statements, on the activities performed, in particular with regard to the procedures for managing and controlling the process of preparing accounting documentation and direct disclosures to the market;
- to report any problems that emerge during the course of the year and any actions taken to address those problems;
- to inform the Board of Directors regarding the use of resources placed at the Manager's disposal;
- to request any organisational modifications necessary and/or advisable for the discharge of his/her duties assigned by law, the Articles of Association and by the Board of Directors, as well as any consulting and/or professional service engagements or the purchase of goods and services strictly instrumental to or necessary for the discharge of the Manager's duties;
- immediately to inform the Board of any impediment that could compromise the proper performance of the above duties.

Relations between the Financial Reporting Manager and the Board of Directors are governed through the Control and Risks Committee, to which the Financial Reporting Manager reports on a half-yearly basis as well as any time circumstances so require concerning:

- the suitability of his powers;
- the suitability of the means and resources made available to him;
- the suitability of the administrative procedures adopted or the need to change them on the basis of issues detected;
- the corrective actions to be adopted in order to overcome the issues found.

The Board of Directors not only supervises to ensure that the Financial Reporting Manager has the aforementioned powers and means, but also supervises effective compliance with administrative and accounting procedures (Article 154-bis, Paragraph 4 of the Consolidated Finance Act).

#### **10.6. Coordination between parties involved in the internal control and risk management system**

In accordance with principle 7.P.3 of the Code of Conduct, and in compliance with the *best practices* for listed companies, the company has a procedure for coordinating amongst the various parties involved in the Cementir Holding internal control and risk management system (Board of Directors, Board of Statutory Auditors, Director in charge of the internal control and risk management system, Control and risks committee, Head of Internal Audit, Manager responsible for preparing the company's financial reports).

This coordination was defined by adopting the document "Definition of relations between the bodies and functions responsible for the company's internal control", which defines and harmonises interrelations amongst the various bodies and functions that make up the Cementir Holding internal control system. This document was adopted with the objective of minimising the risk of repercussions on company operations in terms of potential duplications of requests coming from these bodies, and creating a streamlined and efficient company-wide control system.

## 11. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

On 8 May 2008, the Board of Directors adopted a procedure (afterwards modified by the Board of Directors on 5 November 2010) for handling transactions entered into by the Company and/or its subsidiaries with related parties in order to standardise their approval and implementation.

For each of these transactions, in compliance with the general principles established by Consob, the Board adopted rules and procedures that assure their transparency and substantial and formal propriety.

In particular, when establishing the procedure for approving and carrying out transactions with related parties, the Board defined specific transactions and established the criteria for identifying which transactions need to be approved by the Board, in consultation with the Control and Risks Committee.

More specifically, the procedure:

- defines the related parties and the transactions with related parties, and establishes the criteria for identifying transactions with related parties of greater or lesser importance and the transactions of a small amount;
- establishes the methods with which the transactions are instructed and approved;
- defines the cases of exception that are not subject to application of the procedure.

For more information on the aforesaid procedure, please refer to the *Investor Relations/Corporate Governance* section of the Company's website ([www.cementirholding.it](http://www.cementirholding.it)).

The Board of Directors did not consider it necessary to adopt specific operating solutions to help determine and handle situations in which a director holds individual interests or third-party interests. The Board of Directors shall adopt suitable operating solutions from time to time.

## 12. APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

Article 15 of the Articles of Association prescribes that the Board of Statutory Auditors shall consist of three Standing Auditors and three Alternate Auditors whose remuneration shall be determined by the Shareholders' Meeting. It should be mentioned that at the meeting of 7 November 2013 the Board of Directors amended the Articles of Association by introducing the principle by which the composition of the Board of Statutory Auditors should in any case ensure a balance between genders, in accordance with the laws in force.

Members of Board of Statutory Auditors are elected on the basis of lists submitted by Shareholders with voting rights representing at least 2% of the share capital or, alternatively, the lower percentage that may be set by applicable laws (for 2015, it was set at 2.5% of the share capital).

The lists shall be filed at the Company's registered office no later than 25 days prior to the date set for the Shareholders' Meeting on first call.

Those submitting the lists must prove that they are Shareholders by depositing, together with the list, the documentation attesting possession of the number of shares required for submission of the list.

In the event that only one list is submitted by the deadline for list submission, or only lists by shareholders who belong to the same group or are parties to a shareholders' agreement concerning the Company's shares have been submitted, shareholders may continue to submit lists for up to three days after the deadline, provided that statutory notice requirements are met. In this case, the percentage threshold for submitting lists shall be reduced by half.

The lists shall be accompanied by information on the shareholders presenting them, indicating the total percentage of shares held, the curriculum vitae of each person on the slate, and a statement from each candidate affirming, under his/her personal responsibility, that he or she meets the requirements established by law and agrees to be a candidate.

The lists for the election of the members of the Board of Statutory Auditors shall contain the names of one or more candidates numbered in sequential order. In no case, however, may the number of candidates on the list exceed the number of auditors to be elected. The lists may be divided into two sections, each of up to 3 candidates (numbered progressively) for the office of standing auditor and alternate auditor.

Each list for the appointment of standing auditors or alternate auditors shall contain a number of candidates belonging to the gender with fewer members so as to ensure a balance between both genders to the extent required by the laws and regulatory provisions in force.

No shareholder may submit or vote, either directly or through another person or a trust company, for more than one list, and each candidate may appear on only one list under penalty of ineligibility.

Once the votes are counted, the Standing Auditors shall be the top two candidates on the list that received the highest number of votes (the "Majority List") and the top candidate of the list - submitted and voted by shareholders who are not connected, directly or indirectly, with the majority shareholders - with the second-highest number of votes (the "Minority List"), who will serve as Chairman of the Board of Statutory Auditors.

The following shall also be elected:

- two Alternate Auditors among the candidates in the "Alternate Auditors" section of the Majority List, progressively numbered;
- one Alternate Auditor among the candidates in the "Alternate Auditors" section of the Minority List according to the progressive number.

If at the outcome of voting the composition of the Board of Statutory Auditors, with its standing and alternate members, does not respect a balance between genders to the extent required by the laws and regulatory provisions in force, the last member on the list receiving the highest number of votes shall be replaced with the first person on the list belonging to the gender with fewer members. If through the scrolling method a balance between genders is not reached to the extent required by the laws and regulatory provisions in force then the Shareholders' Meeting shall resolve on the issue with a majority prescribed by law.

If only one list is submitted or if only one list receives votes, all of its candidates shall be elected on the basis of ordinary majorities as prescribed by law, while still fulfilling the requirement to respect a balance between genders to the extent required by the laws and regulatory provisions in force.

If a Standing Auditor fails to take office or resigns from office, the Alternate belonging to the same list shall take over, while still fulfilling the requirement to respect a balance between genders to the extent required by the laws and regulatory provisions in force; if this replacement does not ensure compliance with the law, the Shareholders' Meeting shall be called immediately to enable compliance with applicable laws.

The Shareholders' Meeting convened to replace members of the Board of Statutory Auditors in accordance with the law shall do so in compliance with the minority representation principle and the requirement to respect a balance between genders to the extent required by the laws and regulatory provisions in force.

Members of the Board of Statutory Auditors must satisfy the requirements of integrity, professionalism and independence set forth by current legislation for Statutory Auditors of companies with listed shares.

Candidates may not be included in lists if they already serve as Auditors for three other listed companies, excluding Group companies.

Members of the Board of Statutory Auditors shall serve a term of three years, which expires on the date of the Shareholders' Meeting convened to approve the financial statements for their third year of office. Outgoing members of the Board of Statutory Auditors may be re-elected.

It should be pointed out that, in implementation of the additions made to the Consolidated Finance Act in July 2011 to ensure a balance between genders within the governing and supervisory boards of companies with listed shares, as well as in light of the implementing provisions laid down by CONSOB in its regulation, and on the basis of the amendments to the Articles of Association as a result, during the first three renewals of the Board of Statutory Auditors subsequent to 12 August 2012, lists with three or more candidates must also include candidates of the less represented gender, which is one fifth of the candidates for the Board of Statutory Auditors for the first subsequent term and one third of the candidates for the Board of Statutory Auditors for two subsequent terms, according to what will be specifically set forth in the shareholders' meeting notice.

### 13.COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting (in accordance with the Articles and Association and applicable laws and regulations) on 17 April 2014 for the 2014-2016 term, until the approval of the financial statements as at 31 December 2016. This appointment was based on the sole list presented by the majority shareholder, Calt 2004 S.r.l., with 81.02% of votes in favour.

The following table shows the structure of the Board of Statutory Auditors as at 31 December 2015:

Office	Name	Birth year	Date of first appointment	In office from	In office until	List (M/m)*	Independent per the Code	% Attendance	No. of Other positions
Chairman	Claudio <i>BIANCHI</i>	1939	16/04/2008	Sh. Mtg. 17/04/2014	Approval of 2016 Fin. St.	M	X	100	5
Standing auditor	Giampiero <i>TASCO</i>	1951	16/04/2008	Sh. Mtg. 17/04/2014	Approval of 2016 Fin. St.	M	X	100	18
Standing auditor	Maria Assunta <i>COLUCCIA</i>	1966	17/04/2014	Sh. Mtg. 17/04/2014	Approval of 2016 Fin. St.	M	X	100	22
Alternate Auditor	Stefano <i>GIANNULI</i>	1965	17/04/2014	Sh. Mtg. 17/04/2014	Approval of 2016 Fin. St.	M	X	/	/
Alternate Auditor	Vincenzo <i>SPORTELLI</i>	1961	16/04/2008	Sh. Mtg. 17/04/2014	Approval of 2016 Fin. St.	M	X	/	/
Alternate Auditor	Patrizia <i>AMORETTI</i>	1970	18/04/2011	Sh. Mtg. 17/04/2014	Approval of 2016 Fin. St.	M	X	/	/

#### Key

**% Attendance:** this column shows the percentage of attendance at Board of Statutory Auditor meetings.

**Other positions:** reports the number of positions held by the Auditor pursuant to Article 148-bis of the Consolidated Finance Act. In accordance with Article 144-quinquiesdecies of the Issuers' Regulations, the complete list of positions held is attached to the report on supervisory activities prepared by the Board of Statutory Auditors pursuant to Article 153, Paragraph 1 of the Consolidated Finance Act.

The meeting attendance of each member is indicated in the table above.

Assessing whether to assign the duties of the 231/01 SB to the Board of Statutory Auditors, it decided to keep the two supervisory bodies separated

No Statutory Auditors left office during the year ending on 31 December 2015 and there were no changes in the composition of the Board of Statutory Auditors from the end of the financial year to the approval of the Report..

For information on the personal and professional qualifications of each statutory auditor, please refer to their CVs, available at the Company's website ([www.cementirholding.it](http://www.cementirholding.it)), in the section *Investor Relations/Corporate Governance/Shareholders' Meetings/2014 Archive/List of candidates for Statutory Auditors*.

\*\*\*

During the year, the Board of Statutory Auditors met four times.

On average, the meetings lasted about one and a half hours.

Five meetings are scheduled for 2016, one of which was already held on 15 January.

\*\*\*

In compliance with the provisions of the Code, the Board of Statutory Auditors assesses the independence of its members at the first meeting following the appointment, as well as every year they continue in office.

During the year (during the 10 June 2015 meeting), the Board of Statutory Auditors assessed the permanence of the independence requirements of each Standing Auditor. As part of this assessment process, the Board applied all of the criteria regarding the independence of Directors prescribed by the Code and by the Consolidated Finance Act.

The Statutory Auditors declared that they meet the independence requirements pursuant to Art. 148, paragraph 3 of the Consolidated Finance Act and those set down in Art. 3 of the Corporate Governance Code, also on the basis of the cases suggesting an absence of independence indicated in the application criteria.

\*\*\*

The Board of Statutory Auditors exercises the powers and functions assigned to it by the law and by other applicable provisions.

The Board of Statutory Auditors monitored the independence of the independent auditors and verified compliance with the applicable provisions of law, as well as the nature and quantity of any services provided to the Company.

In terms of content and frequency, the reports to the Board allow the Statutory Auditors to get adequate knowledge of the business sector in which the Company operates, of its corporate dynamic and evolution, and of the reference regulatory framework.

With reference to the situations in which the Statutory Auditor holds individual or third-party interests, the procedure with third parties described in Sect. 11 above applies. This procedure requires the statutory auditor who finds himself/herself in the above-mentioned circumstance to promptly and thoroughly inform the other statutory auditors and directors of the nature, terms, origins and range of his or her interest.

In performing its duties, the Board of Statutory Auditors coordinated its activities with the Internal Audit Department, from which it received updates on the execution of controls in specific operating areas, and with the Financial Reporting Manager.

Furthermore, the Board of Statutory Auditors coordinated its activities with the Control and Risks Committee through the timely exchange of relevant information to fulfil their relative duties and the presence of the Chairman of the Board of Statutory Auditors at Committee meetings. *The Board of Statutory Auditors also received updates from Internal Audit on the execution of controls in specific operating areas.* This made it possible to continuously exchange information between the various bodies, aimed at monitoring the entire controls system.

The advisability of assigning the supervisory duties under Legislative Decree 231/01 to the Board of Statutory Auditors was assessed and the decision was made to keep the two supervisory bodies separated.

## 14. SHAREHOLDER RELATIONS

For the purpose of establishing continuous dialogue with institutional investors, with shareholders and with the market, and in order to ensure the systematic dissemination of extensive and timely information on its activities, the Company has set up a dedicated section on its website, [www.cementirholding.it](http://www.cementirholding.it), where economic and financial information, as well as data and documents of interest to shareholders are published in both Italian and English in order to exercise their rights in an informed manner.

At its meeting on 31 January 2013, the Board of Directors appointed Mr. Massimo Sala, the Group CFO, as head of relations with institutional investors and with other Shareholders. During the course of such relations, disclosure of any documents and information concerning the Company shall be in accordance with internal procedures. The Company also has a company department in charge of managing investor relations, which is currently under the Administration, Finance and Control department.

## 15. SHAREHOLDERS' MEETINGS

Shareholders' Meetings shall be convened in accordance with the procedures established under applicable laws and regulations and there are no specific quorums for convening meetings or passing resolutions.

The ordinary and extraordinary Shareholders' Meetings are held on sole call with the majority required by law for this purpose.

The ordinary Shareholders' Meeting is called at least once a year for approval of the financial statements within one hundred eighty (180) days from the end of the financial year since the Company is required to draw up the consolidated financial statements, or in any case when special necessities concerning the structure and company's purpose so require. The Shareholders' Meeting is also called both in ordinary and extraordinary session every time the Board deems it opportune and in those cases required by law.

In particular, eligibility to attend the Shareholders' Meeting and exercise the right to vote shall be certified by a notice sent to the Company by the intermediary, in accordance with applicable regulations, on the basis of the data in its accounting records for the end of the accounting day of the seventh business day ("record date") before the date set for the first calling of the Shareholders' Meeting.

Shareholders with voting rights may be represented by means of a written proxy, subject to the preclusions and limitations set out in the articles of Association and applicable laws.

The Shareholders' Meeting is responsible for resolving on matters under their competence as laid down by the law, since the Articles of Association do not provide for additional specific duties. It should be reiterated that the Articles of Association, in accordance with art. 2365, Paragraph 2, of the Italian Civil Code, give the Board of Directors the power to resolve on mergers in cases provided for under articles 2505 and 2505-bis of the Italian Civil Code, opening, moving or closing of branch offices, reducing share capital in the case of Shareholder withdrawal, and bringing the Articles of Association in line with applicable laws.

\*\*\*



Please note that as at the date this Report is approved, there are no multiple voting right shares and neither has the Company as of today introduced the institution of increasing the voting rights as provided for by Art. 127-quinquies of the Consolidated Finance Act.

\*\*\*

Pursuant to Article 10 of the Articles of Association, and pursuant to Article 2365, Paragraph 2 of the Italian Civil Code, the Board of Directors is empowered to amend the Articles of Association in all instances where it is necessary to bring them into line with new, mandatory legal and regulatory provisions.

The Board also reported to shareholders on the work it carried out and its plans for the future, in response to requests made by shareholders in attendance.

\*\*\*

With the amendments to the Articles of Association introduced pursuant to Legislative Decree no. 27/2010, the Company intended to provide shareholders with the opportunity to employ additional instruments to attend Shareholders' Meetings and exercise their voting rights. In particular, the Articles of Association now provide for electronic notification of the proxies according to the procedures established in the convening notice.

The Company may also designate a representative of the shareholders, to whom they may issue a proxy, with voting instructions, on all or some of the agenda items, until the end of the second business day preceding the date set for the Shareholders' Meeting on first or sole call.

The Company's Articles of Association do not currently provide for absentee voting, electronic voting or any audio-visual links since these are not deemed useful in light of the Company's shareholding structure.

For the time being, the Company has not deemed it necessary to adopt formal rules for the Shareholders' Meeting in view of the fact that Meetings have always proceeded normally, and of the limited number of shareholders. It is considered sufficient for the Chairman to continue overseeing the Meetings on the basis of participation rules. The Chairman of the Shareholders' Meeting verifies individual Shareholders' entitlement to participate and ascertains whether the Meeting is duly convened and a quorum is present. The Chairman presides over the proceedings.

\*\*\*

Those entitled to vote may request the floor in relation to the matters under discussion, providing comments, requesting information and making proposals. Requests to intervene can be made when the Meeting is convened and - unless a different term is indicated by the Chairman - until the Chairman of the Meeting has announced the end of discussions on a given matter. The Chairman of the Meeting and, at the latter's request, any assistants, respond to questions at the end of all discussions or after each discussion. Those who have requested the floor are entitled to reply.

\*\*\*

During financial year 2015 the ordinary Shareholders' Meeting met twice, on 23 February, with the participation of 7 Directors and the entire Board of Statutory Auditors, and on 21 April, with the participation of 9 Directors and the entire Board of Statutory Auditors.

The Chairman of the Board of Directors reported to the Shareholders' Meeting on the activities conducted and planned, and it worked to ensure that the shareholders received a suitable disclosure on the elements necessary for them to be able to make the decisions required of the shareholders' meeting with full knowledge of the facts.

\*\*\*

Shareholders are regularly informed on the operations of the Appointments and Remuneration Committee, both through this Report and by means of the information contained in the Remuneration Report.

\*\*\*

Please note that the Company's market capitalisation increased by 17.7% in 2015 and it amounted to EUR 940,000,000 by the end of 2015. In 2015, the FTSE Italia All Share index increased by 14.6%, whereas the FTSE Italia Star index rose by 38%.

No significant changes in the composition of the corporate structure occurred during the year.

## **16. ADDITIONAL CORPORATE GOVERNANCE PRACTICES**

Other than those described above, and than the adoption of an organisational model in accordance with Legislative Decree 231/2001, the Company did not apply any additional corporate governance practices, aside from the obligations prescribed by laws and regulations.

## 17.CHANGES SINCE YEAR-END

With the exception of the above, there were no significant changes in the Company's corporate governance system since the end of the financial year to the date of this Report.

Rome, 10 March 2016

On behalf of the Board of Directors  
The Chairman and Chief Executive Officer  
Francesco Caltagirone

## **ANNEX 1: Paragraph on the “Primary characteristics of the existing risk management and internal control systems in relation to the financial reporting process” in accordance with Article 123-bis, Paragraph 2, letter b) of the Consolidated Finance Act.**

### **1) Foreword**

The Internal Control and Risk Management System is a key component of the Corporate Governance system for the companies of the Cementir Holding Group (i.e. Cementir Holding and its subsidiaries). Its purpose is, inter alia, to assure the reliability, accuracy and timeliness of financial reporting through an appropriate process of identifying, measuring, managing and monitoring the primary risks.

In order to enable the identification, measurement, management and monitoring of the key risks to which the Company is exposed, a single, centralised Internal Control System has been adopted, which assigns responsibilities at three levels:

- first level - defines and manages the “line” controls inherent in operating processes;
- second level - manages the process of managing and controlling risks related to operations, thereby ensuring consistency with corporate objectives and sufficient organisational segregation to allow for effective monitoring;
- third level - provides “assurance” as to the overall design and operation of the Internal Control System by means of independent assessments and improvement plans defined by Management.

The Company’s risk management system must not to be seen as separate from the internal control system with regard to the financial reporting process. Indeed, both are components of the same System aimed at ensuring the reliability, accuracy and timeliness of the financial information provided.

### Components of the Internal control system

The most significant components of the Internal control system are:

- a sufficiently clear, formalised organisational system, particularly as concerns the assignment of responsibilities, the definition of hierarchies, and the description of duties;
- manual and/or computerised procedures that regulate activities and provide appropriate controls;
- signatory and authorisation powers assigned in accordance with established organisational and operational responsibilities, including, where necessary, an indication of spending approval limits;
- management control systems designed to provide timely notifications of specific and/or general critical issues;
- a Code of Ethics approved by the Board of Directors in May 2008;
- human resources training and communication.

The components of the internal control system are based on the following principles:

- the verifiability, traceability, consistency and coherence of each transaction;
- the separation of functions and responsibilities (i.e. no one person may manage an entire process autonomously);
- the documentation of controls;
- periodic upgrades to the internal control system, based on risk assessment and changes made to the organisational model

The Board of Directors has ultimate responsibility for the Internal Control System.

The Board of Directors, supported by the Control and Risks Committee defines the guidelines of the internal control System, *by defining the extent to which risks are compatible with the company’s strategic objectives*; it furthermore assesses, at least annually, the adequacy, efficiency and effectiveness of the internal control system *taking into account the characteristics of the Company and its risk profile. 7.C.1*

The Director in charge of the internal control and risk management system is responsible for designing, creating and managing the internal control and risk management system on the basis of guidelines defined by the Board of Directors, delegating that activity to the applicable management. All the tasks provided by criterion 7.C.4. are specified in the report.

The Head of Internal Audit provides assurance to the Director in charge of the internal control and risk management system, the Control and Risks Committee and the Board of Statutory Auditors that the Internal Control and Risk Management System:

- is suitable to promptly react to significant situations of risk which arise both internally and from changes in the environment in which the company operates;
- includes regular activities to control the effectiveness of the Internal Control System, as well as the possibility of activating specific control activities if weaknesses in the Internal Control System are reported;
- includes procedures for immediate communication at an appropriate level of the company, adopting for that purpose suitable organisational solutions which ensure that the functions directly involved in the Internal Control System can access the necessary information as well as corporate management;
- is an integral part of the company’s activities and culture, activating for that purpose suitable information, communication and training processes to facilitate the identification and timely execution of corrective actions.

In addition to the duties listed in the Corporate Governance Report, the Manager Responsible for the Company's financial reports is also in charge of establishing appropriate administrative and accounting procedures for preparing the separate and consolidated financial statements.

## **2) Description of the primary characteristics of the existing risk management and internal control systems in relation to the financial reporting process**

### **Appointment of the manager responsible for the Company's financial reports and approval of the operating rules**

The Board of Directors appointed Mr. Massimo Sala, the Company's CFO, as the Manager Responsible for the Company's financial reports at its meeting held on 23 April 2015 and, at its meeting on 7 November 2012, it approved the Operating Rules for said position. This document establishes the guidelines to be followed within the Cementir Holding Group regarding the obligations deriving from Article 154-bis of Legislative Decree 58/1998 concerning the preparation of Company accounting documents and related certification obligations. In particular, the document:

- defines the powers and responsibilities of the manager;
- defined the appointment of financial reporting Managers within Group companies, as well as the procedures for the appointment;
- to assist in the preparation of the certifications and declarations required of the manager by law, introduced the option for the Financial Reporting Managers of the Group companies to internally certify, through the related internal communications process, the proper operation of administrative and accounting procedures, as well as the completeness and reliability of information and the adequacy and actual application of internal controls in relation to the financial reporting process.

### **Upgrading the Internal Control System**

The Internal Control System was upgraded as a result of the analysis of the risks pertaining to major corporate processes.

A gap analysis was conducted regarding the following internal control principles:

- procedures and regulations;
- segregation of duties;
- signatory and authorisation powers;
- control activities.

### **Controls on the IT systems**

Under the current organisational structure, financial reporting managers for subsidiary operating companies in accordance with Law 262/2005 have been identified and they shall internally certify the proper operation of administrative and accounting procedures, the completeness and reliability of information flows and the adequacy and actual application of internal controls. Once confirmation of application of the required controls has been received from the 262 Managers of the subsidiary operating companies, the Manager Responsible for the Company's financial reports shall verify the figures the economic and financial information and shall certify that such figures match those contained in company documents, books and accounting records.

In accordance with the guidelines for the internal control system, the control mechanisms described above shall be monitored by the management of the operating companies for the areas concerned (first-level control), by the Manager Responsible for the Company's financial reports (second-level control), and by the Internal Audit Department (third-level control).

## **Risk management system**

In 2011, the Company started upgrading the risk assessment and management system. Hence, a Risk Policy was promulgated, defining roles, responsibilities, standards of behaviour, processes and standards to be enforced by all Group companies when assessing and managing risks.

With regard to roles and responsibilities, the Board of Directors has ultimate responsibility for the risk management process of Cementir Holding. The Chief Operating Officer of Cementir Holding and the Chief Operating Officers and Managing Directors of the subsidiaries (Regions and Operating companies) are responsible, inter alia, within the risk strategy and the risk policy:

- for developing and implementing an adequate risk management system;
- for submitting a risk strategy proposal to their respective Board of Directors;
- for periodically reporting on risk.

On financial risk matters, the CFO of Cementir Holding is specifically responsible:

- for developing and implementing an adequate risk management system, inclusive of procedures;
- for assessing the status in all risk areas, as well as emerging areas;
- for adapting the company's risk level to the approved risk propensity.

Inclusion of financial risks in the risk report to the Board of Directors is carried out in coordination with the Chief Operating Officer of Cementir Holding.

The Risk and Compliance department supports the management in risk assessment and management, facilitating the implementation of the risk management system throughout the Group; it also collects, reviews and verifies the risk reports prescribed by the policy.

The risk management and assessment system was implemented at all operating companies of the Group: Aalborg Portland (Denmark), Aalborg Portland Anqing (China), Aalborg Portland Malaysia, Cimentas, Recydia, Hereko e Sureko (Turkey), Cementir Italia, Vianini Pipe and Gaetano Cacciatore (USA) Neales Waste Management (Great Britain) and at Cementir Holding.

According to the method, management is to act on the risk proceeding along these steps:

- ❖ risk identification: the management, using workshops, brainstorming sessions and other instruments, classifies risk according to the following categories:
  - strategic: competition, changes in demand, structural changes in the industry, launch of new products and services, political climate, investor relations, mergers/acquisitions/sales, reputation and brand name;
  - operating: distribution channels, information security, company viability plans, compliance with external and internal regulations (e.g. the Company Code of Ethics), health and safety, environment and crash or malfunction of the IT system;
  - financial: cash management, credit, forecast cash flows, treasury, fraud, changes in interest rates and taxes;
  - image: unfavourable publicity or brand name impairment;
  - compliance: Code of Ethics, issues with legal or regulatory non-compliance, regulatory changes.
- ❖ risk assessment: for each identified risk, management expresses an assessment in terms of likelihood and impact on the business, using a 5-level scoring system;
- ❖ risk management: an "owner" is identified for each risk, making him/her responsible for verifying that the agreed initiatives are undertaken promptly and within the specified budget limits and that the initiatives effectively contribute to mitigate risk. Management must be involved, in particular for risks assessed as high;
- ❖ risk reporting: the Chief Executive Officer is responsible for the report (risk register) based on the main risks at the operating company and region level. Financial risks are included in coordination with the Chief Financial Officer. The report includes the ten most significant risks identified;
- ❖ risk monitoring: the monitoring activities pertain to mitigation and control, as key components in the management of risk exposure.

The risk management system reports include a report (the "Risk Management Report") that is periodically presented for each organisational unit to the BoD. It points out the 10 major risks, the measures taken by management to reduce the risks to acceptable levels and an assessment of the functioning of the control mechanisms.

The report also includes explicit information on all the significant exceptions to this policy, the risk limits, and the level of risk propensity approved by the BoD. It also highlights any significant changes in the cases and risks that underpin the strategy, and specifies their operational effect as well as offers an overview of the risk management methodologies so they can be checked and approved.