

# **2018 REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE**

**Pursuant to article 123-bis of the Consolidated Finance Act**

Approved by the Board of Directors on 7 March 2019

Traditional management and control model

*The Italian text prevails over the translation into English*

**[www.cementirholding.it](http://www.cementirholding.it)**

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

## GLOSSARY

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

- **Code:**  
the Corporate Governance Code of listed companies approved in July 2018 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 or Cementir Holding:**  
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 in its resolution no. 11971 of 1999 (as subsequently amended).
- **Market Regulations:**  
the Regulations for markets promulgated by Consob in its resolution no. 20249 of 2017 (as subsequently amended).
- **Consob Related Parties Regulations:**  
The Regulations issued by Consob in resolution 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 7 March 2019, provides a general and complete description of the Corporate Governance and ownership structure of the Issuer at 31 December 2018, 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" (VIII Edition, January 2019) prepared by Borsa Italiana.

Please see the Report on Remuneration pursuant to article 123-*ter* of the Consolidated Finance Act, approved by the Board of Directors on 7 March 2019 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. ISSUER'S PROFILE

## 1.1. Foreword

Cementir Holding is an Italian multinational company specialising in the construction materials sector worldwide. Through its subsidiaries located in 18 countries and 5 continents, the Cementir Group is the world leader white cement and in the production and distribution of grey, concrete, aggregates and cement products, and in the management of urban and industrial waste. In particular, the Cementir Group is the market leader in the production of cement and concrete in Scandinavia, the third largest producer of such in Belgium, and is among the leading international cement producers in Turkey.

The company, part of the Caltagirone Group, was established in Italy in 1947, and has been listed on the Milan Stock Exchange since 1955, currently in the STAR segment.

The Group has grown internationally over the years, thanks mainly to investments and acquisitions amounting to over EUR 1.7 billion that have transformed the company from an exclusively Italian concern into a multinational enterprise, with the production and marketing of its products in over 70 countries worldwide.

The company's strategy aims at achieving the increased integration of its business operations, together with geographical and product diversification.

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 Control and Risks Committee, the Appointment and Remuneration Committee, and the Related-Party Transaction 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.

For a precise analysis of the Company's organisational and operating system, see the examination of individual items in the Report.

At the date of the Report's approval, the Company is not an SME pursuant to letter *w-quater* 1) of article 1, paragraph 1, of the Consolidated Finance Act, and to article 2-*ter* of the Issuers' Regulations; therefore, pursuant to article 120, paragraph 2 of the Consolidated Finance Act, the relevant threshold for the purposes of disclosure of the relevant shareholdings is 3% of voting right share capital.

The information contained in this document, unless indicated otherwise, refers to the date of approval of the document by the Board of Directors' meeting of (7 March 2019).

## 2. INFORMATION ON OWNERSHIP STRUCTURE (pursuant to article 123-bis of the Consolidated Finance Act) as at 31 December 2018

### paragraph 1

#### a) Share capital structure (article 123-bis, paragraph 1, letter a), TUF)

The Company's share capital at 31 December 2018, subscribed and paid up, amounts to EUR 159,120,000 subdivided into 159,120,000 nominal shares of a nominal 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 (article 123-bis, paragraph 1, letter b), TUF)

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

#### c) Significant shareholdings (article 123-bis, 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 2018 the shareholders holding over 3% of the share capital of Cementir Holding S.p.A. are:

SIGNIFICANT SHAREHOLDINGS AS AT 31 DECEMBER, 2018			
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.	65.067%	65.067%
Francesco Gaetano CALTAGIRONE	YES	0.834%	0.834%
Francesco CALTAGIRONE	NO through: Chupas 2007 S.r.l.	3.771%	3.771%
Francesco CALTAGIRONE	YES	1.584%	1.584%

#### d) Shares conferring special rights (article 123-bis, paragraph 1, letter d), TUF)

No shares entitling to special control rights have been issued.

#### e) Employee shareholdings: voting rights exercising procedure (pursuant to article 123-bis, paragraph 1, letter e), TUF)

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 article 123-bis, paragraph 1, letter f), TUF)

There are no restrictions on voting rights.

### **g) Shareholder agreements (pursuant to article 123-bis, 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 article 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 (article 123-bis, 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 By-laws.

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 EUR 300 million.

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 articles 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 16 of the Market Regulations do not apply.

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

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

## **3. COMPLIANCE (pursuant to article 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 has resolved to comply with the principles set out in the Code, and to bring its own system of governance into line with regulatory provisions.

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

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

## 4. BOARD OF DIRECTORS

### 4.1. Appointment and replacement of Directors (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 By-laws and current laws. On 7 November 2013 the Board of Directors amended the By-laws by introducing the principle that, in accordance with the law, the members of the Board of Directors should ensure equal representation of both genders.

The 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 share capital, or another percentage of such established in accordance with applicable law. It should be noted that in its resolution no. 20273 of 24 January 2018, Consob set the lower limit at 1% for the submission of lists of candidates in Cementir Holding S.p.A. pursuant to article 144-*quater* of the Issuers' Regulations. 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 By-laws and by the Shareholders' Meeting for members of the Board of Directors.

The By-laws 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 By-laws 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

The Board of Directors, given the specific nature of company ownership, which is characterised by a model of concentration of share control and by the existing system of delegated powers adopted by the Board itself, at the date of approval of the present Report does not deem it necessary to adopt a specific plan for the succession of executive directors.

As from 2018, the Company has made provision for a "Contingency Plan" that identifies the actions to be taken should it be necessary to replace the Executive Directors early. More specifically, should the CEO relinquish his/her office, the CEO's delegated powers are provisionally assigned to the Deputy Chairman until the new CEO takes office, unless the Board of Directors decides otherwise. In the case where the Chairman relinquishes office, his/her replacement as Chair of the Board of Directors is governed by the Company's By-laws (which provide for the assignment of said role to the Deputy Chairman, if appointed).

Furthermore, in order to strengthen the succession plans for key posts, measures have been taken at Group level designed to extend the number of successors and to improve their readiness for office.

In particular, following the outcome of the succession planning process conducted in 2017, a structured Management Education programme entitled "LEAD Program" was formulated and implemented, in conjunction with one of the most prestigious international Business Schools, aimed at 22 of the Group's senior leaders.

This programme comes within the context of the newly-founded Cementir Academy, and is framed within a management training and leadership development system which over the two-year period 2019-2020 will see the involvement of the most talented middle managers and young members of staff.

At the same time, external market monitoring operations have continued, with a specific focus on incorporating talented people, with diversified backgrounds and global mindsets, into the Group.

The monitoring and review of the process are entrusted to the Appointment and Remuneration Committee supported by the Human Resources function.

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

In accordance with its By-laws, 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 Shareholders' Meeting, held on 19 April 2018, confirmed the number of members of the Governing Body to be 13, and appointed the Board of Directors for the three-year period 2018-2020, that is, up until the Shareholders' Meeting to be called to approve the Financial Statements at 31 December 2020, on the basis of the lists of candidates regularly filed with the Company's offices:

- majority list no. 1 submitted by the shareholder Calt 2004 S.r.l., owner of 47,860,813 shares representing 30.08% of total share capital, composed of the following candidates:

- 1) Francesco Caltagirone;
- 2) Alessandro Caltagirone;
- 3) Azzurra Caltagirone;
- 4) Edoardo Caltagirone;
- 5) Saverio Caltagirone;
- 6) Carlo Carlevaris;
- 7) Fabio Corsico;
- 8) Mario Delfini;
- 9) Veronica De Romanis;
- 10) Paolo Di Benedetto;
- 11) Chiara Mancini;
- 12) Roberta Neri.

The majority list obtained the votes of shareholders holding a total of 118,911,691 shares.

- minority list no. 2 submitted by a group of asset management companies and other institutional investors, who together own 2,990,051 shares representing 1.87912% of the share capital of Cementir Holding S.p.A., composed of the following candidate:

- 1) Adriana Lamberto Floristán.

The minority list obtained the favourable vote of shareholders holding a total of 11,309,571 shares.

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

The table below shows the composition of the Board of Directors at the time of approval of the present Report, and among other things, it specifies: the office held and the date of initial appointment of those directors who meet the independence requirements of article 148 of the Consolidated Finance Act, and of article 3 of the Code.

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

At the time of approval of this Report, there had been no changes in the membership of the Board of Directors subsequent to the closing of the financial year.

The following table shows the composition of the Board of Directors and of the Committees as at 31 December 2018.

Office	Name	Birth year	Date of first appointment	In office from	In office until	List (M/m)	NON-EXEC	EXEC	INDEP TUF	INDEP CODE	Number of other positions	% BoD	A.R.C.:	% A.R.C.	C.R.C.	% C.R.C.
Chairman Chief Executive Officer	Francesco <i>CALTAGIRONE</i>	1968	21/04/09	Sh. Mtg. 19/04/18	Approval of 2020 Financial Statement	M		X			4	100				
Deputy- Chairman	Carlo <i>CARLEVARIS</i>	1931	21/04/09	Sh. Mtg. 19/04/18	Approval of 2020 Financial Statement	M	X		X		3	71				
Director	Alessandro <i>CALTAGIRONE</i>	1969	21/04/09	Sh. Mtg. 19/04/18	Approval of 2020 Financial Statement	M	X				7	57				
Director	Azzurra <i>CALTAGIRONE</i>	1973	21/04/09	Sh. Mtg. 19/04/18	Approval of 2020 Financial Statement	M	X				7	86				
Director	Edoardo <i>CALTAGIRONE</i>	1944	21/04/09	Sh. Mtg. 19/04/18	Approval of 2020 Financial Statement	M	X				/	86				
Director	Saverio <i>CALTAGIRONE</i>	1971	21/04/09	Sh. Mtg. 19/04/18	Approval of 2020 Financial Statement	M	X				2	100				
Independent Director	Paolo <i>DI BENEDETTO</i>	1947	18/04/12	Sh. Mtg. 19/04/18	Approval of 2020 Financial Statement	M	X		X	X	3	86	C	100	C	100
Director	Fabio <i>CORSICO</i>	1973	21/04/09	Sh. Mtg. 19/04/18	Approval of 2020 Financial Statement	M	X				2	71				
Director	Mario <i>DELFINI</i>	1940	21/04/09	Sh. Mtg. 19/04/18	Approval of 2020 Financial Statement	M	X				7	100	M	100	M	100
Independent Director	Veronica <i>DE ROMANIS</i>	1969	21/04/15	Sh. Mtg. 19/04/18	Approval of 2020 Financial Statement	M	X		X	X	/	100	M	100	M	100
Independent Director	Chiara <i>MANCINI</i>	1972	21/04/15	Sh. Mtg. 19/04/18	Approval of 2020 Financial Statement	M	X		X	X	2	86	M	100	M	100
Independent Director	Roberta <i>NERI</i>	1964	19/04/17	Sh. Mtg. 19/04/18	Approval of 2020 Financial Statement	M	X		X	X	2	100				
Independent Director	Adriana <i>LAMBERTO FLORISTÁN</i>	1973	19/04/18	Sh. Mtg. 19/04/18	Approval of 2020 Financial Statement	m	X		X	X	1	100			M	100
<b>DIRECTORS RESIGNING DURING THE PERIOD</b>																
Director	Mario <i>CILIBERTO</i>	1946	21/04/09	Sh. Mtg. 19/04/15	Approval of 2017 Financial Statement	M	X									

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, the Control and Risks Committee, the Appointment and Remuneration Committee, at 31 December 2018, and each member's percentage attendance at the meetings held.

<b>Number of meetings held in 2018</b>	<b>BoD: 7</b>	<b>CCR: 4</b>	<b>ARC: 5</b>
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**Key**

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

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

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

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

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

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

**A.R.C.:** C/M entered if chairman/member of the Appointment and Remuneration Committee

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

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

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

The following table shows the positions held by the Company's Directors in other companies listed on national or international regulated markets, in financial, banking, insurance companies or companies of significant size:

<b>Name</b>	<b>Office</b>	<b>Other positions</b>
Francesco <i>CALTAGIRONE</i>	Chairman and Chief Executive Officer	Chief Executive Aalborg Portland Holding A.S. Director Caltagirone S.p.A. Director Suez S.A. Director Caltagirone Editore S.p.A.
Carlo <i>CARLEVARIS</i>	Deputy- Chairman	Hon. Chairman Banca Finnat Euramerica S.p.A. Director Il Messaggero S.p.A. Director Immobiliare Caltagirone ICAL S.p.A.
Alessandro <i>CALTAGIRONE</i>	Director	Deputy Chairman Aalborg Portland Holding A.S. Director Caltagirone S.p.A. Director Vianini Lavori S.p.A. Director Caltagirone Editore S.p.A. Director Il Messaggero S.p.A. Director Piemme S.p.A. Director Acea S.p.A.
Azzurra <i>CALTAGIRONE</i>	Director	Chairman FGC S.p.A. Director Banca Generali S.p.A.. Deputy Chairman Caltagirone S.p.A. Chief Executive Officer Il Messaggero S.p.A. Director Aalborg Portland Holding A.S. Deputy Chairman Piemme S.p.A. Deputy Chairman Caltagirone Editore S.p.A.
Edoardo <i>CALTAGIRONE</i>	Director	/
Saverio <i>CALTAGIRONE</i>	Director	Director Vianini Lavori S.p.A. Director Caltagirone S.p.A.
Adriana <i>LAMBERTO FLORISTÁN</i>	Director	Director Banca Etica S.c.p.A.
Paolo <i>DI BENEDETTO</i>	Director	Chairman Fondo Nazionale di Garanzia Director Edison S.p.A. Director Assicurazioni Generali S.p.A.
Fabio <i>CORSICO</i>	Director	Director NTV S.p.A. Director Terna S.p.A.
Mario <i>DELFINI</i>	Director	Chairman Vianini Lavori S.p.A. Director Caltagirone Editore S.p.A. Deputy Chairman Fabbrica Immobiliare SGR S.p.A. Director Il Messaggero S.p.A. Director Piemme S.p.A. Director FGC S.p.A. Director Caltagirone S.p.A.
<i>Roberta NERI</i>	Director	Chief Executive Officer Enav S.p.A. Chairman Techno Sky S.r.l.
Veronica <i>DE ROMANIS</i>	Director	/
Chiara <i>MANCINI</i>	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 'Investor Relations' / 'Corporate Governance' / '2018 Shareholders' Meeting' / 'List of candidates for Board of Directors'.

## Diversity policies

During the course of the financial year, the Company decided not to adopt a specific diversity policy in regard to the composition of its own governing body, in view of the renewal of the Board of Directors foreseen for the occasion of approval of the financial statements at 31 December 2017.

During the same period, nevertheless, the Company adopted principles of diversity also in regard to gender. In fact, it should be noted that the Company's By-laws, in accordance with Italian Law 120/2011, establish that at least one-third of all directors, in relation to the second and third renewal of office following the coming into force of the aforementioned Law, shall belong to the less represented gender. Furthermore, reference should be made to the recommendation formulated by the Board, with the support of the Appointment and Remuneration Committee, concerning the size and composition of the governing body to be submitted to the Shareholders in view of the Shareholders' Meeting called to renew the Board.

Moreover, the majority shareholders voluntarily submitted a list, in accordance with the aforementioned Board recommendation, and this list reflects in practice the undertaking and desire to see a varied membership of the Board.

Therefore, the Board, as it stands, shall renew the office of five female directors and eight male directors, thus amply meeting the minimum requirement of one-third of directors of the less represented gender, while at the same time guaranteeing the due expertise and professionalism of its members.

At the date of this Report, bearing in mind (i) the results of the annual assessment of the operation of the Board itself, provided for by the Code, and (ii) the recommendations made to shareholders prior to the appointment of the new Board in regard to the managerial and professional figures deemed appropriate as members of the same Board, the Board of Directors' meeting of 7 March 2019, with the favourable opinion of the Appointment and Remuneration Committee and of the Board of Statutory Auditors, approved the diversity policy (hereinafter the "Policy").

In this way, the Company plans to encourage and promote diversity in the composition of its governing bodies, in particular in regard to gender, age, seniority, professionalism, experience (also of an international character) and specific expertise and skills, also bearing in mind that the Company's shares are currently listed in the STAR segment of the Stock Market, in accordance with Stock Market Regulations.

In particular, while further details are available in the document to be found on the Company's website [www.cementirholding.it](http://www.cementirholding.it), the Policy establishes that:

- (i) even after the period governed by Italian Law 120/2011, each gender must be represented by at least one quarter of the members of the Board of Directors;
- (ii) at least one member of the Board of Directors, when said Board is composed of at least 9 members, must have foreign and/or international experience;
- (iii) Board members must possess different degrees of seniority and must belong to different age groups;
- (iv) reference be made to the Instructions to the Stock Market Regulations in regard to the number of independent directors deemed adequate in relation to the total number of Board members;

A number of qualitative requirements are also indicated (including managerial, professional, academic and institutional skills in the case of non-executive directors, and authoritativeness in the case of the chairman and the CEO, while the latter must have knowledge of the specific business sector), as well as sufficient time available in order to carry out the corresponding duties and functions, in the case of all members of the company's governing bodies.

The Policy aims to provide guidance to shareholders in view of their selection of the candidates to be included in the lists for the nomination of the governing bodies when they come up for renewal, bearing in mind the benefits of the harmonious, diversified membership of such bodies, and also in regard to any appointment of directors by the Shareholders' Meeting in cases other than that of the renewal of the entire Board of Directors. It shall also be applied to the governing body (i) at any time it becomes necessary to replace directors pursuant to article 2386 of the Italian Civil Code; (ii) when selecting which directors are to be assigned certain specific offices, such as those of Chairman, Deputy chairman, CEO, director in charge of the internal control and risk management system; and (iii) in the selection of members of Board committees.

At the time of approval, the Board of Directors' meeting of 7 March 2019 established that the current composition of the governing body met the requirements of the Policy.

Furthermore, over the last two years the Company has adopted measures designed to promote equal treatment and opportunities of both genders within the company's organisation as a whole, starting with the establishment of a system of values and a model of duties and conduct at Group level, in which the concepts of inclusion and diversity are strongly represented. In particular, a structured plan for the communication of the Group's identity has been formulated and implemented in all aspects and areas of the company, and an online training course in the Group's Values and Leadership Model has been designed and created, with the involvement of all of the Group's managers, and this shall gradually be extended to all those working for the Group's companies.

Moreover, the organisation has always been committed to acknowledging and promoting diversity when hiring, managing, assessing and developing those employed by the Group, and to avoiding all forms of discrimination, from the staff recruitment processes to the programmes for the development of leadership and managerial capacities and talent.

### 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 Programme

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.

In fact, the nature of the induction programme enables Directors to gain a suitable knowledge of the business sector in which the Issuer operates, in virtue of the information constantly provided at Board meetings.

Furthermore, in 2018 a structured on boarding programme was implemented in regard to new directors, which included an on-site visit to one or more of the Group's plants, and participation in a number of presentations by the local Management Team.

### 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 2018, the Board of Directors held seven 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, the Company's General Manager, the Group's Chief Operating Officer, and the Group's 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 2018.

At least five meetings are scheduled in 2019.

No minimum periodicity for Board meetings is specified in the By-laws. On the date this report was approved, one Board meeting had already been held, on 14 February 2019.

In 2018, the Company's Board of Directors met on 14 February, 8 March, 23 April, 10 May, 26 July, 8 November and 20 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 five days before the meeting, in order to ensure a full and correct assessment of the topics brought to the attention of the Board. It should be noted in this regard that in 2018 the Company adopted an electronic system for the management and disclosure of documents pertaining to Board meetings and the board's committees, which facilitates the transmission of, and access to, said documents, whilst at the same time guaranteeing the utmost confidentiality of such.

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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 By-laws.

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 Depositati e Prestiti, Banks, issuing Institutions, and all other public and private Entities, the creation, subrogation, postponement, cancellation or waiver of mortgages, registration and annotations of any kind, legal actions, including those involving quashing or reversal, and preliminary arrangements or settlements.

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

- mergers in the cases specified by articles 2505 and 2505-*bis* of the Italian Civil Code;
- the opening, relocation and closure of secondary sites;
- share capital reduction in case of shareholders' withdrawal;
- changes to the By-laws 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 Appointment 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.
- constitutes the Supervisory Body (hereinafter also the "SB") pursuant to Italian 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 By-laws.

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As provided in the By-laws, 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.

At its meeting of 10 May 2018, the Board of Directors examined and approved the Group's 2018-2020 Business Plan, and which it constantly monitored throughout the course of 2018.

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 of the commercial development of local subsidiaries. This will also allow the parent company to focus on strategic matters and acquisitions to support the growth strategy.

The organisation of the Group as at 31 December 2018 was focused on the following areas: the Nordic & Baltic Region and the USA, which includes Denmark, Norway, Sweden, Belgium, France, Poland, Iceland, Russia and the United States; the Turkish region, which includes the United Kingdom; 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 organisation, administration and accounting structure of all companies operating within the Group, after consulting the Risks & Audit Committee. During the meetings of this committee, which were also attended by the Head of Internal Audit, the Board was also able to 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 2018, 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 the 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, each year the Board of Directors provides 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 is performed by the Company by means of questionnaires submitted to and completed by the Directors, and if the latter should so choose, accompanied by a personal interview of the Directors concerned, thus permitting their effective participation in the assessment process together with a more in-depth analysis of questions they have themselves assessed.

This assessment, relating to the financial year 2018, was conducted in February 2019 by means of the aforementioned self-assessment system, involving nearly all the Issuer's Directors from the Corporate Affairs Department.

The results of the self-assessment process, submitted to the Board of Directors at its meeting of 7 March 2019, reveals a positive picture overall in terms of the functioning of the Board and of the Board Committees, in line with the assessments conducted in previous years.

All Board Members appreciate the governance guidelines and rules applied in Cementir Holding.

The majority of Directors believe that knowledge of the Corporate Governance Code 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.

In general, the areas most highly appreciated by the Directors (as expressed in their response of "I agree") are:

- the ability to manage situations of conflict of interest within the Board;
- the Directors systematic attendance of Board meetings;
- preparation of Directors ahead of Board meetings;
- the structure and organisation of powers within the Board of Directors;
- 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 adequacy of the number of items on the agenda of each Board of Directors meeting and organization of the latter;
- the activities of the Board as a whole;
- 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 expertise of the Company's managers in the industrial sector concerned, as well as in the legal/compliance sector;
- the Board's handling of any conflictual situations;
- the appropriateness of documents in relation to the items to be discussed at the Board's meetings;
- the respect of the information confidentiality guidelines;
- the overall contribution of the Chairman of the Board;
- the overall organisation of Board meetings;
- 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 Italian 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 2018, 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 2018, 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 By-laws.

The Company's legal representative is the Chairman, or the Vice Chairman in the Chairman's stead in the event of his absence or impediment.

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 consortia and associations in accordance with the provisions of articles 2602/2612 *et seq.* and 2615 of the Italian 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, consortia, 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. collect deposits, sign receipts, orders and payment orders, issue receipts in the forms required, with the payer's exemption 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; appoint executive managers, agree to and grant pay increases and bonuses, inflict disciplinary penalties, and appoint consultants also for long periods.
- 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, consortia and/or enterprises as the holders of shares and/or interests in Cementir Holding S.p.A.

In 2018, 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 the 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 hold positions in other Issuers, not belonging to the same group, where another director of the Company is Chief Executive Officer.

#### **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. During the course of the Financial Year, said committee was composed of:

- Francesco Caltagirone Chairman;
- Mario Delfini Director;

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 By-laws (articles 2423, 2443, 2446 and 2447 of the Italian Civil Code).

The Executive Committee did not meet in 2018 as there was no need for it to do so. Following the renewal of the governing body by the Shareholders' Meeting of 19 April 2018, the Board did not constitute an Executive Committee, which thus reached the end of its term of office at the date of said Shareholders' Meeting.

#### **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 2018.

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

The Board of Directors includes five independent directors (within the meaning of the Consolidated Finance Act and the Code): (Veronica De Romanis, Paolo Di Benedetto, Chiara Mancini, Adriana Lamberto Floristán and Roberta Neri).

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

The independent directors:

- i) 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;
- ii) 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;

iii) are not, and have not been in the three 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;

iv) 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;

v) 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 fourth 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; (b) with the Issuer's Directors; (c) with persons who are married to, or related up to the fourth degree of consanguinity or affinity to, the Company's Directors referred to in the preceding point (a); vi) do not receive, nor have received in the previous three financial years, from the issuer or from its subsidiary or parent company, any significant additional remuneration on top of the "fixed" fee paid to the Company's non-executive Directors, including any participation in incentive schemes linked to company performance, also when based on shares;

vii) have not been Directors of the Issuer for more than nine 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 23 April 2018, the Board of Directors verified - by applying the criteria set out in the Code - the existence of the independence requirements pursuant to the Consolidated Finance Act and the Code for the Independent Directors Veronica De Romanis, Paolo Di Benedetto, Chiara Mancini, Roberta Neri and Adriana Lamberto Floristán.

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.

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 2018 the Independent Directors met twice, on 11 July and on 17 December, in the absence of the other directors.

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

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

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

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

On 23 April 2018, the Board confirmed the appointment of Paolo Zugaro as the Company's General Manager.

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## 5. PROCESSING OF COMPANY INFORMATION

### 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.

This procedure must be complied with by the members of the governing, management and control bodies, and the employees of the Company and of the Subsidiaries, as well as all other persons who in virtue of their work or professional activity, have regular or occasional access to Relevant and/or Privileged Information regarding the Company, in virtue of relations other than those of company employees, for example in virtue of their advisory or consultancy capacity.

In 2018, the Company saw to updating the procedure for the internal management and public disclosure of privileged information, in implementation of the legislative amendments made to the Consolidated Finance Act by Italian Legislative Decree no. 107 of 10 August 2018.

### Internal Dealing

With effect from 1 April 2006 the Company introduced an 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, and again in 2018, in order to implement the changes introduced by the new EU laws on transactions carried out by persons exercising functions of administration, control or direction (internal dealing), and on market abuse.

In accordance with EU regulations, the Internal Dealing Code provides for a black-out period on the trading of Company shares during the 30 calendar days prior to the Company's disclosure to the market of the data contained in the annual financial statements, in the half-yearly financial statements, in the interim management reports (or other comparable accounting statements or reports for the period) that the Company is bound to, or has decided to, publish.

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)

Following the expiration of the term of the Board and its Committees upon approval of the 2017 financial statements, the Board of Directors decided not to reappoint the Executive Committee.

Instead, it decided to set up, from within its own ranks and for the three-year period 2018-2020, in accordance with the principles of the Code and of law, the Control and Risks Committee, the Appointment and Remuneration Committee, and the Related-Party Transaction Committee (the "Committees"), all to provide advice and submit proposals.

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

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

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

## 7. APPOINTMENT AND REMUNERATION COMMITTEE

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 Appointment and Remuneration Committee

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

The current Appointment 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 Appointment 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 Appointment 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 meetings of the Appointment and Remuneration Committee are attended by the Chairman of the Board of Statutory Auditors (or by another auditor designated by the Chairman) and – if appropriate and upon invitation from the Committee – other representatives of the Company (Group General Counsel, Group Chief Financial Officer and Group Chief HR Officer). The Directors do not participate in Committee meetings in which proposals concerning their remuneration are formulated for submission to the Board.

In 2018, the Appointment and Remuneration Committee met five times:

- on **12 February** to examine remuneration policy and the 2017 Remuneration Report pursuant to Section 123-ter of Italian Legislative Decree no. 58/1998, and to verify the adequacy, consistency and actual application of the remuneration policy adopted the previous year;
- on **5 March** to examine the Executive Directors' "Contingency Plan" and the "Succession Planning" for the Group's key posts, and to analyse the shareholders' opinion on the size and composition of the Board of Directors for the three-year period 2018-2020;
- on **9 May** to formulate a proposal regarding the remuneration of the Chairman and CEO, pursuant to article 2389, paragraph 3, of the Italian Civil Code;
- on **19 November** for an introductory meeting with the Group's Chief Financial Officer;
- on **17 December** to verify the management's long-term benefits scheme (the "Long Term Incentives" or "LTI" scheme).

Each meeting lasted about one hour and a quarter.

The meetings were attended by all the members of the Committee; the Group Chief Financial Officer, the Group Chief HR Officer, the Group General Counsel, the Chief Internal Audit Officer and the Chief Risk and Compliance Officer, who intervened in regard to the items on the agenda concerning them.

So far in 2019, two meetings of the Appointment and Remuneration Committee have been held, and a further two meetings at least are foreseen.

The percentage of attendance for each member at the Committee meetings held in 2018 is shown in the table in article 4 (Board of Directors).

### Duties assigned to the Appointment and Remuneration Committee

The Appointment 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 of the Italian 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 Appointment 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 Appointment 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 Appointment and Remuneration Committee before their appointment;

The Appointment and Remuneration Committee has an annual budget of EUR 50 thousand to exercise its functions.

## 8. REMUNERATION OF DIRECTORS

### **Remuneration policy**

Please refer to Chapter 1 of the Report on Remuneration

### **Stock incentive plans**

Please refer to Chapter 2.2.2 of the Report on Remuneration.

### **Remuneration of Executive Directors**

Please refer to Chapter 2.1 of the Report on Remuneration.

### **Remuneration of Key Executives**

Please refer to Chapter 2.1 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 of the Report on Remuneration.

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

Please refer to Chapter 2.1 of the Report on Remuneration.

### **Agreements pursuant to article 123-bis, paragraph 1, letter i) TUF**

Please refer to Chapter 2.1 of the Report on Remuneration.



## 9. CONTROL AND RISKS COMMITTEE

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

The current Control and Risks Committee was appointed by the Board of Directors' meeting of 23 April 2018, and comprises five non-executive directors, the majority of whom are independent directors (in accordance with the Consolidated Finance Act and the Code), two of whom have 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 the accounting and finance field)
- Mario Delfini (non-executive with experience in the accounting and finance field);
- Adriana Lamberto Floristán (independent and non-executive).

### Functions of the Control and Risks Committee

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

- defining the internal control and risk management system guidelines, so that the main risks of the Company and of its subsidiaries are correctly identified and adequately measured, managed and monitored, whilst also establishing the degree of compatibility of such risks with business management that is in line with individual strategic objectives, formulating proposals to the Board of Directors in this regard;
- assessing, at least annually, the adequacy of the internal control and risk management system with respect to business characteristics and the risk profile assumed, as well as its effectiveness;
- approving, at least annually, the work plan prepared by the Head of Internal Audit after consultation with the Board of Statutory Auditors;
- the description, in the corporate governance report, of the main characteristics of the internal control and risk management system;
- after consultation with the board of statutory auditors, assessing the results expressed by the independent auditor in any letter of recommendations and in reports on the issues which fundamentally emerged during the statutory audit;
- together with the 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 by the Company and the subsidiaries;

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

- on specific aspects concerning the identification of the main business risks;
- on the design, creation and management of the internal control system;
- on the the appointment and revocation of the internal audit function manager;
- on the adequacy of the resources assigned to the head of the internal audit function for the fulfillment of his responsibilities;
- on the definition of the remuneration of the head of the internal audit function

It shall also:

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

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

The meetings of the Control and Risks Committee are attended by the Chairman of the Board of Statutory Auditors and - if 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).

During 2018, the Control and Risks Committee met four times:

- on **5 March** to:

- examine the draft annual financial statements and consolidated financial statements for the year ending 31/12/2017;
- 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 2017" (the Board of Directors' self-assessment);

- examine the Report of the Control and Risks Committee to the Board of Directors on the activities carried out in 2017;
- examine the audit activity report;
- examine the risk and compliance activity report.

Also on 5 March 2018, the Control and Risks Committee analysed the report on transactions with related parties conducted in 2017.

- on **9 May** to:

- examine the internal audit activity report and the risk & compliance activity report;
- examine the interim report on operations at 31 March 2018.

- on **23 July** to:

- examine the interim report of Cementir Holding;
- examine the report of the Control and Risks Committee to the Cementir Holding Board of Directors;
- examine the new organisation of risk management activity.

- on **5 November** to:

- examine the interim report on operations at 30 September 2018
- examine the 2019 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. Minutes were duly kept for all meetings. The Committee Chairman provides information about the Committee's meetings at the next Board of Directors' meeting.

The meetings of the Control and Risks Committee are attended by the Chairman of the Board of Statutory Auditors, the Head of Risk and Compliance, the Head of Internal Audit, the Designated Executive Manager, and the Head, or other representative, of the Legal Department. In 2018, the Independent Auditors' Partner attended one meeting, upon request from the Committee, and spoke with regard to those items on the agenda concerning said Partner.

During 2019, the Control and Risks Committee met once and three additional meetings are expected to be held during the year.

The percentage of attendance for each member at the Committee meetings held in 2018 is shown in the table in article 4 (Board of Directors).

The Control and Risks Committee can access the information and contact company departments as necessary, in order to fulfil its duties. The Committee may avail itself of the services of external consultants.

The Control and Risks Committee has an annual budget of EUR 50 thousand to exercise its functions.

## 10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

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

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

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

The Board of Directors appointed by the Shareholders' Meeting held on 19 April 2018, did not formally select a director in charge of the internal audit and risk management system, bearing in mind the breadth and completeness of the powers of the CEO who also holds the office of Chairman.

### 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 Control and Risks Committee.

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

The Head of Internal Audit shall report to the Board of Directors and interact with the Control and Risks Committee, the Chairman 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 Chairman, 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 such plan to the Board of Statutory Auditors, to the Chairman and to the Control and Risks Committee, to be examined and approved, and regularly communicating updates to the plan;
- 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 Chairman 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, to the Chairman, any suspected case of fraud involving management or employees in key positions in the Company's internal control mechanisms;
- assisting in the investigation of cases of suspected internal fraud and informing the Chairman, the management and the Control and Risks Committee of the results.
- developing and maintaining a risk management system based on an appropriate method of assessment, coordinating risk management activities at Group level, and presenting the corresponding reports to management and to the Boards of Directors of the Group's companies.

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 2018 the Head of Internal Audit performed the following principal activities:

- implemented the 2018 audit plan approved by the Board of Directors, including certain requests submitted by the Chairman of the Board of Statutory Auditors, the CEO 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 Lehigh White Cement business unit, with particular reference to the governance and internal control systems;
- implemented the due checks of the reports received through the channels provided for the submission of anonymous reports, and reported the results of such to the Supervisory Body;
- commenced the review of the Risk Management model on the basis of a method in line with international best practices for risk management activities (Enterprise Risk Management – Integrated framework).

### **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 last updated on 27 July 2017.

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.

On 23 April 2018, the Board of Directors renewed the Supervisory Body for the three-year period 2018-2020. Said Body is composed of Prof. Mario Venezia, an independent external member and Chairman, and internal members Francesco Paolucci, at the time Head of Risk and Compliance, and Franco Doria, Head of the Internal Audit Department. Subsequently, on 26 July 2018, the Board of directors appointed Claudio Criscuolo, the Group's General Counsel, to replace Francesco Paolucci, who in the meantime had left the Group, as member of the Company's Supervisory Body.

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

- verifying the effectiveness and the adequacy of the model;
- monitoring the functioning 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 2018 the Supervisory Body officially met 5 times, with the principal aims of:

- examining the report to be submitted to the Company's Board of Directors in regard to the activities carried out in 2017;
- examining the monitoring of Model 231;
- ascertaining the state of implementation of Model 231;
- examining any reports of breach of the provisions of Model 231;
- receiving updates on the bringing of operations into line with the European Regulation "General Data Protection Regulation" no. 679/2016;
- planning activities for 2019.

The Chairman of the Board of Statutory Auditors attended three meetings of the Supervisory Body. Represented by one or more of its members, the Supervisory Body participated in three meetings of the Board of Statutory Auditors held in 2018 and all of the meetings of the Control and Risks Committee.

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 By-laws, in compliance with article 154-*bis* of the 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.

The Company's Board of Directors, at its meeting of 20 December 2018, appointed Giovanni Luise - the Company's Chief Financial Officer with responsibility for administration, finances and control - as Designated Executive Manager, under article 16 of the By-laws and Section 154-*bis* of the Consolidated Finance Act. Up until the aforesaid date, the duties of said office had been carried out by Massimo Angelo Sala in accordance with the decision of the Board of Directors' meeting of 23 April 2018.

The Board of Directors, upon the recommendation of the Chairman and after consultation with the Board of Statutory Auditors, assessed Mr. Luise's experience as set out in his CV, and appointed him at the Board meeting held after the Shareholders'

Meeting called to approve the financial statements for 2018, 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-*bis*, paragraph 2 of the Consolidated Finance Act);
- to prepare adequate administrative and accounting procedures for drafting the separate financial statements and the consolidated financial statements as well as any other financial communication (article 154-*bis*, paragraph 3 of the Consolidated Finance Act);
- to certify, in the manner prescribed by law, pursuant to article 154-*bis*, paragraph 5 of the Consolidated Finance Act, in conjunction with the delegated administrative bodies, in a special report to be attached to the annual financial statements (separate and consolidated) and to the condensed half-year financial statements, the adequacy and actual enforcement of the procedures referred to in the previous paragraph, during the period to which the documents refer, and the conformity of these documents with the accounting documentation, books and records and their suitability to provide a truthful and fair representation of the financial position and performance of the Company and the group of companies included within the scope of consolidation, as well as the conformity of the documents to the applicable international accounting standards recognised in the European Community (article 154-*bis*, paragraph 5 of the Consolidated Finance Act);
- to assess, together with the Control and Risks Committee, and having consulted with the Independent Auditor and the Board of Statutory Auditors, the correct 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 By-laws 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 Control 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 made available to him;
- the suitability of the administrative procedures adopted or the need to change them on the basis of issues detected;
- the corrective actions to be adopted in order to overcome the issues found.

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

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

In accordance with principle 7.P.3 of the Code of Conduct, and in compliance with the best practices for listed companies, the company has a procedure for coordinating amongst the various parties involved in the Cementir Holding internal control and risk management system (Board of Directors, Board of Statutory Auditors, 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.

## 11. DIRECTORS' INTERESTS AND RELATED-PARTY TRANSACTIONS

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, and again by the Board meeting of 3 March 2017 in implementation of the recommendations of the Consob set out in its Communication no. DEM/10078683 of 24 September 2010 concerning the opportunity of reviewing the procedure) 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 Control 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.

On 23 April 2018, the Board of Directors set up the Related-Party Transaction Committee composed of four non-executive and independent directors, pursuant to the Consolidated Finance Act and the Code, namely: Paolo di Benedetto, who acts as Chairman, Chiara Mancini, Veronica De Romanis and Adriana Lamberto Floristán.

On 5 March 2018, the Control and Risks Committee analysed the report on the transactions with related parties carried out in 2017. The Related-Party Transaction Committee did not meet in 2018.

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

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

## 12. APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

article 15 of the By-laws 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 By-laws 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 the 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. It should be noted that in its resolution no. 20273 of 24 January 2018, Consob set the lower limit at 1% for the submission of lists of candidates in Cementir Holding S.p.A. 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.

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

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting (in accordance with the By-laws 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 2018:

Office	Name	Birth year	Date of first appointment	In office from	In office until	List (M/m)*	Independent per the Code	% Particle C.S.	Number of other positions
Chairman	<i>Silvia MUZI</i>	1969	19/04/17	Sh. Mtg. 19/04/17	Approval of 2019 Financial Statement	m	X	100	1
Standing auditor	Claudio BIANCHI	1939	16/04/08	Sh. Mtg. 19/04/17	Approval of 2019 Financial Statement	M	X	87	3
Standing auditor	Maria Assunta <i>COLUCCIA</i>	1966	17/04/14	Sh. Mtg. 19/04/17	Approval of 2019 Financial Statement	M	X	87	15
Alternate Auditor	<i>Antonio SANTI</i>	1977	19/04/17	Sh. Mtg. 19/04/17	Approval of 2019 Financial Statement	m	X	/	/
Alternate Auditor	Vincenzo <i>SPORTELLI</i>	1961	16/04/08	Sh. Mtg. 19/04/17	Approval of 2019 Financial Statement	M	X	/	/
Alternate Auditor	Patrizia <i>AMORETTI</i>	1970	18.04.11	Sh. Mtg. 19/04/17	Approval of 2019 Financial Statement	M	X	/	/

**Key**  
**% particle B:S:A.:** this column shows the percentage of attendance at Board of Statutory Auditor meetings.  
**Other positions:** this column reports the number of positions held by the person concerned pursuant to article 148-bis of the Consolidated Finance Act. The complete list of offices is published by Consob pursuant to article 144-*quinqüesdecies* 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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The Board of Statutory Auditors met eight times during the course of the financial year.

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

At least five meetings are planned for 2019, one of which has already been held, on 10 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 (at the meeting of 25 October 2018, and in a subsequent examination it confirmed such as its meeting of 27 November 2018), 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 independent criteria as laid down in article 148(3) of the TUF and 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 programmes, 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**

During the course of the financial year, the Company decided not to adopt a specific diversity policy in regard to the composition of the Board of Statutory Auditors, in order to prepare such at the same time as the one pertaining to its own governing body.

Nevertheless, it applied principles of diversity, including gender diversity. In fact, it should be noted that the Company's By-laws, in accordance with Italian Law 120/2011, establish that at least one-third of all statutory auditors, in relation to the second and third renewal of office following the coming into force of the aforementioned Law, shall belong to the less represented gender.

Moreover, the Board of Statutory Auditors was elected in compliance with the provisions of law governing gender equality. Therefore, the Board of Statutory Auditors, as it stands, shall renew the office of 2 female standing auditors, one of whom shall be elected Chairperson of the Board, and 1 male standing auditor, thus meeting the minimum requirement of one-third of statutory auditors of the less represented gender.

At the date of this Report, the Board of Directors' meeting of 7 March 2019, with the favourable opinion of the Appointment and Remuneration Committee and of the Board of Statutory Auditors, approved the diversity policy (hereinafter the "Policy"), details of which are set out in a specific paragraph.

At the time of approval, the Board of Directors' meeting of 7 March 2019 established that the current composition of the governing body met the requirements of the Policy.

## **14. SHAREHOLDER RELATIONS**

The Company has decided that it is in its own interests - as well as its duty to the market - to establish continuous dialogue with institutional investors and with all shareholders, without prejudice to the fact that the disclosure of documents and information regarding the Company must comply with both internal procedures and with the provisions of the laws and regulations governing disclosures to the market.

For this purpose, the Company possesses a company function dedicated to relations with shareholders, headed by Marco Maria Bianconi, in his capacity as Group Investor Relations Director (tel. 06 3249 3305 - e-mail: [invrel@cementirholding.it](mailto:invrel@cementirholding.it)).

Furthermore, 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 (annual financial report, six-monthly financial report and interim reports, presentations to the financial community), as well as data and documents of interest to shareholders (press releases, documents prepared for the Shareholders' Meetings, disclosures on Internal Dealing, Company By-laws, information and documents concerning Corporate Governance, and any other document the online publication of which is provided for by applicable law), in order that the shareholders may knowingly exercise their own rights.

Finally, on the occasion of the disclosure of the Company's financial figures, it organises special conference calls with financial analysts, and participates, during the course of the year, in presentations and meetings with institutional investors.

## 15.SHAREHOLDERS' MEETINGS

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 By-laws and applicable laws.

The Shareholders' Meeting is responsible for resolving on matters within its remit as laid down by the law, since the By-laws do not provide for additional specific duties. It should be reiterated that the articles of Association, in accordance with article 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-*quinquies*, TUF).

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Under the terms of article 10 of the By-laws and article 2365, paragraph 2 of the Italian Civil Code, the Board of Directors can amend the By-laws 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 By-laws 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 By-laws 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 By-laws 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 2018, the ordinary shareholders' meeting met once on 19 April, with the participation of 6 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 Appointment and Remuneration Committee, both through this Report and by means of the information contained in the Remuneration Report.

The Company's market capitalisation fell by 31.4% in 2018 and it amounted to EUR 816,254,000 at the end of 2018. During the same period, the FTSE Italia All Share index lost 16.7%, while the FTSE Italia Star index fell by 16.9%.

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

## 16. ADDITIONAL CORPORATE GOVERNANCE PRACTICES

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

## 17. CHANGES SINCE YEAR-END

No further changes have occurred since 31 December 2018.

## 18. CONSIDERATIONS ON THE LETTER DATED 21 DECEMBER 2018 FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

On 11 and 14 February 2019, the recommendations formulated by the Corporate Governance Committee in the letter dated 21 December 2018 were brought to the attention of the Appointment 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.

In particular, the Board of Directors decided that:

- (i) in regard to the adequacy of the information provided prior to Board meetings, the decision to organise Board meetings and to manage information flows by means of an IT platform complete with all necessary guarantees in terms of security, enables confidentiality to be preserved without compromising the completeness or rapidity of receipt of documents by directors and statutory auditors;
- (ii) independence is regularly assessed by duly applying the corresponding criteria, and further examination of individual positions may be made at the time of the annual audit;
- (iii) as regards the board review, the process appears sufficiently transparent and detailed, and permits the use of interviews, at the request of the director or of the Chairman of the Board of Statutory Auditors to whom the questionnaire is extended;
- (iv) existing remuneration policies are in line with the desired medium/long-term targets, and thus with the subject-matter of the recommendation itself.

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Rome, 7 March 2019

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

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

**1) Foreword**

The Internal Control and Risk Management System is a key component of the Corporate Governance system for the companies of the Cementir Holding Group (i.e. Cementir Holding and its subsidiaries). Its purpose is, 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 to be seen as separate from the internal control system with regard to the financial reporting process. Indeed, both are components of the same System aimed at ensuring the reliability, accuracy and timeliness of the financial information provided.

Components of the internal control system

The most significant components of the Internal control system are:

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

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

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

The Board of Directors has ultimate responsibility for the internal control system.

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

The Head of Internal Audit provides assurance to the Control and Risks Committee and the Board of Statutory Auditors that the Internal Control and Risk Management System:

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

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

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

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

At its meeting of 23 April 2018, the Board of Directors had confirmed for 2018 the appointment as Manager responsible for preparing the company's financial reports, of the Company's Chief Financial Officer Massimo Angelo Sala. Given the termination of the latter's employment with the Company, the Board of Directors' meeting of 20 December 2018 saw to appointing the Company's new Chief Financial Officer, Giovanni Luise, as the new Manager responsible for preparing the company's financial reports until the Board meeting to be held after the Shareholders' Meeting called to approve the financial statements for 2018. The Board of Directors, at its meeting on 7 November 2012, approved the "Operating Rules for the Designated Manager"; This document establishes the guidelines to be followed within the Cementir Holding Group regarding the obligations deriving from article 154-bis of Legislative Decree 58/1998 concerning the preparation of Company accounting documents and related certification obligations.

In particular, the document:

- defines the powers and responsibilities of the manager;
- 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 Executive Officer of Cementir Holding and the Chief Operating Officers and Managing Directors of the subsidiaries (Regions and Operating companies) are responsible for the implementation of a risk strategy in keeping with the Group's aims.

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.

Following the overall reorganisation of the Legal and Internal Audit Departments, the Internal Audit Department is now in charge of the development and maintenance of the risk management system, of coordination of risk management operations at Group level, and of reports addressed to the management and the Board of Directors of the Group's companies.

Methods have recently been reviewed, in order to bring them into line with international best practices for risk management activity (Enterprise Risk Management – Integrated framework), thus guaranteeing a more detailed view of the risks taken by the companies and the Group, and integration with the results of Audit operations.

This method is manifested in an iterative process consisting of the following phases:

- the identification of risks: risks (strategic, financial, operating and compliance risks) are identified through the adoption of a dual approach; "top down" (risks identified on the basis of best practices and of the findings of Internal Audit's operations) and "bottom up" (the person in charge of each area reports specific risks that could hinder achievement of those targets set for that area's activity);
- the assessment of risks: for each identified risk, management expresses an assessment of the inherent risk (in the absence of controls/mitigating actions) in terms of likelihood and impact on the business, using a 5-level scoring system; Three parameters are considered concerning the impact on the business: economic (quantitative), operating (qualitative), reputational (qualitative);
- Identification and assessment of the safeguards in place: For each identified risk, all existing risk mitigation controls/actions are identified, with the help of management;
- Assessment of the remaining risk: considering the individual controls implemented for each risk, and the adequacy of such controls, the remaining risk is calculated by applying a uniform calculation method for all Group companies;
- Identification of further risks: in the event that the remaining risk is greater than the level of risk propensity established by the management, together with the management further actions are agreed on designed to mitigate the risk in question and contain it to an acceptable level. Actions were promptly taken and within the limits budgeted for, in such a way as to contribute effectively to the mitigation of risk;
- Reporting: report at company and Group level indicating the principal risks and the actions taken by management to reduce such risks to acceptable levels;
- Monitoring: the following are reviewed periodically: the assessments of existing risks, and the assessment parameters utilised, and if necessary new risks may also be identified.

Internal Audit carries out a follow-up regarding implementation of the management's chosen actions to mitigate risk.

Risk management reporting includes a Risk Management Report submitted regularly to the meetings of the Risk Committee and to the Boards of Directors of the principal companies, indicating the principal risks and the corresponding management actions to reduce the risks to acceptable levels. Within the context of the review of risk management methods, a new list was drawn up of the risks that apply to the Group's companies, taking account of the nature of their respective businesses and of all corporate processes, including those aspects concerning the question of sustainability.