



## **REMUNERATION REPORT**

Approved by the Board of Directors on 7 March 2019

*The Italian text prevails over the translation into English*

## CONTENTS

<b>GLOSSARY</b>	<b>3</b>
<b>REGULATORY REFERENCES</b>	<b>4</b>
<b>FOREWORD</b>	<b>5</b>
<b>SECTION I – REMUNERATION POLICY 2019</b>	<b>6</b>
1.1 Definition and approval of the Remuneration Policy	6
1.2 Content of the Remuneration Policy	9
<b>SECTION II – PAYMENTS RECEIVED DURING 2018 BY THE MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BODY, BY THE DIRECTOR GENERAL AND BY OTHER KEY EXECUTIVES</b>	<b>17</b>
2.1 Part I – Pay components	17
2.2 Part II – Compensation paid in financial year 2018	20
<b>SECTION III</b>	<b>22</b>
3. Information on the equity interests of the members of governing and supervisory boards, of the general managers and of the other key executives.	22

## 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 and promoted by Borsa Italiana S.p.A.
- **Code of Ethics:**  
the Code of Ethics approved by the Company and updated on 27 July 2017.
- **Key Executives:**  
those who, directly or indirectly, have the power and responsibility for planning, managing and controlling the activities of the Company, including the Directors (Executive or non-executive) of the Company, in accordance with the definition set out in the Consob Issuers' Regulations (in relation to Related Parties).
- **Issuer:**  
Cementir Holding S.p.A. issuer of listed shares, to which the Report is referred.
- **Financial year:**  
the financial year to which the Report refers.
- **Group:**  
the parent company Cementir Holding S.p.A. and the subsidiaries.
- **Policy:**  
the Policy for the remuneration of directors and key executives related to the Financial Year 2019.
- **Issuers' Regulations:**  
the Regulations for issuers promulgated by Consob in its resolution no. 11971 of 14 May 1999 (as subsequently amended).
- **Report:**  
the Report on remuneration, which companies must prepare in accordance with article 123-ter of the Consolidated Finance Act and article 84-quater of the Consob Issuers' Regulations.
- **Company:**  
Cementir Holding S.p.A.
- **TUF:**  
Legislative Decree no. 58 of 24 February 1998 (Consolidated Finance Act) and subsequent amendments.

## Regulatory references

This report was prepared in accordance with article 123-*ter* of the TUF concerning the transparency of remuneration for the directors of publicly listed companies, and article 84-*quater* of the Consob Regulation on remuneration. It has been prepared in accordance with Annex 3A – Tables 7-*bis* and 7-*ter* of that Regulation and in light of the recommendations contained in article 6 of the Code concerning the remuneration of Boards of Directors and of other Key Executives, and taking into account the Related-Party Procedure approved by the Board Directors on 3 March 2017 and the principles contained in the Group Code of Ethics.

## Foreword

The Remuneration Policy defines the principles and guidelines by which the Cementir Group determines and monitors its pay policy and implements it within the Group, with reference to the members of the Executive Bodies, the directors-general, and the key executives.

In this Policy, Cementir Holding intends to strengthen transparency on the contents of its remuneration policies and their implementation, allowing investors to obtain information about bonus schemes and also enabling a more accurate valuation of the Company, thus allowing shareholders to be well informed, when exercising their rights.

The Remuneration Policy contains the following sections:

- **Section I**, illustrating the policy of Cementir Holding S.p.A. With regard to the remuneration of the members of the Board Directors, the Director General and the other key executives for the year 2019, as well as the procedures used to adopt and implement the policy.
- **Section II**, the amounts paid during 2018 to the Directors, the Statutory Auditors, the Director General and other key executives, providing a representation of each pay component.

The report also illustrates the shareholdings held within the Issuer and its subsidiaries, by the Directors, the Statutory Auditors, the Director General and other key executives and by the spouses (not legally separated) and children under 18, in accordance with article 84-*quater*(4) of the Issuers' Regulation.

The Remuneration Report (article 123-*ter* of the TUF) was approved by the Board of Directors at the proposal of the Appointment and Remuneration Committee at the meeting on 7 March 2019. Section I was presented to the Shareholders' Meeting called on 17 April 2019.

The text of this Report is available at the registered office, on the Issuer's website ([www.cementirholding.it](http://www.cementirholding.it)), and on the authorised eMarket STORAGE system available at [www.emarketstorage.com](http://www.emarketstorage.com), 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.

## SECTION I – Remuneration Policy 2019

This section describes, in a comprehensive manner, the principles and guidelines with which Cementir Holding determines and monitors the Remuneration Policy and its implementation within the Company with particular reference to the boards of executive bodies and key executives.

The Remuneration Policy has the main purpose of summarising the remuneration policies applied within the Group and ensuring a fair and sustainable remuneration system, in line with the long-term corporate strategies and objectives, with regulations and with Stakeholders' expectations. The Policy is also intended to attract and retain members of staff with the professional qualities needed to manage and operate successfully in an international environment characterised by competitiveness and complexity, and is also designed to recognise and reward good performance.

Cementir Holding intends to adopt a competitive remuneration system that better guarantees compliance with the delicate balance between strategic objectives and the recognition of the merits of Group employees. By utilising short- and medium/long-term variable pay components, the Policy is designed to facilitate the alignment of staff interests with the pursuit of the priority objective – creation of value – and the fulfilment of financial targets. This objective is pursued also by linking a significant part of remuneration to the achievement of set performance targets, by means of both the short-term incentives scheme (STI) and the long-term incentives scheme (LTI).

### 1.1 Definition and approval of the Remuneration Policy

#### 1.1.1. Parties involved in preparing and approving the remuneration policy

The definition of the remuneration policy is the result of a clear and transparent process in which the Company's Appointment and Remuneration Committee and Board of Directors play a central role.

The Policy is approved by the Board of Directors at the recommendation of the Appointment and Remuneration Committee, and it is submitted to the annual Shareholders' Meeting for its consultative vote.

The bodies and parties involved in the remuneration policies approval process are listed below, along with a precise indication of their roles in the process:

#### Shareholders' Meeting.

With regard to remuneration, the Shareholders' Meeting:

- shall determine compensation for members of the Board of Directors and the Board of Statutory Auditors, in accordance with article 2364, paragraph 1, no. 3) of the Italian Civil Code;
- expresses a non-binding vote, each year, on the first section of the remuneration report;
- shall receive adequate disclosure about the implementation of remuneration policies;
- shall make decisions on any Remuneration Plans based on shares or other financial instruments and intended for Directors, employees and other workers, including Key Executives, in accordance with article 114-*bis* of the Consolidated Finance Act.

#### Board of Directors

With regard to remuneration, the Board of Directors:

- shall determine the remuneration of directors tasked with specific duties in accordance with article 2389, paragraph 3 of the Italian Civil Code, with due regard to the opinion of the Board of Statutory Auditors;
- determines the remuneration of directors with positions on Committees within the Board of Directors (Appointment and Remuneration Committee, Control and Risks Committee, Related-Party Transaction Committee), with due regard to the opinion of the Board of Statutory Auditors;
- definition of the remuneration of the Internal Audit Director, according to the company policies, upon proposal of the Officer in charge of the internal control system and according to the approval of the Control and Risks Committee, as well as to the advice of the Board of Statutory Auditors;
- approves the policy for the remuneration of Directors and of Key Executives in accordance with article 6 of the Code;
- shall approve the report on remuneration, in accordance with article 123-*ter* of the Consolidated Finance Act, to be submitted to the annual Shareholders' Meeting;
- shall prepare any Remuneration Plans based on stocks or other financial instruments and submits them to the Shareholders' Meeting for approval in accordance with article 114-*bis* of the Consolidated Finance Act;
- implements the remuneration plans based on shares or other financial instruments, after authorisation from the shareholders' meeting.

### Executive Directors

The Executive Directors thus appointed:

- provide the Appointment and Remuneration Committee with all the information required to enable the Committee to assess the adequacy and actual enforcement of the remuneration policy, with particular regard to the remuneration of Key Executives;
- shall submit to the Appointment and Remuneration Committee the stock incentive, stock option, corporate shareholding and similar plans motivating and retaining the managers of the Group companies controlled by the Company or, if the case warrants it, they shall assist the Committee in their drafting, with the support of the Group's Human Resources Office as well;
- shall enforce the Company's remuneration Policy in accordance with this document.

### Appointment and Remuneration Committee.

Complying with the recommendations contained in the Corporate Governance Code, the Board of Directors receives support with respect to remuneration topics from a Committee of non-executive and mainly independent Directors (Appointment and Remuneration Committee) with the role of providing advice and submitting proposals on the matter.

### Board of Statutory Auditors

With regard to remuneration, the Board of Statutory Auditors shall serve a consultative role, wherein it formulates the opinions required by current regulations and in particular it shall express its opinion with reference to proposals for the remuneration of Executive Directors and, more in general, of Directors tasked with specific duties; in expressing its opinions, it shall verify the consistency of the proposals formulated by the Appointment and Remuneration Committee to the Board of Directors with the company's remuneration policy.

### Human Resources Office

The Company's HR Department is involved by the Appointment and Remuneration Committee with regard to its functions both when defining and approving the proposals for the remuneration of key executives, and when monitoring and checking that those proposals are fully implemented with the aim of collecting market data in terms of practice, policies and benchmarking and if necessary, resorting to the services of independent experts.

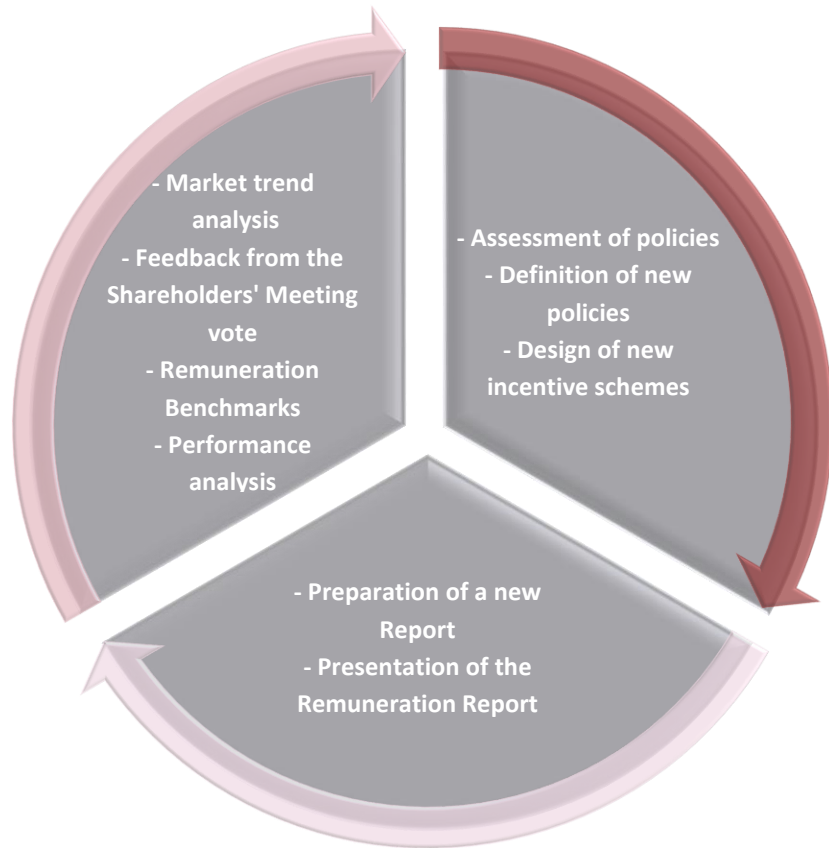
## **1.1.2. Activities, remuneration, composition, remit and functioning of the Appointment and Remuneration Committee**

At the date of approval of this Report, the Appointment and Remuneration Committee is composed of four non-executive directors, three of whom are independent and two of whom have financial and accounting experience which the Board of Directors considers adequate, appointed by the Board of Directors at its meeting of 23 April 2018:

<i>Paolo Di Benedetto</i>	<i>Independent non-executive director and Chairman of the Committee</i>
<i>Veronica De Romanis</i>	Independent, non-executive director, Committee Member, experienced in financial matters
<i>Chiara Mancini</i>	Independent non-executive director and member of the Committee
<i>Mario Delfini</i>	Non-executive director, Committee Member, experienced in financial matters.

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.



The Appointment and Remuneration Committee can access the information and contact company departments as necessary, in order to fulfil its duties. It may rely on external consultants at the expense of the Company, within the limits of the budget approved by the Board of Directors.

The Appointment and Remuneration Committee meets any time its Chairman deems appropriate, or if at least one member so requests and in any case, with enough frequency so as to ensure the correct execution of its tasks. No Director shall participate to any Committee meeting in which are made proposals related to his remuneration.

Meetings of the Appointment and Remuneration Committee are attended by the Chairman of the Board of Statutory Auditors as well as - when deemed appropriate and at the invitation of the Committee - other Company representatives (General Counsel, Chief Financial Officer and Chief Human Resources Officer).

When the financial statements are approved each year, the Appointment and Remuneration Committee reports (i) to the Board in relation to its work, and (ii) annually to the meeting of shareholders, concerning the exercise of its functions.

During 2018, the Appointment and Remuneration Committee met on 12 February and on 5 March to approve the remuneration policy for directors and key executives and to define the Remuneration Report to be submitted, after approval by the Board of Directors, to the Shareholders' Meeting in accordance with Section 123-ter of the Consolidated Finance Act, and to verify the adequacy, cohesion and implementation of the remuneration policy adopted in the previous year. Furthermore, at the meeting of 17 December, the current LT incentive scheme was analysed in order to assess the modification of the performance targets for those participating in the 2017-2019 cycle, in relation to the new levels of result expected as a consequence of the Group's new scope of operations.

### **1.1.3. Independent experts who contributed to preparing the Remuneration Policy**

As mentioned in the previous report, in 2017 the Company availed itself of the services of the independent consultant Willis Towers Watson. This consultant carried out an international benchmark analysis in order to align the Long Term Incentive Scheme to the market's best practices.

## **1.2 Content of the Remuneration Policy**

### **1.2.1 Content of the Remuneration Policy and main changes compared to 2018.**

The Policy defines the principles and guidelines adopted by the Board in order to define the remuneration of its members and in particular of the key executives and directors with specific duties. It provides detailed information designed to provide stakeholders with more information about pay policies, practices adopted and results obtained, and shows that the policies are consistent with the business strategy and company performance.

Cementir Holding pursues a Remuneration Policy aimed at motivating, attracting and retaining people who, thanks to their professional skills and personal ability to apply those skills in fulfilling business objectives, are able to build value for the Company's Stakeholders

The principles applied in defining the Policy are intended to ensure that Cementir Holding is appropriately competitive in its sector and international markets, on three main fronts:

- Promotion of merit and performance in order to reward actions and behaviours that reflect the values of the company, the principles of the code of ethics and the strategic objectives;
- External competitiveness and internal fairness in order to make sure that pay packages are in line with best practices, and to ensure that they are consistent with the complexity and responsibilities of the role;
- Align the interests of Management with those of the Shareholders and with the medium-and long-term strategies of the Company.

The Policy has the primary objective of creating sustainable value over the medium to long term by creating a strong bond between individual performance and the Group on the one hand, and remuneration on the other.

The 2019 Remuneration Policy does not envisage any substantial change compared to that approved in 2018, and which was characterised in particular by the simplification and standardisation of the overall structure of the system of short-term variable incentives, and by the preservation and confirmation of long-term incentives for the period 2017-2021.

### **1.2.2 Description of fixed and variable pay components with particular regard to their weightings within the overall remuneration, and distinguishing between the short and medium-and long-term variable components**

The remuneration of directors and key executives has been defined as follows, with reference to the fixed and variable components.

#### **Remuneration of the Board of Directors**

The Directors' Remuneration Policy comprises the following elements:

- A) compensation set by the Shareholders' Meeting, for the office and for attendance at Board meetings (article 2364, paragraph 1, no. 3 of the Italian Civil Code and article 2389, paragraphs 1 and 2 of the Italian Civil Code);
- B) compensation set by the Board of Directors for specific duties assigned to some Directors (article 2389, paragraph 3 of the Italian Civil Code).

#### **Remuneration of Directors**

The remuneration to be paid to Directors (see letter A) shall be in the form of an allowance for attendance at individual Board of Directors' meeting, and of a fixed annual payment for the office of director, payable to each director and established, in accordance with the provisions of the law, by the Shareholders' Meeting.

#### **Remuneration of Directors tasked with specific duties**

The compensation to be paid to Directors tasked with specific duties (letter B above) is quantified, at the proposal of the Appointment and Remuneration Committee and in consultation with the Board of Statutory Auditors, by the Board of Directors, taking into account the work actually required of each of them and any powers vested.

The following Directors have specific duties within the Board of Directors of the Company:

- (i) the Chairman of the Board of Directors;
- (ii) the Chief Executive Officer;
- (iii) the Directors who participate in Board Committees (the Control and Risks Committee, the Appointment and Remuneration Committee, and as from 23 April 2018, the Related-Party Transaction Committee).

The Directors (i) called upon to be members of the Appointment and Remuneration Committee and of the Control and Risks Committee and (ii) those who were vested with specific powers other than those vested in the Chairman and/or Chief Executive Officer, shall receive an additional fixed compensation, commensurate with the work required from each of them in the performance of their aforesaid duties.

Those Directors composing the Related-Party Transaction Committee shall receive an attendance fee for each meeting of the Committee they attend.

#### **Remuneration of the Chairman and Chief Executive Officer.**

The annual gross remuneration of the Chairman of the Board of Directors and of the Chief Executive Officer generally comprises the following elements:

- a fixed component;
- a variable component determined according to the Group's performance and tied to predetermined, measurable parameters connected to the creation of shareholder value in a medium-/long-term time span.

In determining the remuneration of the Chairman and of the Chief Executive Officer, the Board of Directors takes into account (i) the specific content of the vested powers and/or (ii) the functions and the role actually served within the Company, thereby assuring that the provision of a possible variable component is consistent with the nature of assigned duties.

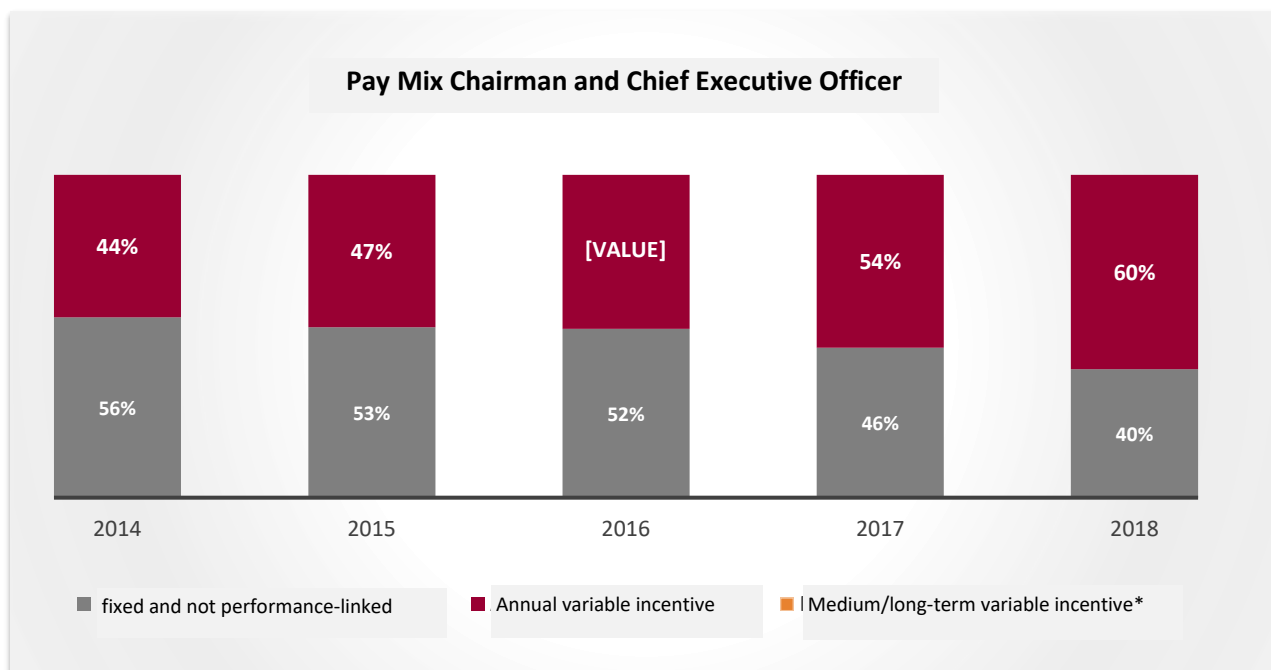
In particular, remuneration is determined on the basis of the following criteria:

- correct balance between the fixed component and the variable component in accordance with the Company's strategic goals and its risk management policy, also taking into account the industry in which it operates and the characteristics of the business it actually conducts;
- provision of maximum limits for the variable components, provided that the fixed component shall be sufficient to remunerate the performance of the Chairman and of the Chief Executive Officer if the variable component is not paid;
- The parameters, economic results and any other specific objectives to which the payment of the variable components is tied are predetermined, measurable and connected to the creation of shareholder value in a medium-/long-term time span.

In detail, the variable component was set at 2% of the cash flow produced by the Group in the reference, year and is defined according to a formula that enables a quick reference with the consolidated accounts figures, from which the fixed pay component should be deducted. The variable component, which is before taxes and can only have a value of zero or above, can be preliminarily calculated and paid out as payment on account when the Board of Directors approves the Group's half-year financial statements; when the Group's annual financial statements are approved by the Shareholders' Meeting, the variable component is definitively determined, and the relative balance is paid out. At the time of payment, the Company's Accounting Documents Officer certifies that the indicated parameters have been correctly applied in each case.

The reference to operational cash flow generated by the Group has been identified as it is considered that this value, better than others, represents the link between annual performance (short-term) and the value of the company, and therefore appropriately aligns the results obtained by the CEO with the objective of creating value for all shareholders.

The following is the historical trend of the pay mix that is, the percentage weight of the various components of pay in relation to Annual Total Compensation (excluding benefits):



As the Chairman and Managing Director expresses the will of the Company's controlling shareholders and is a shareholder himself, there is already an alignment between the interests of the shareholder and those of Management, so there is no need for a medium/long-term incentive plan.

#### Remuneration of Non-Executive Directors

The compensation of non-executive Directors is not tied to the Group's economic-financial results or based on short- or medium-term incentive plans or based on the use of financial instruments.

### **Remuneration Policy for the Supervisory Bodies**

The annual amount of compensation to the Statutory Auditors is determined on a flat rate basis by the Shareholders' Meeting, and the corresponding amounts are set out in paragraph 2.1 of this Report.

### **Remuneration of the General Manager and other Key Executives**

The remuneration package of the General Manager and other Key Executives comprises a fixed and a short-term variable component as well as "non-monetary benefits". The Company deems that the balance adopted between fixed and variable component is in line with its own strategic goals for the maximization of its business results and, hence, of those of the Group as a whole.

At the same time, the compensation scheme adopted maintains the proper ratio between its components and adequate incentives to achieve ever improving performance levels within the sustainable value creation structure that is the Company's true objective.

#### **Fixed component**

Their fixed compensation may be revised annually on the basis of compensation market surveys provided by specialised companies. The comparison is carried out taking into consideration the reference market, the size and complexity of the company, the level of responsibility, experience and competence associated with the individual positions and the enforcement of the internal fairness principle, applied to maintain a high level of system transparency and consequent motivation of the internal human capital.

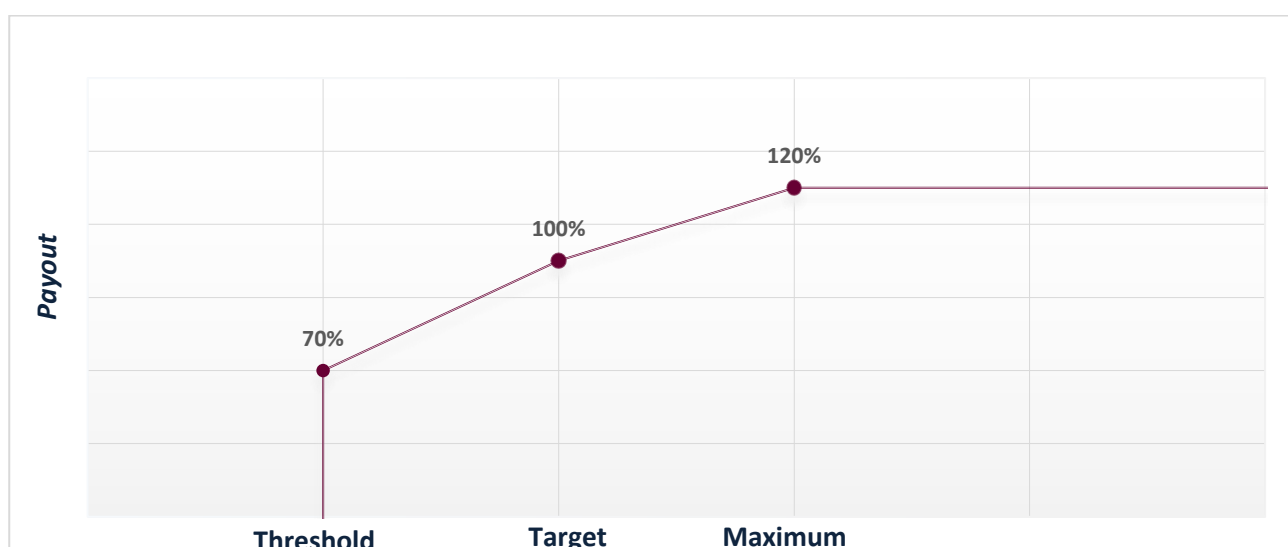
#### **Short-term variable component**

The variable component is based on a Short Term Incentive (STI) system. The system evaluates the performance of the Company and of the beneficiary on an annual basis and directs the actions of the management towards strategic objectives in line with the Group's short-term business priorities.

It is based on the Group's and/or subsidiaries' financial targets, which are the factor that enables access (Gate) to the system. Other objectives may be defined based on indicators linked to company performance and quality-related individual performance. Each objective is matched with a minimum performance, target performance and maximum performance level, correlated to a payout curve within the range 90%-120%.

The structure and weighting of the various objectives, which is standardised at the Group level, is shown in the following table:

<b>30% Economic-Financial Targets</b> (Gate)	<b>60% Individual Targets</b> based on Operational Projects/Results and sustainability of operating results	<b>10% Organisational Development and Growth Targets</b>
---	---	--



For the purposes of incentivisation and the final bonus, overall performance, taking into account the entry gate and results of each objective, cannot be less than 70%.

In order to encourage managers to pursue their annual budget targets, the short-term incentive plan is addressed to all managers within the Group with exactly the same scheme as described above being adopted. Target incentive levels expressed as percentages of fixed remuneration, depend on the responsibility and complexity of the role covered, whilst maintaining a single structure throughout the Group.

### **Medium/long-term incentives - The LTI System**

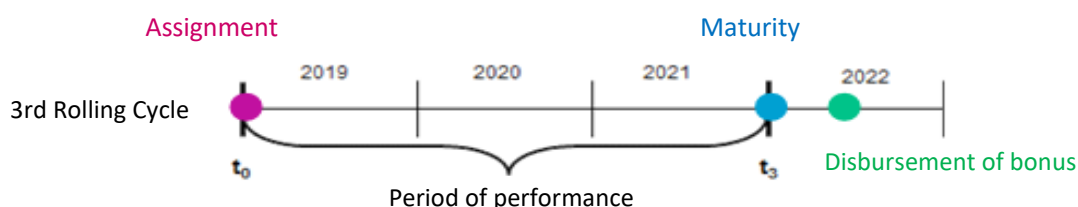
The LTI Plan is intended for Executive Managers with strategic responsibilities, and a selected group of managerial staff, chosen from those who have the greatest impact on the Group's medium/long-term results.

As the CEO is also a major shareholder, he does not participate in this plan.

The long-term monetary incentive scheme (LTI) consists of three-year cycles based on the medium/long-term performance of the Group in relation to the existing Business Plan, and it has the following aims:

- Incentivise Top Management to achieve the objectives set out in the aforementioned Business Plan;
- To converge the interests of Top Management with those of shareholders to create sustainable medium/long-term value;
- To introduce a motivation and retention plan.

The LTI Plan also provides for the annual award of the right to receive a monetary performance bonus measured over a three-year period, in line with the company's medium-term strategic planning (vesting period).

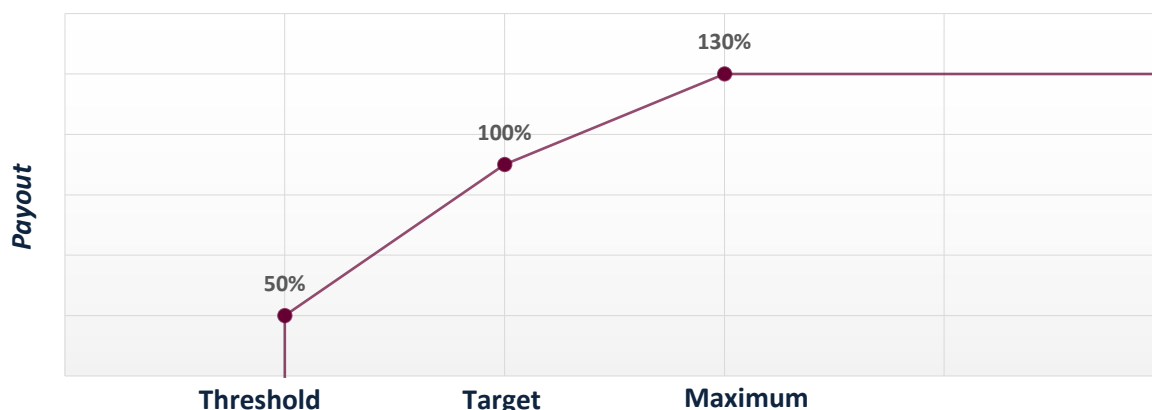


Bonus opportunities for beneficiaries differ, and amount to 30% or 40% of annual gross remuneration to be assigned on achieving the target; the incentive payable at the end of the vesting period is determined on the basis of the performance achieved, and varies from 50% to 130% of the value of the bonus.

For the Director General and other key Executives, the potentially assignable incentive amounts to 40% of gross annual remuneration upon achievement of the target levels of performance.

This incentive may rise to up to 52% (the "cap") of gross annual remuneration upon achievement of levels of performance higher than the target levels.

Performances below the target will see a reduction in the bonus of up to 20% of gross annual salary, when a performance threshold is reached.



No bonus will be awarded if the results are below the threshold.

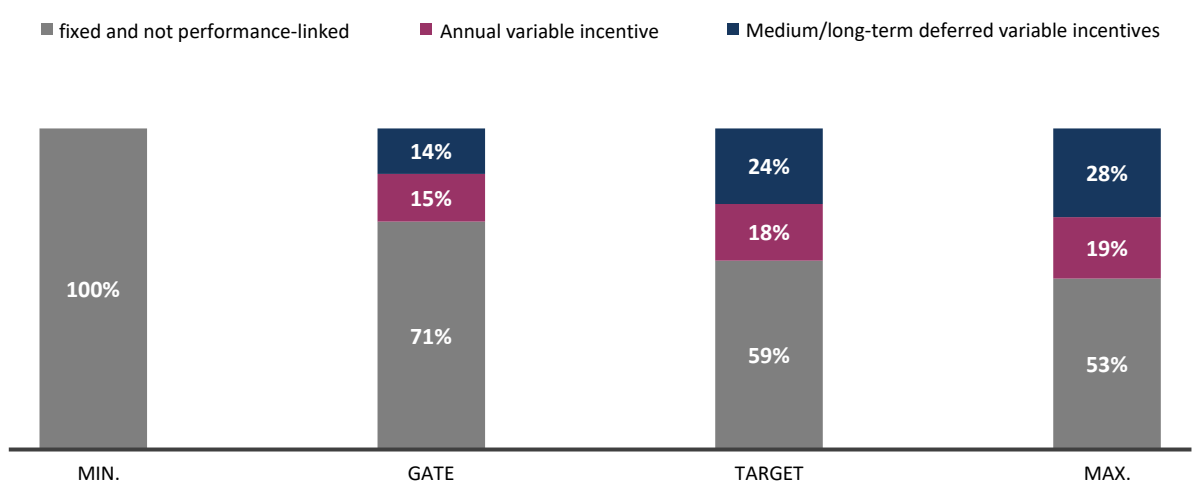
The award of the bonus depends on two performance conditions being met. These conditions operate separately and each have a weighting of 50% in the calculation of the bonus:

- Three-year cumulative Free Cash Flow
- Three-year cumulative EBIT

The threshold, target and maximum amount are set in line with the company's medium-term business plan.

The following is the pay mix, that is, the percentage weight of the various components of pay in relation to Annual Total Compensation (excluding benefits):

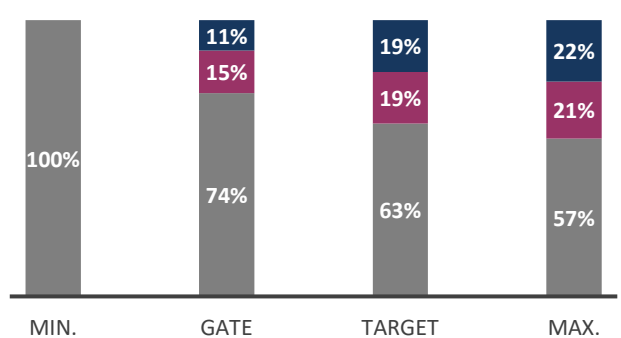
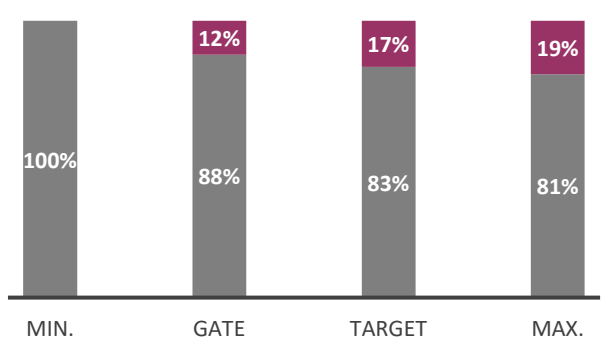
### Pay Mix Key Executives



The following is the pay mix, that is, the percentage weight of the various components of pay in relation to Annual Total Compensation (excluding benefits) for the other Managers, with or without long-term incentives.

### Pay Mix for Managers without LTI

### Pay Mix for Managers with LTI



■ fixed and not performance-linked    ■ Annual variable incentive    ■ Medium/long-term deferred variable incentives

### **Clawback and malus clauses**

A clawback clause applies to the LTI and STI Plans. This allows the Board of Directors to ask the beneficiaries to return all or part of the bonuses paid if they find that the performance targets were achieved on the basis of inaccurate or false data.

### **1.2.3 Policy applied for non-monetary benefits**

Directors and other Key Executives receive certain non-monetary benefits including, for example, insurance policies (supplementary health insurance and life insurance policies) and company car.

### **1.2.4 With reference to the variable components, description of the performance targets according to which they are allocated, making the distinction between the short and medium/long-term variable components, and information about the link between changes in results and changes in remuneration**

Refer to the contents of paragraph 1.2.2 above.

### **1.2.5 Criteria used in evaluating performance targets underlying the award of shares, options, other financial instruments and variable pay components**

The criteria used in evaluating performance targets is based on the financial results of the Group. For more information, refer to the contents of paragraph 1.2.2 above.

### **1.2.6 Information designed to highlight the cohesion between the Remuneration Policy and the pursuit of the company's long-term interests and risk management policy**

As described above, the Remuneration Policy pursues the objective of creating sustainable value over the medium to long term, for the Company and its shareholders.

Therefore the remuneration of executive directors and key executives is structured so as to:

- Ensure that the overall retribution structure is balanced, with an adequate balance of the fixed and variable components, with the aim of creating sustainable value over the medium to long term, for the company;
- Coordinate the variable remuneration with the reaching of operational and financial targets, in line with the creation of value over the medium to long term and the actual results achieved by the company;
- Ensure that overall pay levels reflect the professional value of individuals and their contribution to creating sustainable value over the medium to long term.

### **1.2.7 Vesting period, deferred payment schemes, indication of deferment periods and criteria used to determine them, as well as ex-post adjustment mechanisms and information about clauses on the inclusion of financial instruments in the portfolio after acquisition, with details of the holding periods and criteria used to determine them**

The Company has not adopted any Remuneration Plan based on shares or any other financial instruments, as per article 114-*bis* of the TUF, nor does it award shares or other financial instruments as variable performance-based pay components. In addition, no clauses were determined for the retention in portfolio of financial instruments after their acquisition, meaning clauses that include the obligation of non-portability on a relevant portion of the shares awarded.

### **1.2.8 Policy on indemnities applied after termination of contract or resignation**

In general, for all Directors, there shall be no (i) indemnities in case of resignation or revocation without just cause or non-renewal, (ii) agreements prescribing the allocation or continuation of non-monetary benefits in favour of persons who have relinquished their office and, (iii) consulting agreements with the Directors for a period following termination of their employment.

With regard to the above, it is consistent that on the one hand the Chairman and Managing Director is among the main shareholders of the Company, but on the other hand, it must be considered that the payment to be assigned to the other Directors takes the form of an attendance fee and a fixed annual remuneration of a modest entity to be assigned to each director, thus limiting the risk of any claim related in any way to the cessation of office as Director, and in any case the corresponding amount.

Directors that have a work collaboration with the Company or its Subsidiaries must attain in any case to current provisions related to Collective Labour Agreements for the termination of their work collaboration, in accordance with the legal procedures and requirements.

Where necessary, the Company may request the signature of a non-disclosure agreement by an outgoing Director, which includes the payment of an indemnity related to the terms and extension of such obligation.

The violation of this agreement will lead to a refusal to pay the indemnity or its return, as well as an obligation to refund the damage for a convened amount (i.e. the double of the accorded indemnity)

If employment with the Company is terminated for reasons other than just cause, the intent is to seek arrangement for a consensual termination. Subject in any case to the obligations set out by law and/or by the employment agreement, the arrangements for the termination of employment with the Company are modelled after the relevant reference benchmarks and within the limitations defined by jurisprudence and practice.

#### **1.2.9 Information about the presence of insurance cover, welfare or pension provision other than mandatory cover**

As mentioned in paragraph 1.2.3 above, the non-monetary benefits for Key Executives include life insurance policies, accident insurance policies and supplementary health insurance policies other than those required by law.

#### **1.2.10 Remuneration policy applied with reference: (i) to the Independent Directors, (ii) to participation in committees, and (iii) the carrying out of specific duties**

Non-executive directors and independent directors may be paid an additional fixed annual payment, for being members of the Board Committees. There is an extra payment if the director holds the position of Committee Chairman.

For more information, and information about the remuneration for directors with specific duties, refer to the contents of paragraph 1.2.2 above.

#### **1.2.11 Information about the use of benchmark pay policies from other companies**

The Remuneration Policy was devised by the Company without using as reference the policies of other companies.



## SECTION II – Payments received during 2018 by the members of the Board of Directors and supervisory body, by the Director General and by other Key Executives

This section of the Report sets out the remuneration paid in 2018 to each member of the Board of Directors and Board of Statutory Auditors as well as the aggregate of Key Executives. This remuneration was paid in application of the principles as set out in the Remuneration Policy.

On 5 March 2019, the Appointment and Remuneration Committee verified the correct application of the Remuneration Policy approved in 2018.

### 2.1 Part I – Pay components

#### Remuneration of Directors

##### Fixed component

The Shareholders' Meeting of 21 April 2015 awarded all Directors, for the duration of their term of office, a fixed annual allowance of EUR 5,000.00, plus an attendance fee of EUR 1,000.00 for each Board meeting they attend

The Shareholders' Meeting of 19 April 2018, which renewed the Board of Directors, confirmed the aforementioned remuneration for the term of office due to expire with approval of the draft financial statements 2020.

##### Variable component

The compensation of non-executive Directors is not tied to the Group's economic-financial results or based on short- or medium-term incentive plans or based on the use of financial instruments.

##### Monetary and non-monetary benefits

In keeping with best practices, provision has been made for a Directors & Officers (D&O) Liability insurance policy covering the third-party liability of the governing bodies.

##### Reimbursement of expenses

Directors are entitled to reimbursement for the expenses incurred because of their office.

##### Treatment/indemnities in case of termination from office

On the date of approval of this report, no agreements have been stipulated with any of the directors involving indemnities in case of resignation or revocation without just cause or termination of the charge as a result of a take-over bid, nor are there any extant agreements involving the assignment or continuation of non-monetary benefits in favour of persons who have left office; additionally, no consultation agreements have been stipulated with the Directors for a period subsequent to termination, or agreements involving compensation for no-competition commitments.

#### Remuneration of Directors tasked with specific duties

As of the date of approval of this report, the Directors tasked with specific duties are:

- Francesco Caltagirone Chairman and Chief Executive Officer
- Paolo Di Benedetto  
Chairman of the Appointment and Remuneration Committee  
Chairman of the Control and Risks Committee  
Chairman of the Related-Party Transaction Committee
- Chiara Mancini  
Member of the Appointment and Remuneration Committee  
Member of the Control and Risks Committee  
Member of the Related-Party Transaction Committee
- Veronica De Romanis  
Member of the Appointment and Remuneration Committee  
Member of the Control and Risks Committee  
Member of the Related-Party Transaction Committee
- Mario Delfini  
Member of the Appointment and Remuneration Committee  
Member of the Control and Risks Committee
- Adriana Lamberto Floristán  
Member of the Control and Risks Committee  
Member of the Related-Party Transaction Committee

### **(i) Remuneration of the Chairman and Chief Executive Officer.**

With respect to the remuneration of the Chairman and the Chief Executive Officer Francesco Caltagirone, the Board of Directors of 11 May 2015 resolved, at the proposal of the Appointment and Remuneration Committee and with the approval of the Board of Statutory Auditors, to structure the annual remuneration into fixed and variable components. The Board of Directors, with resolution of 10 May 2018, confirmed the remuneration of the Chairman and the Chief Executive Officer as unchanged from the previous term of office.

#### Fixed component

The fixed component is EUR 1.8 million per year before taxes, payable on a monthly basis.

#### Variable component

The variable components for 2018 was estimated at EUR 2.852 million, before tax.

### **(ii) Remuneration for participation in Board committees**

The Board Directors' meeting of 23 April 2015, with the approval of the Board of Statutory Auditors, authorised a further annual payment to directors with specific duties, due to the commitment required in that regard:

- Chairman of the Appointment and Remuneration Committee and of the Control and Risks Committee: fixed compensation of EUR 60,000, before taxes and any law-mandated surcharges;
- other members of the Appointment and Remuneration Committee and the Control and Risks Committee: fixed compensation of EUR 20,000 for each office held, before taxes and any law-mandated surcharges.

Following the expiration of the term of the Board and its Committees upon approval of the draft financial statements to 31 December 2017, and the complete renewal of the Board by the Shareholders' Meeting of 19 April 2018, the Board of Directors' meeting of 23 April 2018, called upon to decide on the remuneration of Directors with specific duties, once again resolved, with the approval of the Board of Statutory Auditors, that in virtue of the commitment required for the performance of their respective duties, the members of the newly-constituted committees shall be paid an additional annual fee as well as that decided by the Shareholders' Meeting for the position of director, and more specifically:

- to the Chairman of the Appointment and Remuneration Committee, of the Control and Risks Committee, and of the Related-Party Transaction Committee, fixed compensation of EUR 60 thousand, before taxes and any law-mandated surcharges;
- to other members of the Appointment and Remuneration Committee, the Control and Risks Committee, and the Related-Party Transaction Committee: fixed compensation of EUR 20 thousand for each office held, before taxes and any law-mandated surcharges.
- to the other members of the Related-Party Transaction Committee, an attendance fee of EUR 1,000.00 for each Committee meeting they attend, before taxes and any law-mandated surcharges.

### **Remuneration of statutory auditors**

The Shareholders' Meeting of 19 April 2017 resolved to set annual compensation at EUR 60 thousand for the Chairman of the Board of Statutory Auditors and EUR 40 thousand for each Standing Auditor.

### **Monetary and non-monetary benefits**

There are no monetary and non-monetary benefits awarded to statutory auditors.

### **Remuneration of the General Manager and other Key Executives**

At the date of approval of this Report, the position of Key Executive is held by:

- Paolo Zugaro – General Manager;
- Giovanni Luise.

Total remuneration paid to Key Executives in 2018 amounted to EUR 1.415 million and this figure includes the remuneration paid to Massimo Sala (CFO), who left the Group in November 2018. It includes the fixed component of remuneration represented by the gross annual salary as employee and an estimated figure for the variable component.

During the year, the total compensation (obtained by adding monetary compensation and compensation based on financial instruments) paid to Key Executives was no higher than the highest comprehensive compensation allocated to the governing and supervisory bodies.

### **Monetary and non-monetary benefits**

In line with best practices, Key Executives receive certain non-monetary benefits including, by way of example, insurance policies (supplementary health and life), and company car, totalling EUR 73,000.

### **Indemnities/allowances for early termination of contract**

On the date of this report was approved, no agreement had been made that provided for indemnities in the event of early termination of contracts with key executives, subject to the application of any applicable collective bargaining contracts.

### **Incentive plans based on financial instruments**

On the date this report was approved there were no stock option plans for members of the Board of Directors, the Director-General and other Key Executives.

\*\*\*

In general, the practice applied by the Company is in line with the 2017 remuneration policy.

## 2.2 Part II – Compensation paid in financial year 2018

### 2.2.1 Compensation paid to the members of the governing and supervisory boards, to the general managers and to the other key executives.

The table below shows the compensation paid in Financial Year 2018, for any reason and in any form, by the Issuer and by subsidiaries and affiliates, to the members of the governing and supervisory boards, to the general managers, and to the other key executives. It should be noted that the remuneration paid in the affiliates is disclosed within the context of the report on remuneration of the parent company Caltagirone S.p.A., published in accordance with the provisions of law applicable to listed companies, to which reference should be made.

#### Cementir Holding S.p.A. - Year 2018

##### REMUNERATION PAID TO MEMBERS OF THE GOVERNING AND CONTROL BODIES, THE GENERAL MANAGER, AND KEY EXECUTIVES

(in EUR thousand)

Name and surname	Office held	Period during which the office was held	Expiry of office***	Fixed compensation			Compensation for participation in committees	Non-equity variable compensation		Non-monetary benefits	Other remuneration	Total	Fair value of equity compensation	Severance indemnity
				Attendance allowances	Remuneration established by the Shareholders' Meeting or the BoD	Salary		Bonuses and other incentives**	Shares of the profits					
<b>BOARD OF STATUTORY AUDITORS:</b>														
Francesco Caltagirone	Chairman of the Board of Statutory Auditors	Entire year	31/12/2020	7	1.805	81		2,852		6		4,751		
	Standing auditor													
Carlo Carlevaris	Deputy Chairman	Entire year	31/12/2020	5	5							10		
Alessandro Caltagirone	Director	Entire year	31/12/2020	4	5							9		
Azzurra Caltagirone	Director	Entire year	31/12/2020	6	5							11		
Edoardo Caltagirone	Director	Entire year	31/12/2020	6	5							11		
Saverio Caltagirone	Director	Entire year	31/12/2020	7	5							12		
Mario Delfini	Director	Entire year	31/12/2020	7	5		40					52		
Roberta Neri	Director	Entire year	31/12/2020	7	5							12		
Adriana Lamberto Floristán	Director	from 19/04/2018	31/12/2020	5	5		14					24		
Fabio Corsico	Director	Entire year	31/12/2020	5	5					200		210		
Paolo Di Benedetto	Director	Entire year	31/12/2020	6	5		60					71		
Chiara Mancini	Director	Entire year	31/12/2020	6	5		40					51		
Veronica De Romanis	Director	Entire year	31/12/2020	7	5		40					52		
Mario Cilberto	Director	1/01 - 02/01/2018	02/01/2018									0		
<b>BOARD OF STATUTORY AUDITORS</b>														
Silvia Muzi	Chairman of the Board of Statutory Auditors	Entire year	31/12/2019		60							60		
Claudio Bianchi	Standing auditor	Entire year	31/12/2019		40							40		
Maria Assunta Coluccia	Standing auditor	Entire year	31/12/2019		46****							46		
<b>TOTAL:</b>				<b>78</b>	<b>2,011</b>	<b>81</b>	<b>194</b>	<b>2,852</b>	<b>0</b>	<b>6</b>	<b>200</b>	<b>5,422</b>	<b>0</b>	<b>0</b>
Key Executives 2*						932		380		73	30	1,415		505
<b>Total Compensation - company that drafts the financial statements:</b>				<b>78</b>	<b>2,005</b>	<b>1,013</b>	<b>194</b>	<b>3,232</b>	<b>0</b>	<b>79</b>	<b>230</b>	<b>6,831</b>	<b>0</b>	<b>0</b>
<b>Total Compensation from subsidiaries and affiliates:</b>				<b>0</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>0</b>

\* Takes account of the change of CFO in November 2018

\*\*Also includes the balance on the variable component 2017

\*\*\* The expiry at 31/12 refers to the date of the Shareholders' Meeting that approved the draft financial statements for the year in question

\*\*\*\* Includes EUR 6 thousand as the remuneration received from Subsidiaries for duties performed as standing Statutory Auditor

### **2.2.2 Stock options assigned to the members of the board of directors, to general managers and to the other key executives.**

No stock-option plans for members of the Board of Directors, the General Manager or other Key Executives.

### **2.2.3 Incentive plans based on financial instruments, other than stock options, in favour of members of the Board of Directors, of the General Managers and of the other Key Executives.**

There are no incentive plans based on financial instruments other than stock options (restricted stock, performance share, stock plan, etc.); for the members of the Board of Directors, for the Director General and for the other Key Executives.

## SECTION III

### 3. Information on the equity interests of the members of governing and supervisory boards, of the general managers and of the other key executives.

At the date of approval of the report, the members of governing and supervisory boards, the General manager and the other key executives owning shares as reported in the shareholders' register, in the notices received in accordance with article 120 of the Consolidated Finance Act and according to the other information available as at 31 December 2018, are:

#### 3.1. Equity interests of the members of the governing and supervisory boards

name and surname	office	Investee Company	number of shares held at the end of the previous year	number of shares purchased	number of shares sold	number of shares owned at the end of the current year
Francesco <i>CALTAGIRONE</i>	Chairman - Chief Executive Officer	Cementir Holding S.p.A.	8,305,299 <sup>(1)</sup>	250,000 <sup>(2)</sup>	/	8,555,299 <sup>(3)</sup>
Carlo <i>CARLEVARIS</i>	Deputy Chairman	Cementir Holding S.p.A.	/	/	/	/
Alessandro <i>CALTAGIRONE</i>	Director	Cementir Holding S.p.A.	3,151,404 <sup>(4)</sup>	/	/	3,151,404 <sup>(4)</sup>
Azzurra <i>CALTAGIRONE</i>	Director	Cementir Holding S.p.A.	2,291,796 <sup>(5)</sup>	/	/	2,291,796 <sup>(5)</sup>
Edoardo <i>CALTAGIRONE</i>	Director	Cementir Holding S.p.A.	/	/	/	/
Saverio <i>CALTAGIRONE</i>	Director	Cementir Holding S.p.A.	/	/	/	/
Veronica <i>DE ROMANIS</i>	Director	Cementir Holding S.p.A.	/	/	/	/
<i>Adriana Lamberto Floristán</i>	Director	Cementir Holding S.p.A.	/	/	/	/
Paolo <i>DI BENEDETTO</i>	Director	Cementir Holding S.p.A.	/	/	/	/
Fabio <i>CORSICO</i>	Director	Cementir Holding S.p.A.	20,600 <sup>(5)</sup>	4,150 <sup>(5)</sup>	/	24,750 <sup>(5)</sup>
Mario <i>DELFINI</i>	Director	Cementir Holding S.p.A.	/	/	/	/
Chiara <i>MANCINI</i>	Director	Cementir Holding S.p.A.	/	/	/	/
Roberta <i>NERI</i>	Director	Cementir Holding S.p.A.	/	/	/	/
Mario <i>CILIBERTO</i>	Director <sup>(6)</sup>	Cementir Holding S.p.A.	190,000 <sup>(5)</sup>	/	/	190,000 <sup>(5)</sup>
Silvia <i>MUZI</i>	Chairman of the Board of Statutory Auditors	Cementir Holding S.p.A.	/	/	/	/
Claudio <i>BIANCHI</i>	Standing auditor	Cementir Holding S.p.A.	/	/	/	/
Maria Assunta <i>COLUCCIA</i>	Standing auditor	Cementir Holding S.p.A.	/	/	/	/

(1) Of which 2,520,299 possessed directly, 35,000 possessed through the spouse, and 5,750,000 possessed indirectly through subsidiaries

(2) Shares acquired through subsidiaries

(3) Of which 2,520,299 possessed directly, 35,000 possessed through the spouse, and 6,000,000 possessed indirectly through subsidiaries

(4) 40,000 shares held directly, and 3,111,404 shares held indirectly

(5) Direct possession

(6) Ceased holding office on 2 January 2018

#### 3.2. Equity interests of Key Executives

number of key executives	investee company	number of shares held at the end of the previous year	number of shares purchased	number of shares sold	number of shares owned at the end of the current year
2 <sup>(7)</sup>	Cementir Holding S.p.A.	5,300	1,200	/	6,500

(7) Takes account of the change of CFO in November 2018 – the shares are held indirectly