



# **2017 Report on Corporate Governance and Ownership Structure**

Report as at 8 March 2018 regarding financial  
year 2017 (in accordance with Article 123-bis  
of the Consolidated Finance Act)



**cementir**holding

GRUPPO CALTAGIRONE

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## 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 issued by Consob in decision no. 17221 of 12 March 2010 (as amended) regarding related-party transactions.

**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 of Directors on 8 March 2018, provides a general and complete description of the Corporate Governance and ownership structure of the Issuer at 31 December 2017, 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" (VII Edition, January 2018) prepared by Borsa Italiana.

Please see the Report on Remuneration pursuant to Article 123(b) of the Consolidated Finance Act, approved by the Board of Directors on 8 March 2018 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 have the meanings given in the Glossary.





### 1.1. Foreword

Cementir Holding is an Italian multinational company specialising in the production and distribution of grey and white cement, concrete, aggregates and cement products, and in the management of urban and industrial waste.

Cementir Group has grown significantly over the years courtesy of a number of major investments and acquisitions around the world, becoming the global leader in white cement production as well as one of the principal companies in the industry across all of the markets in which it operates. The Cementir Group is the only cement manufacturer in Denmark and one of the biggest in Turkey. It is also the leading ready-mixed concrete manufacturer in Scandinavia.

Founded in Italy in 1947 and listed on the Milan stock exchange since 1955, Cementir has a workforce of over 3,000 staff and has a presence in 18 countries on five continents. Its strategy is designed to continue the integration of its business operations and continue its worldwide expansion.

This philosophy reflects the acquisitions that have taken place over the years, including that of the company CCB - Compagnie des Ciments Belges, which made it possible to strengthen the production and commercial presence in Central Europe, and that of the Sacci business unit in Italy, both concluded in 2016. In September 2017, an agreement was also reached for the sale of all the Italian assets of the Cementir group, finalised in January 2018.

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 again 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 a Chief Executive Officer from among its members and it may elect a Deputy Chairman to replace the Chairman in case of absence or impediment. 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 Appointment 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 is 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 holds the same appointment for nearly all of the companies in the Group.



## INFORMATION ON OWNERSHIP STRUCTURE

(pursuant to art. 123-bis(1) TUF) as at December 31, 2017

### Paragraph 1

#### a) Share capital structure (Art. 123(a), paragraph 1, letter a) TUF)

The Company's subscribed and paid up share capital as at 31 December 2017 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 (Art. 123(a), paragraph 1, letter b) TUF)

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

#### c) Significant shareholdings (Art. 123(a), paragraph 1, letter c) TUF)

On the basis of available information and the notifications received pursuant to Article 120 of the Consolidated Finance Act, as at 31 December 2017 the shareholders holding over 3% of the share capital of Cementir Holding S.p.A. are:

#### Significant shareholdings as at 31 December, 2017

Declarant	Direct shareholder	Percentage of ordinary capital	Percentage of voting capital
Francesco Gaetano CALTAGIRONE	NO through: ICAL 2 S.p.A., Vianini Lavori S.p.A., CALT 2004 S.r.l., Caltagirone S.p.A., Pantheon 2000 S.p.A., Gamma S.r.l., FGC Finanziaria S.r.l., Capitolium S.p.A.	65,069%	65,069%
Francesco Gaetano CALTAGIRONE	YES	0,834%	0,834%
Francesco CALTAGIRONE	NO through: Chupas 2007 S.r.l.	3,614%	3,614%
Francesco CALTAGIRONE	YES	1,584%	1,584%

**d) Shares conferring special rights (Art. 123(a), paragraph 1, letter d) TUF)**

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 scheme 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(a), paragraph 1, letter f) TUF)**

There are no restrictions on voting rights.

**g) Shareholder agreements (pursuant to art. 123(a), paragraph 1, letter g) TUF)**

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)**

In 2016 the Issuer signed a finance agreement with a pool of banks. This requires the Company to make early repayments if there is a change of the Issuer's controlling shareholder. 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 (Art. 123(a), paragraph 1, letter m) TUF)**

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 Bylaws.

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).

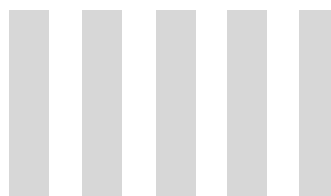
**l) Management and coordination (as per Article 2497 et seq. of the Italian Civil Code)**

The Company is not subject to management and coordination by other companies, since it autonomously defines its own general and operating objectives. Only the Company's Board of Directors 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(a), 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-B of the Consolidated Finance Act.

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



# 3

## COMPLIANCE

(pursuant to Art. 123-bis(2)(a) TUF)

The Issuer has formally adopted the Code, which is accessible to the public on the website of Borsa Italiana (<http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>).

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 has brought its governance system into 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.





#### 4.1. Appointment and replacement of Directors (pursuant to article 123-bis(1)(l), TUF)

The Company Directors are appointed by the Shareholders' Meeting at the direct proposal of the Shareholders, based on the provisions of the Bylaws and current laws. On 7 November 2013 the Board of Directors amended the Bylaws 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 2017, 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 a gender balance is not reached to the extent required by applicable laws and regulations then the Shareholders' Meeting will resolve on the issue with the 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 Bylaws and by the Shareholders' Meeting for members of the Board of Directors.

The Bylaws 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.

In implementation of the amendments made to the Consolidated Finance Act in July 2011, in order to ensure a balance between genders within the governing and supervisory boards of publicly listed companies, in light of the implementing provisions laid down by CONSOB in its regulation, and on the basis of the amendments to the Bylaws 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 proportion of one fifth of the candidates for membership of the Board of Directors for the first subsequent term, and one third of the candidates for membership of the Board of Directors appointed for the two subsequent terms, as specifically indicated in the notice of the shareholders' meeting.

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, which has concentration of share ownership, and the current system of delegation of powers within the Board itself, on the date of this Report's approval, the Board of Directors considered 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 defined according to the actual occurrence of such event (a case-by-case analysis that is not tied to a more formal procedure), is a more timely and efficient system and meets the objective of avoiding disruption and uncertainty in the business organisation in a more functional manner.

In any case, if a director resigns from office ahead of the expiry of his or her mandate, the rules on co-option in Art. 2386 of the Italian Civil Code will apply, subject to compliance with the criteria for the Board of Directors' composition established by law and the Bylaws.

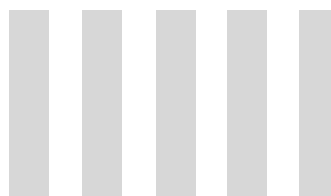
### **4.2. Composition (pursuant to Art. 123-bis(2)(d) and (d-bis), TUF)**

In accordance with its Bylaws, 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.

The Company is managed by a Board of Directors composed of thirteen Directors, of which four are independent pursuant to art. 148 of the TUF and art. 3 of the Code. Three independent Directors (Chiara Mancini, Veronica De Romanis and Paolo Di Benedetto) were appointed by the ordinary Shareholders' Meeting of the Company on 21 April 2015 with 75.428588% of favourable votes based on the only list of 13 candidates presented by the majority shareholder Calt 2004 S.r.l. Another independent Director (Roberta Neri) was appointed by the Ordinary Shareholders' Meeting of 19 April 2017, following the resignation of Director Riccardo Nicolini on 11 January 2017, with 74.889468% of favourable votes, at the proposal of the majority shareholder Calt 2004 S.r.l. The Directors' term of office is three years, expiring on the date of the Shareholders' Meeting convened for the approval of the financial statements for the year ending 31 December 2017.

It should be noted that on 2 January 2018, Mario Ciliberto resigned from the office of Board Director.

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



The following table shows the composition of the Board of Directors and of the Committees as at 31 December 2017:

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 CALTAGIRONE	1968	21.04.09	Sh. Mtg. 21.04.15	Approval of 2017 Fin. St.	M		X			2	100	C					
Deputy Chairman	Carlo CARLEVARIS	1931	21.04.09	Sh. Mtg. 21.04.15	Approval of 2017 Fin. St.	M	X		X		4	100						
Director	Alessandro CALTAGIRONE	1969	21.04.09	Sh. Mtg. 21.04.15	Approval of 2017 Fin. St.	M	X				6	51						
Director	Azzurra CALTAGIRONE	1973	21.04.09	Sh. Mtg. 21.04.15	Approval of 2017 Fin. St.	M	X				8	71						
Director	Edoardo CALTAGIRONE	1944	21.04.09	Sh. Mtg. 21.04.15	Approval of 2017 Fin. St.	M	X				/	71						
Director	Saverio CALTAGIRONE	1971	21.04.09	Sh. Mtg. 21.04.15	Approval of 2017 Fin. St.	M	X				/	86						
Director	Mario CILIBERTO	1946	21.04.09	Sh. Mtg. 21.04.15	Approval of 2017 Fin. St.	M	X				3	100						
Independent Director	Paolo DI BENEDETTO	1947	18.04.12	Sh. Mtg. 21.04.15	Approval of 2017 Fin. St.	M	X		X	X	3	86			C	100	C	100
Director	Fabio CORSICO	1973	21.04.09	Sh. Mtg. 21.04.15	Approval of 2017 Fin. St.	M	X				3	86						
Director	Mario DELFINI	1940	21.04.09	Sh. Mtg. 21.04.15	Approval of 2017 Fin. St.	M	X				6	100	M		M	100		
Independent Director	Veronica DE ROMANIS	1969	21.04.15	Sh. Mtg. 21.04.15	Approval of 2017 Fin. St.	M	X		X		/	86			M	100	M	75
Independent Director	Chiara MANCINI	1972	21.04.15	Sh. Mtg. 21.04.15	Approval of 2017 Fin. St.	M	X		X	X	2	100			M	100	M	100
Independent Director	Roberta NERI	1964	19.04.17	Sh. Mtg. 21/04/2015	Approval of 2017 Fin. St.	M	X		X	X	2	60						
<b>Directors resigning during the period</b>																		
Director	Riccardo NICOLINI	1968	21.04.09	Sh. Mtg. 21.04.15	Approval of 2017 Fin. St.	M	X						M					

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 Audit and Risks Committee, by the Appointments and Remuneration Committee and by the Executive Committee as at 31 December 2017, and the percentage of shares held by each member at the meetings.

Number of meetings held in 2017	BoD: 7	CCR: 4	ARC: 2	EC: /
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#### Key

**Exec.:** checked if the director is qualified as Executive

**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(i), of the Issuers' Regulations)

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

**% BoD:** the percentage of the directors' 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.

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

**% CE:** the percentage of the director's 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 percentage of the director's 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 percentage of the director's 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 on national or international regulated markets, in financial, banking, insurance companies or companies of significant size:

Name	Office	Other positions
Francesco CALTAGIRONE	Chairman and Chief Executive Officer	Chief Executive Aalborg Portland Holding A.S. Director Caltagirone S.p.A.
Carlo CARLEVARIS	Deputy Chairman	Hon. Chairman Banca Finnat Euramerica S.p.A. Director Vianini Lavori S.p.A. Director Il Messaggero S.p.A. Director Immobiliare Caltagirone ICAL S.p.A.
Alessandro CALTAGIRONE	Director	Deputy Chairman Aalborg-Portland A.S. Director Caltagirone S.p.A. Director Vianini Lavori S.p.A. Director Unicredit S.p.A. Director Il Messaggero S.p.A. Director Acea S.p.A.
Azzurra CALTAGIRONE	Director	Chairman FGC S.p.A. Director Banca Generali S.p.A. Chairman il Gazzettino S.p.A. Deputy Chairman Caltagirone S.p.A. Chief Executive Officer Il Messaggero S.p.A. Director Il Mattino S.p.A. Director Aalborg Portland Holding A.S. Director Piemme S.p.A.
Edoardo CALTAGIRONE	Director	
Saverio CALTAGIRONE	Director	Director Vianini Lavori S.p.A.
Mario CILIBERTO	Director	Chairman Cementir Italia S.p.A. Chairman Cementir Sacci S.p.A. Chairman Betontir S.p.A.
Paolo DI BENEDETTO	Director	Chairman Fondo Nazionale di Garanzia (National Guarantee Fund) Director Edison S.p.A. Director Assicurazioni Generali S.p.A.
Fabio CORSICO	Director	Director Il Gazzettino S.p.A. Director NTV S.p.A. Director Terna S.p.A.
Mario DELFINI	Director	Chairman Vianini Lavori 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.
Roberta NERI	Director	Director Acea S.p.A. (until 27 April 2017) Chief Executive Officer Enav S.p.A.
Veronica DE ROMANIS	Director	
Chiara MANCINI	Director	Director Astaldi S.p.A. Director Cassa di Risparmio di Ravenna 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*. The Curriculum Vitae of the Independent Director Roberta Neri is published on the aforementioned Company's website in the section *Investor Relations/Corporate Governance/2015 Shareholders' Meeting/acceptance of the office of Director and curriculum vitae of Roberta Neri*.



### **Diversity policies**

The Company has not adopted a diversity policy in relation to the composition of its Board of Directors since, in view of the renewal of the Board of Directors scheduled for the current year, this will be planned taking into account (i) the results of the annual evaluation of the functioning of the Board itself envisaged by the Code and (ii) the guidelines provided to shareholders before the appointment of the new Board on the managerial and professional figures whose presence is deemed appropriate within the same.

The Board of Directors is currently in compliance with current legislation and in line with best practices on this matter.

### **Maximum number of positions held in other companies**

The Board of Directors elected not to express a preference with respect to the maximum number of directorships compatible with the effective fulfilment of duties as the Issuer's director, because it considered that such an assessment should be carried out, firstly, 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.

### **Induction Program**

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 (pursuant to Article 123-bis(2)(d), TUF)**

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 2017, the Board of Directors held 7 meetings which were duly attended by the Directors, representatives of the Board of Statutory Auditors, the Manager responsible for preparing the company's financial reports and the Group General Counsel.

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 one hour each in 2017.



At least 5 meetings are scheduled in 2018.

No minimum periodicity for Board meetings is specified in the Bylaws. On the date this report was approved, one Board meeting had already been held, on 14 February 2018.

In 2017, the Company's Board of Directors met on 13 February, 3 March, 11 May, 27 July, 19 September, 8 November and 21 December.

The activities of the Board of Directors are coordinated by the Chairman and Chief Executive Officer, who has powers of initiative and supervises its operations. The Chairman calls the board meetings, establishes meeting agendas and chairs the meeting.

Please note that complete pre-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 meeting, in order to ensure a full and correct assessment of the topics brought to the attention of the Board.

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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 Director-General and one or more Directors, and may appoint Legal Representatives.

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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 Bylaws.

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 offices;
- share capital reduction in case of shareholders' withdrawal;
- changes to the Bylaws to comply with regulatory provisions.

In addition, and in accordance with the recommendations of 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;
- defines the nature and System of corporate governance of the Issuer and the Group;
- prepares and adopts the Company's corporate governance rules and defines 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 appoints 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 deciding their duties, powers and remuneration;
- grant and revoke mandates to Managing Directors and to the Executive Committee, defining the limitations and methods for the exercise of such powers; also establish 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;
- defines the general remuneration policy;
- sets 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;
- assesses the overall business performance, taking particular account of information reported by the delegates and periodically comparing the actual results against forecasts;
- examines and approves the transactions of the Company and its subsidiaries if necessary, if they have strategic, economic or financial relevance;
- carry 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, provides guidance to the shareholders on the roles that it considers should be present on the Board;
- at the proposal of the Chairman and Chief Executive Officer, adopts a procedure for the internal handling and external disclosures of documents and information concerning the issuer, with particular 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;
- appoints the Directors-General and the Financial Reporting Manager, also determining their responsibilities and powers, and identifies 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;
- assesses and approves the periodic financial reports as required by the applicable laws;
- assesses and approves related-party transactions in accordance with the Procedure for Related-Party Transactions;
- make proposals to be submitted to the Shareholders' Meeting;
- exercises the other powers and fulfils the tasks assigned to it by law and by the Bylaws.

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As provided in the Bylaws, 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 3 March 2017, the Board of Directors reviewed and approved the Group's 2017-2019 Business Plan which was subject to constant monitoring during 2017.

It is pointed out that the organisational structure of the Cementir Group in recent years has been characterised by a strengthening of the management at the regional level, so as to ensure a more effective coordination of production operations and commercial development of local subsidiaries. This will also allow the head company to focus on strategic matters and acquisitions to support the growth strategy.

The organisation of the Group as at 31 December 2017 was still focused on three areas: the Nordic & Baltic Region and USA, which includes Denmark, Norway, Sweden, Belgium, France, the United Kingdom, Poland,



Iceland, Russia and the United States, the Eastern Mediterranean Region, which includes Turkey and Egypt (and included Italy, which exited as a result of the sale on 2 January 2018), and the Asia-Pacific Region, which includes China, Malaysia and Australia.

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The Board of Directors has assessed at least once a year the adequacy of the organisational, administrative and general accounting structure of the Issuer, through the assistance provided by the Board of Statutory Auditors and the effectiveness and effective functioning of the internal control and risk management system.

Where necessary, as part of these activities, the Board of Directors may rely on the Audit and Risk Committee, the Internal Audit Manager, the Financial Reporting Manager and the procedures and audits carried out in accordance with Law 262/2005.

The Board of Directors, supported by the Audit and Risk Committee, also verified the acceptable level of risk within all the Group's operational companies.

The Board also evaluated the adequacy of the Issuer's organisation, administration and accounting structure, and that of its strategically significant subsidiaries. These evaluations were carried out on the basis of an analysis by the director in charge of the internal audit and risk management system and after consulting the Risks & Audit Committee. During the meetings of these committees, which were also attended by the Head of Internal Audit and the Head of Risk and Compliance, the Board was also able to continuously monitor the adequacy, effectiveness and functioning of the internal control and risk management system of both the Issuer and the Group, with particular reference to strategically significant companies.

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The Chairman of the Board and Chief Executive Officer report regularly (at least once a quarter) 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.

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In 2017, 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.

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The Board reviewed and approved operations with significant strategic, financial or business -related significance, and also reviewed similar transactions by subsidiaries that have full autonomy for their general and operational strategies.

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.

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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 for the year 2017 was carried out in February 2018, using a self-assessment system involving all the Issuer's Directors from the Corporate Affairs Department. The Directors were given a special questionnaire to complete for this purpose.

The results of self-assessment process, which were presented to the Board at the meeting on 8 March 2018, show that, overall, the functioning of the Board and of the Committees is positive.

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.

The majority of Directors believe that knowledge of the Code of Conduct is widespread and adequate in relation to the role and that the structure of the Board is well balanced, with the right proportion of executive, non-executive and independent directors.

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.

Not all of the Directors consider it useful to arrange visits to the Group's operational sites in order to further study the business and the operations of the company.

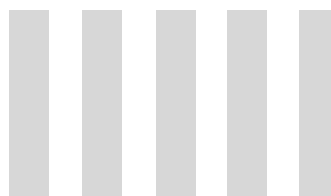
In general, the areas with respect to which there is the greatest appreciation of the Directors (through the "I agree" reply) are:

- the ability to manage situations of conflict of interest within the Board;
- knowledge of the Cementir Holding S.p.A. Group and its business;
- preparation of Directors ahead of Board meetings;
- timeliness and regularity with which the independence requirements are verified by the Board of Directors;
- division of tasks and responsibilities between the Board of Directors and Committees;
- the overall contribution of the Chairman of the Board;
- the adequacy of the number of items on the agenda of each Board of Directors meeting and organization of the latter;
- the respect of the information confidentiality guidelines;
- the structure and organisation of powers within the Board of Directors;
- the suitability of the principles, application criteria, governance rules and other internal regulations of the Company that ensure its management and that of the Group according to principles of correct business and corporate management;
- the balanced interaction between the Supervisory Body and the other control bodies;
- the clarity of illustration of activities on the part of the Board of Statutory Auditors and the Supervisory Body to the Board of Directors;
- the functioning of Board of Directors' Committees.

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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 2017, the Board did not examine any such case.



#### 4.4. Board Positions

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

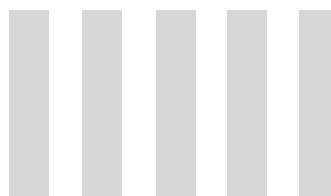
The Board of Directors appointed Francesco Caltagirone as Chairman and Chief Executive Officer at its meeting on 23 April 2015, and granted him, or the Deputy Chairman Carlo Carlevaris in his stead, full powers of ordinary and extraordinary management, with the sole exception of the powers reserved to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

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 is elected by the Issuer's controlling shareholder and is a shareholder in his own right, he is vested with all the powers - to be exercised individually - necessary to carry out acts pertaining to the company's business in its various forms, with no exceptions. This is accompanied by the authority to issue special and general mandates, granting the holder the power to sign individually or jointly, and including any powers that he may decide to use for the best performance of the Company, including the power to sub-delegate.

For example, and without limiting the general nature of the powers conferred, the Chairman and Chief Executive Officer Francesco Caltagirone may:

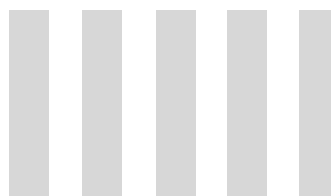
- a) coordinate and supervise the company's operations and ensure that the decisions of the Board of Directors are implemented.
- b) Sign correspondence and represent the Company in Italy in all dealings with government administrations, regional, provincial, municipal and local government, public and private bodies, institutions, agencies, independent or state-controlled companies, and in dealings with any administrative, fiscal and judicial authority whether ordinary, special, or in arbitration proceedings.
- c) File and deposit, in any proceedings at any level, in any venue and at any stage, and before any administrative, fiscal, legal and arbitration body, any claim, appeal, defence, complaint or statement and any other procedural documents; settle disputes; hire and fire lawyers and legal representatives, including domiciliary agents; appoint and designate consultants, arbitrators and referees.
- d) Purchase, sell or exchange immovable and movable assets, agree the price paid and grant extended payment terms with or without legal charge, issuing and accepting secured or unsecured notes, if necessary for disposal purposes, and agreeing the rate of interest and payment of taxes and duties; accept and allow the acceptance of liabilities already incurred by the vendor, accepting and imposing, in such cases, the same obligations already accepted by the borrower with respect to the lender; request and sign guarantees relating to the ownership and availability of the assets and their release from charges, liens, mortgages and adverse entries; request and allow the taking of possession, the acceptance and agreement of obligations, reservations, easements and shared rights; waive legal charges deriving from deeds of sale, exempting the registrar of the Land Register from all liability in that regard, apply for any benefits available under tax laws and undertake to do all things required by law to complete the transaction with full powers, without any limitations, such that no want of powers or mandates can ever be claimed in that regard, with the right to issue powers of attorney to other persons on the Company's behalf, including all or part of the powers as conferred above, for the purposes of completing individual purchase, sale and exchange transactions.
- e) Open, transfer and close secondary offices and/or local branches such as production plants, sales offices, distribution centres, representation offices, agencies and deposits for company products, and carry out all the necessary and/or appropriate formalities.
- f) Stipulate - including all the necessary clauses including an arbitration clause -, amend and terminate (also by means of legal representatives) contracts and agreements with government administrations, public and private bodies relating to:
  - The purchase, sale, exchange and conferral of machinery, plant, equipment, materials, maintenance services, on-site installation services and the sale of products produced or handled by the company;
  - The granting and acceptance of works contracts and subcontracts, also for services and supplies in general;
  - The purchase, sale and exchange of motor vehicles and other means of transport, exempting the public registrars from any obligation and responsibility in that regard;
  - Insurance policies;
  - The granting and opening of overdraft facilities on the company's current accounts.
- g) Allow entries, subrogation, postponements and deletions of legal charges and entries, also without consideration, and any other mortgage entry; exempting the registrars of the official registers from all responsibility in that regard.



- h) Form consortiums and associations in accordance with the provisions of Articles 2602/2612 et seq and 2615 of the Civil Code, also in the form of consortium companies and temporary associations as defined in Laws 584/77, 1/1978 and 687/1984, or joint ventures between Cementir Holding S.p.A. and general or specialised contractors, both national or international, in order to participate in or carry out works or supplies that are compatible with the company object of Cementir Holding S.p.A.
- i) Acquire and/or dispose of investments in companies or enterprises or participate in the formation, or form, companies or enterprises with similar and related purposes or purposes related directly or indirectly to those of Cementir Holding S.p.A. and therefore hold stakes in the capital and/or subscribed capital increases and provide capital contributions with all the related rights also regarding the disposal or liquidation of such shareholdings.
- j) Sign communications with legal authorities, the Chambers of commerce, stock exchange offices and other public or private offices and bodies in relation to obligations imposed on the company by law or by regulation, including the signing of the annual communications to the General Register of Shareholdings; sign communications sent to Consob as required by laws and regulations.
- k) Agree loans payable and receivable, perform assignments of credit and expired mandates, provide and accept guarantees also by way of counter guarantee, and sureties, negotiate and conclude loan operations, sign and endorse cheques, bills, postal orders and similar, sign and endorse bills and notes, issue bankers' cheques, also those drawn on credit facilities.
- l) Stipulate lease and rental contracts, including those with a duration of more than nine years, agreeing the rent payable and the general and specific terms and conditions, serve and accept notices of termination.
- m) Demand and collect all sums receivable either in cash or in the form of securities, as capital or interest accrued and accruing, from any legal or natural person, administration, body or institution, and from all public administrations and, by way of example, from Ministries, post offices, Treasury agencies, the Deposits & Loans Fund, the Department of Civil Engineering, the Bank of Italy, banks, financial and credit institutions, companies, consortiums, non-profit organisations, administrations, regional, provincial and municipal Treasury offices, the Southern Italy Development Agency and its licensees and agents, and from any other public or private administration, independent or state-controlled company; collect deposits, sign receipts, orders and payment orders, issue receipts and notices of settlement in the required form, exempting the payer from all liability.
- n) Participate in public auctions, negotiations and private tenders, competitive procedures and other procedures or competitions for the award of concessions, contracts and supply contracts, with the right to sign and submit applications for prequalification, bids, projects and estimates, determine the terms and conditions of payment and any other general or specific conditions and execute the related contracts, supplementary deeds and submissions with full powers, also through contracts, subcontracts and on-site supplies.
- o) Hire, suspend and fire executives, managers, clerical and manual workers; appoint executives and agree and grant increases in pay and bonuses, issue disciplinary measures and award consulting contracts, also for the long term.
- p) Issue to employees of the company (including directors), or to 3rd parties, special powers of attorney to be exercised with single or joint signature, authorising them to carry out, on behalf of the Company, certain acts or categories of acts and use the company signature, as well as powers of attorney to represent the Company at individual ordinary or extraordinary meetings of shareholders of other companies, firms, consortiums and/or enterprises as the holders of shares and/or interests in Cementir Holding S.p.A..

In 2017, 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:

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

Following the resignation of Riccardo Nicolini as Director and as a member of the Executive Committee of the Company, the Executive Committee currently consists of two members.

It should be noted that the Executive Committee is vested with all the powers of the Board of Directors, except those exclusively attributed to the Board itself by law or the Bylaws (Articles 2423, 2443, 2446 and 2447 of the Italian Civil Code).

The Executive Committee did not meet in 2017 as there was no need for it to do so.

### Reports to the Board

The Chairman of the Board and Chief Executive Officer report regularly (at least once a quarter) 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

The Issuer has no other Executive Directors (other than the Managing Director).

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 2017.

### 4.6. Independent Directors

The Board of Directors includes four independent directors (within the meaning of the TUF and the Code): (Veronica De Romanis, Paolo Di Benedetto, Chiara Mancini and Roberta Neri).

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

The independent directors:

- do not control the Issuer directly or indirectly, not even through subsidiaries, fiduciaries or intermediaries nor are they able to exercise a significant influence on it;
- are not party, directly or indirectly, to any shareholders' agreement through which one or more persons may exercise control or significant influence over the Issuer;
- are not, and have not been in the 3 preceding years, key personnel (Chairman, legal representative, Chairman of the Board, executive director or director with strategic responsibility) of the Company or any of its strategic subsidiaries, of any company that is subject to joint control with the Issuer or 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;
- do not have and have not had in the previous year, any significant commercial, financial or professional relations either directly or indirectly (for example through subsidiaries or companies within which they are a key member of the personnel within the meaning of paragraph (iii) above, or as a partner in a professional partnership or consulting firm) and do not have and have not had in the three preceding years, contracts of employment: (a) with the Issuer, with one of its subsidiaries or with any of the key personnel within the meaning of paragraph (iii) above; (b) with a person who, also jointly with others in the form of a shareholders' agreement, controls the Issuer, or – in the case of a company or entity – with the key personnel within the meaning indicated in paragraph (iii) above;
- without affecting the contents of paragraph (iv) above, do not have independent or permanent contract of employment or other financial or professional relations that would compromise their independence: (a) with the Issuer, with its subsidiaries or parent companies or with companies subject to joint control; (b) with the Issuer's Directors; (c) with persons who are married to, family members of or relatives up to the 4th degree of the Directors of the companies referred to in paragraph (a); (vi) do not receive and have not





- received in the previous three years, from the Issuer or from its subsidiary or parent company, significant remuneration in addition to the "fixed" remuneration for a non-executive director of the company, including participation in performance-related bonus schemes, including share options;
- vii) have not been Directors of the Issuer for more than 9 years in the past 12 years;
- viii) do not hold the position of Executive Director in any company in which an executive director of the Issuer holds the position of Director;
- ix) are not shareholders or directors of a company or entity belonging to the network of companies responsible for the legal auditing of the Issuer;
- x) are not close family members of a person who is in one of the situations described in the foregoing paragraphs and in any event are not the spouses, family members or relatives up to the 4th degree of the Issuer's Directors, of the companies controlled by the Issuer, the companies that control it, and companies subject to joint control.

In the meeting held on 11 May 2017, the Board of Directors verified - by applying the criteria set out in the Code - the existence of the independence requirements pursuant to the TUF and the Code for the Independent Directors Veronica De Romanis, Paolo Di Benedetto and Chiara Mancini. At the same time, it took note of the independence requirements of the new Independent Director Roberta Neri elected by the Shareholders' Meeting of 19 April 2017. The Company fulfilled all information obligations, communicating the results of the assessments to the market with a press release issued on the same date.

The assessment was carried out on the basis of the information provided by the interested parties and in particular, it was based on the declarations of compliance with the independence requirements and the absence of the disqualifying factors referred to in Article 3 of the Governance Code, which also verified the existence of the requirements of integrity and professionalism.

At the same meeting the independent directors undertook to maintain their independence for their term of office and in any case to inform the Board of Directors promptly in regard to any situation that may compromise their independence.

The Board of Statutory Auditors verified the application of the verification criteria and procedures used by the Board to assess the independence of its members and found it to be accurate, agreeing that, as the indications of non-independence indicated in the guidelines for applying the Governance Code are not mandatory, any other cases not expressly mentioned in the Code that could compromise the directors' independence should be evaluated from year to year.

During 2017, the Independent Directors never met, since there was no need.

#### **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.

#### **4.8. General Manager**

On 11 May 2017, the Board appointed Paolo Zugaro as General Manager of the Company.

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During 2017, the procedure for Transactions with Related Parties was updated, subjecting it to a complete revision. In particular, the procedure was made more effective and aligned with operations, the ownership structure and the structure of the Company. The main transactions with related parties carried out in 2017 were also analysed in two meetings with the company management, in accordance with the provisions of the procedure for transactions with related parties.



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

The Company has adopted the procedure for the internal management and external disclosure of privileged information, the full text of which is available on the Company's website ([www.cementirholding.it](http://www.cementirholding.it)) in the section *Corporate Governance/Internal Dealing*.

The purpose of the procedure is to define the roles, responsibilities, operational methods and codes of conduct relating to the internal management and public disclosure of information (particularly privileged information) and documents relating to Cementir Holding and its subsidiaries, and the structure and management of the "Register of Persons with Access to Privileged Information". The aim of the procedure is to ensure compliance with the provisions of current laws and regulations and to ensure that privileged information is dealt with in the strictest confidentiality. The procedure is also designed to ensure greater transparency towards the market, and adequate measures to prevent market abuse, particularly the abuse of Privileged Information.

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

The procedure for internal management and external disclosure of privileged information was updated in 2017 in order to incorporate the regulatory changes introduced by the new community legislation.

**Internal Dealing**

With effect from 1 April 2006 the Company introduced a Internal Dealing Code in order to guarantee maximum transparency and consistency of information provided to the market, with regard to reporting obligations and limitations relating to the purchase, sale, subscription and exchange of shares in Cementir Holding carried out by "Significant Parties" as defined in current legislation.

The Internal Dealing Code was updated in 2017, in order to implement the changes introduced by the new EC laws on transactions carried out by persons exercising functions of administration, control or direction (internal dealing) and market abuse.

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 30 calendar days 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

## BOARD COMMITTEES

(pursuant to Article 123-bis(2)(d), TUF)

At the 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 the Executive Committee already discussed in Section 4.4 of this Report, for the 2015-2017 term, up to the Board meeting following the Shareholders' Meeting to approve the financial statements for 2017.

In accordance with the Code, the Board of Directors also set up the Audit 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, as recommended by the Code.

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.



The Board of Directors resolved to set up an Appointments Committee from within its ranks and merged 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. Two of them have financial and accounting experience which the Board of Directors considers adequate.

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, with experience in accounting and financial matters).

The Appointments and Remuneration Committee meets any time its Chairman considers it to be appropriate and is coordinated by the Chairman, or if requested by at least one member, at intervals that are frequent enough to ensure that its duties are properly fulfilled.

The Chairman of the Board of Statutory Auditors (or another statutory auditor delegated by the same) 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 do not participate in Committee meetings in which proposals concerning their remuneration are formulated for submission to the Board.

During 2017, the Appointments and Remuneration Committee met twice:

- on 14 February to analyse the management incentive system (so-called "Long term incentive" or "LTI" system) and
- on 28 February to examine the remuneration policy and the 2016 remuneration report pursuant to article 123-ter of Legislative Decree 58/1998 and to verify the adequacy, consistency and concrete application of the remuneration policy adopted in the previous year.

The meetings lasted about one hour each.

The meetings were attended by all members of the Committee, the Chief Financial Officer, the Chief HR Officer, the General Counsel and the Chief Risk e Compliance Officer, who provided input on agenda items under their responsibility.

One meeting of the Appointments & Remuneration Committee has already been held in 2018, and one more is planned.

The percentage of attendance of each member at the Committee meetings held in 2017 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:

- Provides opinions to the Board of Directors regarding the size and composition of the Board and its Committees, and also in regard to the professional roles whose presence within the Board or the Board Committees is considered to be necessary in order for the Board to express its strategy to shareholders before the new Board is appointed, also taking into account the results of the annual self-assessment of the Board and the Board Committees as required by the Governance Code;



- Provides recommendations to the Board in relation to the maximum number of directorships or positions of control in other companies listed on regulated markets, financial companies, banks, insurance companies or other large companies, which may be considered compatible with the effective carrying-out of the position of Director of the Company;
- Provides recommendations to the Board Directors regarding potential issues related to the application of the no-competition obligation imposed on Directors (Article 2390 civil code) if for organisational reasons the Meeting of Shareholders has authorised a general derogation to that prohibition;
- Proposes candidates for the position of Director, taking into account any notifications received from shareholders in the case of co-opting, if there is a need to substitute independent directors;
- Completes the procedure relating to the periodic checks on directors' independence and integrity requirements, and the absence of any grounds for incompatibility or disqualification;

It also:

- Submits proposals to the Board of Directors regarding the remuneration policy for Directors and Key Executives, periodically assessing the adequacy, cohesion and concrete application of the policy, relying on the information provided by the CEO with regard to the implementation of this policy for Key Executives;
- Submits proposals or express opinions to the Board of Directors regarding the remuneration of executive directors and other directors with specific duties, and on the setting of performance targets related to the variable-pay component, monitoring the application of the Board's decisions and in particular checking that the performance targets have been met;
- Evaluates and formulates proposals to the Board of Directors with regard to stock incentive, stock option, corporate shareholding and similar plans designed to motivate and retain 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;
- Examines the annual report on remuneration to be released to the public ahead of the annual financial reports meeting;
- Provides 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.

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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 considered necessary or appropriate in the performance of its functions, the Committee shall rely on external consultants with expertise on remuneration policies. The independence of the outside consultants shall be verified by the Appointments and Remuneration Committee before their appointment;

The Appointment & Remuneration Committee has an annual budget of €50,000, to exercise its functions.



**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(a) Paragraph 1, letter i) TUF**

Please refer to Chapter 2 of the Report on Remuneration.





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 Audit and Risks Committee comprises three non-executive independent directors (in accordance with the TUF and the Code) one of whom has a level of experience in accounting and finance that is considered by the Board to be sufficient.

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 and non-executive, with experience in accounting and financial matters).

#### Functions of the Audit and Risks Committee

The Audit 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 the Board of Statutory Auditors (and the director in charge of the internal control and risk management system);
- the description, in the corporate governance report, of the main characteristics of the internal control and risk management system, and the method of coordination between all parties involved, expressing its opinion on its adequacy;
- 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 Financial Reporting Director, and after consultation with the independent auditor and the Board of Statutory Auditors, assessing the correct and consistent use of accounting standards for the purpose of drafting the consolidated financial statements
- providing the Board with an ex-ante opinion on decisions relating to the appointment, revocation, remuneration and provision of budget to the head of the internal audit department.

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;

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.
- carry out suitable preliminary activities to support the assessment and decisions of the Board of Directors, in relation to the management of risks arising from adverse events brought to the Board's attention.

The Audit and Risks Committee meets whenever its Chairman, who coordinates the committee's operation, considers 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 Audit and Risks Committee are attended by the Chairman of the Board of Statutory Auditors and - if considered appropriate and at the request of the Committee - by other Company representatives (such as the Head of Internal Audit, the General Counsel, the Chief Financial Officer). The Directors do not participate in Committee meetings in which proposals are submitted to the Board regarding their remuneration.



During 2017, the Control and Risks Committee met 4 times:

- on **28 February** to:

- examine the draft annual financial statements and consolidated financial statements for the year ending 31.12.2016;
- assess the correct use of accounting standards and their consistency for the purposes of the consolidated financial statements
- examine the report on the "Board review 2016 " (self-assessment of the BoD);
- examine the Report of the Control and Risk Committee to the Board of Directors on the activities carried out in 2016;
- examine the audit activity report;
- examine the risk and compliance activity report.

- on **24 July** to:

- examine the interim report of Cementir Holding;
- examine the report of the Control and Risk Committee to the Cementir Holding Board of Directors;
- examine the risk management activity report;
- examine the audit activity report;
- examine the document for the coordination of the bodies and functions responsible for internal control.

- on **2 October** to:

- provide information on the seizure of the Taranto plant of Cementir Italia Spa.

- on **6 November** to:

- obtain information on the seizure of the Taranto plant of Cementir Italia Spa;
- examine the interim financial report at 30 September 2017
- examine the 2018 audit plan;
- analyse the risk and compliance activity report.

On average, the meetings lasted about 1.5 hours each and were coordinated by the Committee Chairman.

Control and Risks Committee meetings were attended by the Chairman of the Board of Statutory Auditors, the head of Risk and Compliance and the Head of Internal Audit. The delegated Manager, the Head or other representative of the Legal department. In 2017, the Chairman of the Supervisory Body and the Partner of the Independent Auditors took part in three and one meetings, respectively, at the invitation of the Committee, providing input on agenda items within their responsibility.

During 2018, 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 2017 is shown in the table in Article 4 (Board of Directors).

The Audit and Risks Committee has an annual budget of €50,000, to exercise its functions.



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 Audit and Risks Committee, has updated the guidelines for 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 fourth update was issued on 29 July 2015.

The Board, in accordance with the Audit 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 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 Audit and Risks Committee (or to the Board of Directors) on any issues and criticalities that arose in the course of his duties or of which he has been informed, so that the committee (or the board) can take the appropriate actions;
- with the favourable opinion of the Audit and Risks Committee, and after consultation with the Board of Statutory Auditors, propose the appointment or revocation of the Head of Internal Audit and the definition of his/her remuneration in line with company policies and in compliance with current regulations so that the Board of Directors can take the necessary decisions; after consulting the Audit and Risks Committee and obtaining its approval, and having consulted with the Board of Statutory Auditors, define the annual and long-term targets of the Head of Internal Audit and assess the results achieved, ensuring that they are independent of the targets defined for the operations managers.

#### 10.2. Head of the Internal Audit department

In 2015 the Board of Directors 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 Audit 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 Control and Risks 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 2017, the Head of Internal Audit carried out the following main activities:

- implemented the 2017 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;
- verified the implementation within the operating companies and Cementir Holding, of a standard risk assessment and management methodology as envisaged by the Company's Risk Policy;
- provided support to the process of integration of the Sacci S.p.A. business unit and of CCB (Compagnie des Ciments Belges) with particular reference to the governance and internal control systems;
- strengthened the Reporting Management System, which is an element of Group Corporate Governance, by introducing specific reference to this issue on the Group Internet and Intranet, and also providing postal and email addresses and telephone numbers through which employees or third parties can send reports anonymously. This information is also available in the language of each country on the company notice boards of all the Group's sites.

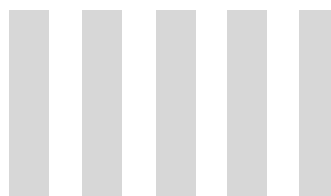
### 10.3. Organisational Model in accordance with Legislative Decree 231/2001

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 based on an analysis of 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 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.



2015 also saw the renewal, for a term of three years (until the approval of the 2017 financial reports) of the mandate granted in 2012 to the supervisory body which currently comprises one external independent member (Prof. Mario Venezia), who is Chair, and to internal members who are the head of Internal Audit Dr. Franco Doria and the head of the Risk & Compliance department Dr. Francesco Paolucci.

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 2017, the Supervisory Body formally met 6 times, for the purpose of:

- Monitoring progress on the updating of the 231 Model;
- verifying implementation of the "Organisation, Management and Control Model";
- planning activities for the year 2018;
- monitoring the implementation of the 231 Model by the Italian subsidiaries and its consequences 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 2017 and four meetings of the Audit and Risks Committee. The Supervisory Body also met with the director in charge of the internal control and risk management system and the company's General Counsel in 2017.

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 Bylaws, in compliance with Art. 154 a TUF, 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 remains 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 11 May 2017, 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 2017 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 market disclosures 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(a), 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(a), 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 Audit and Risks Committee, and having consulted with the Independent Auditor and the Board of Statutory Auditors, the correct and consistent use of accounting standards 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 Bylaws 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 by the Audit and Risks Committee, to which the Financial Reporting Manager reports on a half-yearly basis or whenever necessary, concerning:

- the suitability of his powers;
- the suitability of the means and resources at his disposition;
- 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(a), Paragraph 4 of the Consolidated Finance Act).



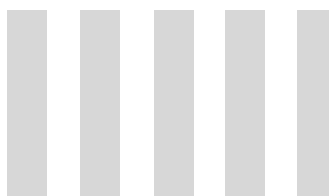


#### **10.6. Coordination between parties involved in the internal control and risk management system**

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 "Coordination of 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. The document, originally issued in 2009, has been periodically updated to incorporate the company's organisational changes. The last update was made in July 2017.

That 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.



In accordance with the current provisions of law and statutory provisions, all directors must inform the other directors and the board of statutory auditors, at the meetings of the Board itself, about any transactions in which they may have an interest either independently or through a third party.

On 8 May 2008, the Board of Directors adopted a procedure (subsequently amended by the Board meeting of 5 November 2010) for related-party transactions entered into by the Company and/or by its subsidiaries, in order to standardise the approval and execution of such transactions ("Related-Party Transaction Procedure").

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 Audit and Risks Committee.

In particular, the procedure:

- Defines the related parties and transactions with related parties and defines the criteria for identifying major, minor or non-significant operations;
- Determines the ways in which the operations are prepared and approved;
- Defines the exceptions which are not subject to application of the procedure.

Finally, it is pointed out that the Related Parties Committee, in implementation of the Consob recommendations (DEM/10078683 of 24-9-2010) regarding the benefits of reviewing the Related-Party Transactions Procedure, considered that after reviewing the current procedure and its practical application, that it should be updated to become more efficient and appropriate to the company's operations, ownership structure and the structure of the Issuer and of the Group. The Related Party Transactions Procedure was reviewed by the Board of Directors of the Company on 3 March 2017.

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.



Article 15 of the Bylaws 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 Bylaws 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 2017, 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 members of the Board of Statutory Auditors shall contain the names of one or more candidates numbered in consecutive order; however the number of candidates may not exceed the number of auditors to be elected; the lists may be divided into two sections, each of up to 3 candidates (numbered consecutively) 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 on the outcome of voting, the composition of the Board of Statutory Auditors, with its standing and alternate members, does not respect the gender balance to the extent required by the applicable laws and regulations, 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 a gender balance is not reached to the extent required by applicable laws and regulations then the Shareholders' Meeting will resolve on the issue with the 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.



## 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 Bylaws and applicable laws and regulations) on 19 April 2017 for the three-year period 2017-2019, until the approval of the financial statements as at 31 December 2019, based on two lists of candidates:

- list no. 1 presented by the majority shareholder, Calt 2004 S.r.l., holder of 47,860,813 shares equal to 30.08% of the share capital, containing the following candidates:

**Standing Auditors:**

- 1) Claudio Bianchi;
- 2) Maria Assunta Coluccia;
- 3) Giampero Tasco.

**Alternate Auditors:**

- 1) Vincenzo Sportelli;
- 2) Patrizia Amoretti;
- 3) Stefano Giannuli.

The majority list obtained the favourable vote of shareholders holding a total of 118,952.990 shares.

- minority list no. 2, presented by a group of asset management companies and other institutional investors such as Arca SGR, Eurizon Capital SGR, Eurizon Capital SA, Fideuram Asset Management (Ireland), Fideuram Investimenti, Interfund Sicav, Mediolanum Gestione Fondi SGR, Ubi Pramerica SGR and Ubi Sicav, holding a total of 2,142,812 shares, equal to 1,347% of the Company's capital, containing the following candidates:

**Standing Auditor:**

- 1) Silvia Muzi.

**Alternate Auditor:**

- 1) Antonio Santi.

The minority list obtained the favourable vote of shareholders holding a total of 9.938.259 shares.

There is no connection between the majority list and the minority list.

The table below illustrates the composition of the Board of Statutory Auditors during 2017:

Office	Name	Birth year	Date of first appointment	In office from	In office until	List (M/m)*	Independent per the Code	% Part. C.S.	No. of Other positions
Chairman	Silvia MUZI	1969	19.04.17	Sh. Mtg. 19.04.17	Approval of 2019 Fin. St.	m	X	100	/
Standing auditor	Claudio BIANCHI	1939	16.04.08	Sh. Mtg. 19.04.17	Approval of 2019 Fin. St.	M	X	100	3
Standing auditor	Maria Assunta COLUCCIA	1966	17.04.14	Sh. Mtg. 19.04.17	Approval of 2019 Fin. St.	M	X	83	19
Alternate Auditor	Antonio SANTI	1977	19.04.17	Sh. Mtg. 19.04.17	Approval of 2019 Fin. St.	m	X	/	/
Alternate Auditor	Vincenzo SPORTELLI	1961	16.04.08	Sh. Mtg. 19.04.17	Approval of 2019 Fin. St.	M	X	/	/
Alternate Auditor	Patrizia AMORETTI	1970	19.04.17	Sh. Mtg. 19.04.17	Approval of 2019 Fin. St.	M	X	/	/
<b>Auditors resigning during the period</b>									
Standing auditor	Giampero TASCO	1951	16.04.08	Sh. Mtg. 17.04.14	Approval of 2016 Fin. St.	M	X	100	/
Alternate Auditor	Stefano GIANNULI	1965	17.04.14	Sh. Mtg. 17.04.14	Approval of 2016 Fin. St.	M	X	/	/

**Key**

**% part. C.S.:** 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(a) of the Consolidated Finance Act. The complete list of offices is published by Consob pursuant to art. 144-quinquiesdecies of the Consob Issuer Regulations, on its website.



The percentage participation of each member at the meetings is shown in the table above.

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

Since the appointment of the new Board of Statutory Auditors, which took place with the Shareholders' Meeting of 19 April 2017, no Statutory Auditors have ceased to hold office.

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/2017 Archive/List of candidates for Statutory Auditors*.

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

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

Five meetings are scheduled for 2018, one of which was already held on 8 February.

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In accordance with the provisions of the Code, the board of statutory auditors will evaluate the independence of its members at the first meeting after their election, and will evaluate their continuation in office, each year.

During the year (in the meeting of 27 September 2017), the Board of Statutory Auditors evaluated the independence criteria 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.

The auditors declared that they met the independence criteria as laid down in article 148(3) TUF) and those prescribed by Article 3 of the Governance Code, also on the basis of the disqualification factors indicated in the guidelines.

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The board of statutory auditors exercises the powers and functions attributed to it by 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.

The content and frequency 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 regulatory and self-governance framework.

For situations in which Auditors are stakeholders on their own behalf or on behalf of others, the procedure for related party transactions (see Section 11 above) shall apply. The procedures state that auditors in such a situation must inform the Board of Directors and the other auditors in a timely, thorough manner, specifying the nature, origin, terms and scope of their 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, with Risk and Compliance from which it received updates relating to risk management activities and updating of compliance programs, and with the Financial Reporting Manager.

The Board of Statutory Auditors also 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 the Internal Audit function regarding audits on specific operating areas and this allowed a continuous flow of information among the various bodies, aimed at monitoring the entire control 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.

### **Diversity policies**

The Company has not adopted a diversity policy in relation to the composition of the Board of Statutory Auditors, as this will be prepared simultaneously with that for the Board of Directors.



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.

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, documents and information concerning the Company is disclosed 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.



Shareholders' meetings are called in accordance with the procedure required by current legislation. There are no specific quorums.

The ordinary and extraordinary Shareholders' Meetings are held in a single call, with the majorities prescribed by law.

The ordinary meeting is called at least once a year for the approval of the financial statements, within 180 days from year-end, as the Company is required to prepare consolidated accounts, or whenever there are particular needs based on the structure and object of the company. The meeting will also be convened (either ordinary or extraordinary) whenever considered appropriate by the Board and in those cases prescribed 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 Bylaws and applicable laws.

The Shareholders' Meeting is responsible for resolving on matters within its remit as laid down by the law, since the Bylaws 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.

On the date this Report was approved, there were no multi-vote shares nor did the Company introduce the concept of increased voting rights (Article 127(d)) TUF).

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Under the terms of Article 10 of the Bylaws and Article 2365, Paragraph 2 of the Italian Civil Code, the Board of Directors can amend the Bylaws 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.

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With the amendments to the Bylaws 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 Bylaws 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 Bylaws 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.





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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.

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During the financial year 2017, the ordinary shareholders' meeting met once on 19 April, with the participation of 5 Directors and the entire Board of Statutory Auditors. No motions relating to issues other than those raised by the directors in specific proposals, were put to the Meeting.

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.

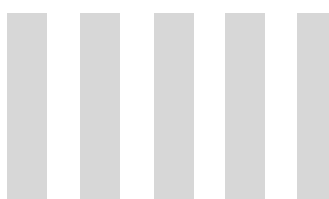
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Shareholders are regularly informed on the operations of the Appointments and Remuneration Committee, both through this Report and by means of the information contained in the Remuneration Report.

During the year, the changes in the market capitalisation of the Issuer's shares followed the same trend as the Italian stock exchange and there were no material changes in the composition of the Company's shareholder structure.

The Company's market capitalisation increased by 70.8% in 2017 and it amounted to EUR 1.201.356.000 at the end of 2017. In 2017, the FTSE Italia All Share index increased by 13.6%, whereas the FTSE Italia Star index increased by 21.1%.

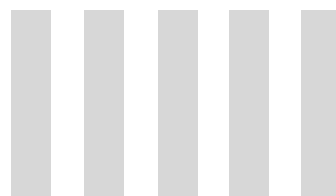
There were no significant changes in the composition of the shareholder structure during the year.



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.



On 2 January 2018, Cementir Holding SpA sold 100% of the share capital of Cementir Italia S.p.A., (including fully owned subsidiaries Cementir Sacci S.p.A. and Betontir S.p.A.) to Italcementi S.p.A., a fully owned subsidiary of HeidelbergCement AG.



## CONSIDERATIONS ON THE LETTER DATED 13 DECEMBER 2017 FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

On 12 and 14 February 2018, the recommendations formulated by the Corporate Governance Committee in the letter dated 13 December 2017 were brought to the attention of the Appointments and Remuneration Committee and the Board of Directors, respectively. The same were then also subject to self-assessment by the Directors in order to identify possible changes in governance or to fill any gaps.

Rome, 8 March 2018

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



## 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, among other things, 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 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 promptness 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 the 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 either 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 11 May 2017 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 financial reporting manager;
- defines 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.

14 procedures have been prepared, which describe, for all the processes of Cementir Holding, the roles and responsibilities of everyone involved in the process, the IT software used, the communication flows between everyone involved, the checks on the process operations and the people responsible for them, in order to enable the checking and supervision of each phase of the process in accordance with the provisions of Law 262/2005 (Provisions on the protection of savings and regulation of the financial markets).



### *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, among other things, 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.

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

The risk assessment and management system has been implemented in all the Group's operational companies: Aalborg Portland (Denmark), Aalborg Portland Anqing (China), Aalborg Portland Malaysia, Compagnie des Cimentas (Belgium), Cimentas, Recydia, Hereko and Sureko (Turkey), Cementir Italia, Vianini Pipe and Gaetano Cacciatore (USA) Neales Waste Management (Great Britain) Sinai White Cement (Egypt) and 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 reporting includes a “Risk Management Report”, presented periodically for each business unit and to the Board of Directors of the main companies, which highlights the 10 principal risks, the actions taken by Management to reduce those risks to acceptable levels, and an assessment of the control mechanisms. During 2017, that analysis was enhanced by a specific assessment of sustainability risks. This was done by carrying out an assessment based on the Guidance ISO 26000, the only recognised international reference that sets out the many definitions of sustainability. This standard suggests a systemic approach and adds a concrete dimension to corporate responsibility by bringing together the best practices used to measure business performance. The work done by Cementir has focused on the risks associated with various sustainability issues depending on the level of control that was found, and has also allowed the related controls to be defined.

The report also includes an express indication of all the major exceptions to this policy, the risk limits and the level of risk appetite approved by the Board of Directors. It also highlights potential major changes to the assumptions and risks undermining the strategy, specifying their impact on operations and offering an overall view of the risk management methods, for the purposes of their verification and approval.

