

**2010 ANNUAL REPORT  
ON CORPORATE GOVERNANCE AND OWNERSHIP  
STRUCTURE**

Date report approved: 8 March 2011

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## GLOSSARY

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**ANNEX 1: Section regarding the primary characteristics of internal control and risk management systems related to financial reporting (pursuant to Art. 123-*bis*(2)(b) of the Consolidated Law.**

## GLOSSARY

For the purposes of this report, the following definitions of terms are provided:

- **Code:**  
The Corporate Governance Code for listed companies approved in March 2006 by the Corporate Governance Committee and endorsed by Borsa Italiana S.p.A.
- **Issuer:**  
The company issuing listed shares as referred to in this report.
- **Financial Year:**  
The financial year to which this report refers.
- **Instructions to the Stock Market Rules:**  
The instructions accompanying the rules of markets organized and run by Borsa Italiana S.p.A.
- **CONSOB Issuers' Regulations:**  
The rules for issuers established by CONSOB in Resolution no. 11971 of 1999 (as amended).
- **CONSOB Market Regulations:**  
The market rules established by CONSOB in Resolution no. 16191 of 2007 (as amended).
- **Stock Market Regulations:**  
The rules for the market organized and managed by Borsa Italiana S.p.A.
- **Report:**  
The report on corporate governance and ownership structure that companies are required to prepare in compliance with Art. 123-*bis* of the Financial Services Act.
- **FINANCIAL SERVICES ACT (Italian acronym TUF) :**  
Legislative Decree 58 of 24 February 1998 (the Financial Services Act).

## INTRODUCTION

The following document,, as approved by the Board on 8 March 2011, offers an exhaustive overview of the corporate governance system and ownership structure of Cementir Holding S.p.A. as at year-end 2010, prepared pursuant to the guidelines and recommendations of Borsa Italiana S.p.A., as well as with the document *Format per la relazione sul governo societario e gli assetti proprietari* (2<sup>nd</sup> Edition, February 2010) issued by Borsa Italiana with the support of Assonime.

As shall be explained below, in 2010 the Company continued to adapt its corporate governance system to the prevailing Corporate Governance Code, thereby formally complying with the Code in question.

This report is available for consultation at the company's registered office and on the company's website at [www.cementirholding.it](http://www.cementirholding.it). A copy is sent to Borsa Italiana, pursuant to the terms and conditions of applicable regulations.

## 1. ISSUER PROFILE

### 1.1. Introduction

Cementir Holding S.p.A. (hereinafter also “Cementir”, “the Company” or “the Issuer”) is the parent company of one of the world’s leading white and grey cement and ready-mix concrete industry groups.

The Company produces and distributes white and grey cement, aggregates, ready-mix concrete, and cement products in many countries around the world. With offices in 14 countries and a workforce of more than 3,200 employees, Cementir Holding is a world leader in the production of white cement. The Company is also the sole producer of cement in Denmark, the number three producer in Turkey, and number four in Italy, as well as being a leader in the production of ready-mix concrete in Scandinavia.

Since 21 May 2009, Cementir stock has been traded on the Star index, which is part of Borsa Italiana’s *Mercato Telematico Azionario* (screen-based stock exchange).

It should be noted that the Company’s stock previously traded on the Star index between 2001 and 2007. On 22 September 2008, the Company’s stock ceased to be traded on the Star index and joined the blue chip index after the capitalization threshold was exceeded.

### 1.2. The Company’s Organizational Structure

The Company has adopted a traditional administration and control model characterized by a Board of Directors and a Board of Statutory Auditors. The corporate governance system is based on the Board of Directors (as the highest body responsible for managing the Company in the interests of the shareholders) playing an essential role, and on transparency in the Company’s decision-making process and an effective system of internal controls.

The Company has implemented this system by preparing and adopting codes, principles, rules and procedures that govern the performance of its business by all of the Company’s administrative and operational units.

The Board of Directors is vested with all powers of ordinary and extraordinary administration, with the exception of powers reserved by law or by the Company’s bylaws for the Shareholders’ Meeting.

The Board appoints a Chairman from among its ranks and may also appoint a Deputy Chairman to replace the Chairman as and when necessary.

The Board has established three committees from within its ranks to supply advice and submit proposals: an Executive Committee, an Internal Control Committee, and a Remuneration Committee.

The Board of Auditors, after Legislative Decree no. 39 of 27.01.2010 came into effect, by entering into the new role of “Committee for Internal Control and Auditing”, is called not only to monitor compliance with the law and the Company’s articles of association and the compliance with the principles of sound administration in carrying out the Company’s business, but also to monitor the effectiveness of internal control, internal audit and risk management processes as well as financial reporting, statutory audit of accounts and the independence of the auditor or outside counsel.

Auditing of the accounts is undertaken by a specialized auditing firm registered with CONSOB appointed specifically by the Shareholders’ Meeting.

## 2. OWNERSHIP STRUCTURE PURSUANT TO ART. 123-BIS OF THE FINANCIAL SERVICES ACT

### Clause 1

#### a) Share Capital Structure

Cementir share capital at 31 December 2010, which is wholly subscribed and paid up, totaled €159,120,000 (one hundred and fifty-nine million, one hundred and twenty thousand euros), subdivided into 159,120,000 ordinary shares of par value €1.00 each, except as specified below regarding capital approved but not yet subscribed in relation to the stock incentive plan approved by the Company on 15 January 2008.

SHARE CAPITAL STRUCTURE				
	No. of shares	Percentage of share capital	Listed	Options and warrants
Ordinary shares	159,120,000	100%	Borsa Italiana – Star Index	Those ordinarily envisaged under applicable regulations

The shares are indivisible and freely transferable. Each share entitles the shareholder to one vote. Shareholders may exercise their rights on the Company and its capital as defined by and within the limits of the law. Cementir Holding has not issued any other categories of shares or financial instruments that may be converted into or exchanged for shares.

With regard to stock incentive plans, it should be noted that in FY 2008 the Company’s shareholders approved a stock incentive plan (hereinafter the “Plan”) for directors vested with particular powers, and executives in roles of strategic importance to the Company and/or its subsidiaries, authorizing the Board of Directors (pursuant to Art. 2443 of Civil the Code) to increase the share capital to service the Plan up to a maximum of €162,302,400 through the issue of up to 3,182,400 ordinary shares with standard rights (pre-emption rights excluded) pursuant to Art. 2441(8) of the Civil Code.

On 11 February 2008, in execution of the powers assigned, the Company’s Board resolved to:

- increase the share capital through cash payment, including for just a portion of the shares, up to a maximum of €1,225,000 by issuing up to 1,225,000 shares of par value of €1.00 each, pursuant to Art. 2441(8) of the Civil Code and, therefore, excluding pre-emption rights (it should be noted that the share capital would be deemed to have been increased by an amount equal to the value of the ordinary shares actually subscribed);
- approve the rules for the Plan (hereinafter “the Rules”);
- assign the Plan options (hereinafter “the Options”) to some of the Beneficiaries as identified above. It should be noted that allocated options assigned are ineligible for exercise prior to the end of the vesting period (11 February 2011), and must be exercised within two years of said vesting date.

For more information on the Plan, please see the financial statements and the disclosure document published pursuant to Art. 84-*bis* of the CONSOB Issuers’ Regulations, which may be found on the Company’s website ([www.cementirholding.it](http://www.cementirholding.it)) in the “Annual information statements” section, as well as being obtainable from Borsa Italiana S.p.A.

#### b) Restrictions on the Transfer of Shares

There are no restrictions on the transfer of shares.

#### c) Material Holdings

Shareholders with interests of greater than 2%, as indicated on the Company’s shareholder register as a result of notifications received pursuant to Art. 120 of the Financial Services Act and other information available at 31 December 2010, are as follows:

MATERIAL HOLDINGS AS AT 31 DECEMBER 2010			
Declarant	Direct Shareholder	Share of ordinary capital (%)	Share of voting rights (%)
Francesco Gaetano <i>CALTAGIRONE</i>	NO through: Vianini Industria Italia S.p.A. LAV 2004 S.r.l. CALT 2004 S.r.l. Caltagirone S.p.A. Pantheon 2000 S.p.A. Gamma S.r.l.	63,884%	63,884%
Francesco Gaetano <i>CALTAGIRONE</i>	SI	0,834%	0,834%
Francesco <i>CALTAGIRONE</i> Jr.	NO through: Chupas 2007 S.r.l.	2,415 %	2,415%
Francesco <i>CALTAGIRONE</i> Jr.	SI	1,725%	1,725%

For events subsequent to the close of FY 2010 but prior to approval of this report, please see the information published on the CONSOB website under the “Issuers/Listed companies/Cementir Holding Share Ownership” section.

#### d) Shares Granting Special Rights

No shares have been issued that grant special control rights.

#### e) Employee Shareholdings: Voting Rights Exercise Mechanism

There is no system for employee shareholdings in place, and in consequence no special mechanism for the exercise of voting rights by employees.

#### f) Voting Rights Restrictions

There are no restrictions on voting rights.

#### g) Shareholder Agreements Pursuant to Art. 122 of the Financial Services Act

We are aware of no shareholder agreements pursuant to Art. 122 of the Financial Services Act concerning the exercise of related rights or the transfer of shares, nor have any such agreements been reported.

#### h) Change of Control Clauses

The Issuer and its subsidiaries have not entered into material agreements that either come into effect or terminate in the event of a change of control at the contracting company.

#### i) Compensation of Directors in the Event of Resignation, Dismissal or other Forms of Termination of their appointment following a Public Tender Offer

See Section 9 (Remuneration of Directors).

#### l) Appointment and Replacement of Directors

See Section 4 (Board of Directors).

#### m) Authorizations to Increase Share Capital and Purchase Treasury Shares

See Section 2 (a) (Share Capital Structure)

The Shareholders' Meeting has not authorized the purchase of treasury shares pursuant to Arts. 2357 *et seq.* of the Civil Code.

#### **n) Management and Coordination (pursuant to Art. 2497 *et seq.* of the Civil Code)**

Cementir is not subject to the management and coordination of other companies, given that the Company is fully independent in defining its operating guidelines and general orientation. In particular, the examination and approval of strategy, business and financial plans, as well as the adequacy of organization, administration and accounting, are wholly the responsibility of the Cementir Board of Directors.

In consequence, the conditions specified under Art. 37 of CONSOB Market Regulation no. 16191/2007 do not apply.

#### **Clause 2**

##### **a) Adoption of a Code of Conduct**

See Section 3 (Compliance).

##### **b) Description of the Internal Control and Risk Management Systems Related to Individual and Consolidated Financial Reporting**

See Sections 5 (Handling of Corporate Reporting), 11 (Internal Control System), and Annex 1 on the "Primary characteristics of the internal control and risk management systems as they relate to financial reporting".

##### **c) Shareholder Meeting Mechanisms**

See Section 16 (Shareholder Meetings).

##### **d) Board of Directors, Board of Statutory Auditors and Committee Membership and Operation**

See Sections 4 (Board of Directors), 6 (Board Committees), 7 (Appointments Committee), 8 (Remuneration Committee), 11 (Internal Control Committee), 13 (Appointment of the Board of Statutory Auditors), and 14 (Statutory Auditors).

### **3. COMPLIANCE**

The Issuer has formally complied with the Corporate Governance Code, which is available for public consultation on the Borsa Italiana website at [www.borsaitaliana.it](http://www.borsaitaliana.it). As concerns 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

On 21 June 2007, the Company's shareholders met to amend the bylaws in order to implement the changes required by Italian Law no. 262 of 28 December 2005 (the "Savings Law") as amended.

Directors are appointed by the Shareholders' Meeting pursuant to applicable law and the Company's bylaws.

Members of the Board of Directors are elected on the basis of slates submitted by shareholders with voting rights representing at least 2% of the share capital or any other threshold that may be set pursuant to applicable law. The slate shall be filed at the Company's registered office at least 15 days prior to the date set for the Shareholders' Meeting on first call.

The slates shall identify the candidates meeting statutory independence requirements and shall be accompanied by the curriculum vitae of the candidates, demonstrating their professional and personal qualifications and their acceptance of the candidacy.

Each shareholder may submit or take part in the submission of only one slate containing a maximum of 15 candidates, in sequential numerical order. Each candidate may only appear on one slate or be subject to disqualification. Persons submitting slates must demonstrate that they are shareholders by filing accompanying documentation at the same time, showing that they hold the number of shares required to submit the slate.

The first candidate on the minority slate receiving the largest number of votes who is not connected in any way, either directly or indirectly, with the slate that received the most votes, is elected as a director. The other members of the Board of Directors are selected in sequential numerical order from the slate that received the highest number of votes.

In the event that only one slate is submitted or where only one slate receives votes, all the candidates from that slate shall be deemed elected on the basis of ordinary statutory majorities.

As to the allocation of directors to be elected, slates that fail to receive a percentage of the vote that is at least half the percentage required to present a slate shall be disregarded.

At any time other than when the entire Board of Directors is being elected, the Shareholders' Meeting shall elect directors on the basis of statutory majorities, without following the above procedures.

If one or more Directors leaves the Board during the year, the provisions of Art. 2386 of the Civil Code apply.

The Shareholders' Meeting may elect an Honorary Chairman who need not be chosen from among members of the Board of Directors, but who shall be selected from among those persons who have distinguished themselves for commitment to and results achieved on behalf of the Company, as well as for achievements over the course of their professional careers. The Honorary Chairman may attend Board meetings in an advisory capacity, but does not have the right to cast a vote. The Honorary Chairman shall be entitled to receive the same remuneration as the members of the Board of Directors as determined by the bylaws and by the Shareholders' Meeting.

It should be noted that the bylaws do not call for requirements of independence beyond those established for statutory auditors under Art. 148 of the Financial Services Act and/or requirements of reputation and/or professionalism regarding the appointment of directors, including with reference to the requirements established under the Corporate Governance Code.

It should further be noted that, in addition to the provisions of the Financial Services Act, the Issuer is not subject to additional requirements regarding persons who sit on the Board of Directors, except as defined under the Corporate Governance Code and under stock market regulations for companies listed on the Star index.

### 4.2. Composition

Pursuant to its bylaws, the Company is administered by a Board of Directors consisting of between five and fifteen members elected by the Shareholders' Meeting. Directors shall be appointed for a three-year term of office, which expires on the date of the Shareholders' Meeting called to approve the financial statements for the final year in which they are in office. Directors may be reappointed pursuant to Art. 2383 of the Civil Code.

The Company is currently administered by a fifteen-member Board of Directors, who were appointed by a 98.43% majority vote based on the sole slate presented by the majority shareholder Calt 2004 S.r.l. during the ordinary Shareholders' Meeting of 21 April 2009. The directors shall remain in office for three years, i.e. until approval of the financial statements for the year ending 31 December 2011.

No directors left office during the course of the financial year ending on 31 December 2010.



The following table shows the structure of the Board of Directors and its Committees as at 31 December 2010.

Name	Position	In office from	Up to	List (M/m)	NON EXEC	EXEC.	IND. FIN. SERVICES ACT	IND. CODE	% BOARD	EC	% EC	RC	% RC	ICC	% ICC
Francesco CALTAGIRONE	Chairman	Ord. GM 21.04.09	Approval Financial Statement 2011	M		X			100	P	/				
Carlo CARLEVARIS	Vice-Chairman	Ord. GM 21.04.09	Approval Financial Statement 2011	M	X		X		100						
Alessandro CALTAGIRONE	Director	Ord. GM 21.04.09	Approval Financial Statement 2011	M	X				50						
Azzurra CALTAGIRONE	Director	Ord. GM 21.04.09	Approval Financial Statement 2011	M	X				50						
Edoardo CALTAGIRONE	Director	Ord. GM 21.04.09	Approval Financial Statement 2011	M	X										
Saverio CALTAGIRONE	Director	Ord. GM 21.04.09	Approval Financial Statement 2011	M	X				100						
Flavio CATTANEO	Director	Ord. GM 21.04.09	Approval Financial Statement 2011	M	X		X	X	50					M	50
Mario CILIBERTO	Director	Ord. GM 21.04.09	Approval Financial Statement 2011	M		X			75	M	/				
Massimo CONFORTINI	Director	Ord. GM 21.04.09	Approval Financial Statement 2011	M	X		X	X	75			P	/	P	100
Fabio CORSICO	Director	Ord. GM 21.04.09	Approval Financial Statement 2011	M	X				50						
Mario DELFINI	Director	Ord. GM 21.04.09	Approval Financial Statement 2011	M	X				100			M	/		
Alfio MARCHINI	Director	Ord. GM 21.04.09	Approval Financial Statement 2011	M	X		X	X	75						
Walter MONTEVECCHI	Director	Ord. GM 21.04.09	Approval Financial Statement 2011	M		X									
Riccardo NICOLINI	Director	Ord. GM 21.04.09	Approval Financial Statement 2011	M		X			50	M	/				
Enrico VITALI	Director	Ord. GM 21.04.09	Approval Financial Statement 2011	M	X		X	X				M	/	M	75

The following table shows the number of meetings held by the Board of Directors, the Internal Control Committee, the Remuneration Committee and the Executive Committee as at 31 December 2010.

No. of meetings held during 2010	BoD: 5	ICC 4	RC 0	EC: 0
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**Key**  
**Exec.:** checked if the director is an executive director  
**Non exec.:** checked if the director is a non-executive director  
**Ind. FIN. SERVICES ACT:** checked if the director qualifies as independent pursuant to the provisions of Article 148(3) of the Financial Services Act (Art. 144-*decies* of the CONSOB Issuers' Regulations)  
**Ind. Code:** checked if the director qualifies as independent pursuant to the Code.  
**% Board:** reports percentage attendance at Board meetings by directors (the percentage is calculated on the basis of the number of meetings the director attended against the number of Board meetings held during the year, or subsequent to the director's appointment to the position).  
**Other positions:** reports positions held with other companies listed on regulated markets (including abroad), financial companies, banks, insurance undertakings or large companies, identified on the basis of the criteria established by the Board.  
**EC:** C/M indicates Chairman/Member of the Executive Committee.  
**% EC:** reports percentage attendance at Executive Committee meetings by directors (the percentage is calculated on the basis of the number of meetings the director attended compared with the number of Executive Committee meetings held during the year, or subsequent to the director's appointment to the position).  
**RC:** C/M indicates Chairman/Member of the Remuneration Committee.  
**% RC:** reports percentage attendance at Remuneration Committee meetings by directors (the percentage is calculated on the basis of the number of meetings the director attended compared with the number of Remuneration Committee meetings held during the year, or subsequent to the director's appointment to the position).  
**ICC:** C/M indicates Chairman/Member of the Internal Control Committee.  
**% ICC:** reports percentage attendance at Internal Control Committee meetings by directors (the percentage is calculated on the basis of the number of meetings the director attended compared with the number of Internal Control Committee meetings held during the year, or subsequent to the director's appointment to the position)

The following table reports positions held by Company directors with other companies listed on regulated markets (including abroad), financial companies, banks, insurance undertakings or large companies.

Name	Position	Other Positions
Francesco CALTAGIRONE	Chairman	Vice Presidente Banca Antonveneta S.p.A. Vice Presidente Cimentas A.S. Vice Presidente Cimbeton A.S. Vice Presidente Aalborg-Portland A.S. Vice Presidente Unicon A.S. Consigliere Caltagirone S.p.A. Consigliere Caltagirone Editore S.p.A. Consigliere Banca Finnat Euramerica S.p.A. Consigliere Acea S.p.A.
Carlo CARLEVARIS	Vice- Chairman	Pres. On. Banca Finnat Euramerica S.p.A. Consigliere Caltagirone S.p.A. Consigliere Vianini Lavori S.p.A. Consigliere Vianini Industria S.p.A. Consigliere Il Messaggero S.p.A. Consigliere Immobiliare Caltagirone ICAL S.p.A.
Alessandro CALTAGIRONE	Director	Presidente Vianini Industria S.p.A. Presidente FGC S.p.A. Consigliere Caltagirone S.p.A. Consigliere di Vianini Lavori S.p.A. Consigliere Caltagirone Editore S.p.A. Consigliere Il Messaggero S.p.A. Consigliere Cimentas A.S. Consigliere il Gazzettino S.p.A.
Azzurra CALTAGIRONE	Director	Vice Presidente Caltagirone Editore S.p.A. Consigliere Caltagirone S.p.A. Consigliere Il Messaggero S.p.A. Consigliere Il Gazzettino S.p.A.
Edoardo CALTAGIRONE	Director	Vice Presidente Caltagirone S.p.A.
Saverio CALTAGIRONE	Director	
Flavio CATTANEO	Director	Amministratore Delegato Terna S.p.A.
Mario CILIBERTO	Director	Presidente Aalborg Portland A/S Presidente Unicon A/S Consigliere Cimentas A.S. Consigliere Cimbeton A.S. Consigliere Cementir Italia S.r.l. Consigliere Sinai White Portland Cement Co. S.A.E.
Massimo CONFORTINI	Director	Consigliere Parmalat S.p.A. Consigliere Caltagirone Editore S.p.A. Commissario Straordinario Antonio Merloni S.p.A. (in amm.ne straor.)
Fabio CORSICO	Director	Consigliere Il Gazzettino S.p.A. Consigliere Allenaza Toro S.p.A. Consigliere Consum.it S.p.A. Consigliere Biverbanca S.p.A. Consigliere Grandi Stazioni S.p.A.
Mario DELFINI	Director	Presidente Vianini Lavori S.p.A. Vice-Presidente Cementir Italia S.r.l. Consigliere Caltagirone S.p.A. Consigliere Caltagirone Editore S.p.A. Consigliere Vianini Industria S.p.A. Vice Presidente Fabrica Immobiliare SGR S.p.A. Consigliere Il Messaggero S.p.A. Consigliere Il Gazzettino S.p.A. Consigliere Piemme S.p.A. Consigliere FGC S.p.A.
Alfio MARCHINI	Director	Presidente e Consigliere Delegato Astrim S.p.A. Presidente FIMAR S.p.A. Presidente Keryx S.p.A. Consigliere Edilnova Romana S.r.l. Consigliere E-CARE S.p.A.
Walter MONTEVECCHI	Director	Presidente Cimentas A.S. Presidente Cimbeton A.S. Consigliere Aalborg Portland A.S. Consigliere Unicon A.S. Consigliere Cementir Italia S.r.l.
Riccardo NICOLINI	Director	Presidente Cementir Italia S.r.l. Consigliere Cimentas A.S. Consigliere Aalborg Portland A.S. Vice-Presidente Sinai White Cement Co. S.A.E.
Enrico VITALI	Director	

Regarding the personal and professional qualifications and background of each director in office, please see published CVs, together with the aforementioned slate, on the Company's web site ([www.cementirholding.it](http://www.cementirholding.it)) under the "Investor Relations/Corporate Governance/2009 Shareholders' Meeting" section.

### 4.3. Maximum Number of Positions Held at Other Companies

The Board of Directors has preferred not to express a position on the maximum number of positions that may be held in order for members of the Issuer's Board to perform their duties effectively, as the Board feels that such an assessment should, in the first instance, be undertaken by shareholders when appointing directors and, subsequently, by individual directors when accepting their positions.

The Issuer's Board of Directors has not therefore set strict, general standards concerning the maximum number of positions held on boards of directors or statutory auditors at other companies that may be considered compatible with fulfilling the role of director effectively. In any event, the Board annually checks that the number of positions held by directors at other companies is appropriate to carrying out their duties effectively, taking account of the varying levels of commitment of given directors based on the role they hold (e.g. executive or non-executive, independent, member of one or more committees, etc.), the nature and size of the companies at which other positions are held, and whether such companies belong to the Issuer's group.

### 4.4. Role of the Board of Directors

The Board of Directors meets at least four times per year. Meetings are also called in a timely manner whenever the need should arise.

During 2010, the Board of Directors met four times, at meetings duly attended by directors and members of the Board of Statutory Auditors, the manager responsible for the Company's financial reports and, in specific cases, the Head of Internal Controls, who provided additional information concerning items on the agenda.

The average Board meeting in 2010 lasted around an hour.

For 2011, at least five meetings are scheduled to be held.

No minimum meeting frequency for Board meetings is specified in the Company's bylaws.

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Within the scope of the Company's corporate purpose, the Board is fully empowered to pass resolutions and carry out all acts of ordinary and extraordinary administration, with the sole exception of such resolutions as are reserved for the Shareholders' Meeting either by law or by the Company's bylaws.

As such, the Board may authorize: the purchase and sale of real estate, investments in other businesses or companies incorporated or being incorporated, including by way of asset transfers; any transactions involving public debt, Cassa Depositi e Prestiti, banks, issuing institutions, and all other public or private entities; the creation, subrogation, postponement, cancellation or waiver of mortgages; any kind of registration or recordation, legal actions, including those involving quashing or reversal, and preliminary agreements or settlements.

The Board of Directors may also resolve, pursuant to Art. 2365(2) of the Civil Code, on the following matters:

- mergers in the cases envisaged by Arts. 2505 and 2505-*bis* of the Civil Code;
- the opening, relocation and closure of secondary offices;
- the reduction of share capital in the case of withdrawal by shareholders;
- bringing the bylaws into line with legal and regulatory provisions.

The Board of Directors further:

- examines and approves the Issuer's corporate governance system and the Group's structure;
- assesses the adequacy of the Issuer's organization, administration and general accounting system, with particular reference to the internal controls system and the management of conflicts of interest;
- assigns and revokes directors' powers, establishing the limitations and methods of exercising such powers;
- in the event that the Shareholders' Meeting has not done so, determines the remuneration of managing directors and other directors with specific responsibilities;
- assesses general operating performance, taking particular account of information received from the various administrative bodies;
- examines and grants prior approval of the Issuer's transactions when such transactions are of strategic, earnings, equity or financial importance to the Issuer, paying particular attention to situations in which one or more directors may be acting in their own interests or in the interests of third parties, as well as to transactions with related parties in general.

Transactions of economic and financial significance, including transactions with related parties when the transaction is significant and relevant as defined by the Company's procedures for related-party transactions (Section 12), are subject to prior examination and approval by the Board of Directors, which is to be provided with the information it needs to pass resolutions on the various topics under discussion.

Prior to each of its meetings, the Board is supplied with appropriate documentation to enable directors to make informed and effective decisions.

\*\*\*

At least once per year, the Board of Directors shall assess the adequacy of the Issuer's organization, administration and general accounting system, as well as the efficiency and effectiveness of the internal controls systems and the handling of conflicts of interest.

In this respect, during 2010 the Board of Directors:

- updated procedures regarding related parties (see Section 12) in line with the latest instructions issued by CONSOB;
- undertook an assessment of internal control operations on the basis of reports drafted by the relevant Committee.

In 2010, the Board regularly assessed general operating performance, taking account of information received by the Chairman of the Board in conjunction with approval of the interim reports on operations.

At the end of FY 2010, the Board amended the Company's bylaws in order to bring them into line with new regulatory provisions introduced under Legislative Decree no. 27/2010, which absorbed into Italian law the "Shareholders' Rights" Directive regarding the exercise of certain rights by shareholders in listed companies.

For further information on the amendments that the Company made to its bylaws, please refer to the Corporate Governance section on the Company's website at [www.cementirholding.it](http://www.cementirholding.it).

\*\*\*

The Board did not consider it necessary to pre-establish general criteria for identifying significant transactions, preferring instead to decide to make such assessments on a case-by-case basis based on the information received from executive directors.

\*\*\*

To comply with its organizational needs, the Company's Shareholders' Meeting did not provide prior general authorization for exceptions to the non-competition clause (pursuant to Art. 2390 of the Civil Code), but empowered the Board to assess any issues as and when they arise, and to notify the shareholders of any critical issues at the next Shareholders' Meeting.

In 2010, the Board did not examine any such cases.

## 4.5. Board Positions and Committees

### Managing Directors

Following its appointment pursuant to a Shareholders' Meeting resolution taken on 21 April 2009 (see Section 4.2), the Board of Directors appointed a Chairman and Deputy Chairman, and granted the Chairman, or the Deputy Chairman in his stead, the broadest powers for carrying out all acts of ordinary and extraordinary management (for detail on such powers, see the section below) – with the sole exception of those reserved to the Shareholders' Meeting and the Board of Directors by law and by the Company bylaws.

In view of the fact that no Managing Director was appointed, the Chairman is the primary party responsible for the Issuer's operations.

The decision to grant executive powers to the Chairman of the Board is essentially due to the Company's current, particularly streamlined organizational structure as a holding company of industrial investments.

### Chairman

Independent of the powers granted by law and by the Company's bylaws, the Board of Directors granted the Chairman, Francesco Caltagirone Jr., and – in the event of his absence or other impediment – the Deputy Chairman, Carlo Carlevaris, all powers necessary to carry out all acts of ordinary and extraordinary management, with the sole exception of those powers reserved for the Shareholders' Meeting and the Board of Directors.

By way of example, and in no way restricting the general scope of the powers as granted above, the Chairman and – in the event of his absence or other impediment the Deputy Chairman – have individual signatory powers for:

- A.1 coordinating and controlling the activities of the Company and relations with subsidiaries, and ensuring that resolutions taken by the Board of Directors are implemented.
- A.2 signing correspondence and representing the Company in Italy and abroad in relations with national, regional, provincial and local government, with private and public bodies, institutions, agencies, autonomous and municipalized government companies, and any other ordinary or special administrative, legal or fiscal authority, including in arbitration.
- A.3 recommending and signing at any and all proceedings at any level and before all administrative, fiscal or legal authorities, in all appeals, inquiries, defenses, claims or other suits and proceedings of any kind; settling disputes; appointing and revoking legal counsel and powers of attorney, including agency for domiciliation; and designating and appointing consultants, mediators and arbitrators.
- A.4 purchasing, selling, and transferring moveable and immovable property; setting the price; making payment and granting payment extensions, with or without mortgage security; issuing and accepting, as appropriate, liquidation by way of bills of exchange, with or without mortgage security; establishing any interest and the repayment of taxes and duties; assuming or approving the assumption of liabilities of the seller, accepting and requiring, in such cases, the same obligations assumed by the borrower; requesting and signing guarantees related to ownership and the availability of assets, and to the absence of prejudicial mortgages, privileges or other encumbrances; requesting and authorizing the transfer of possession; accepting and agreeing obligations, reserves, easements and community of property; waiving of mortgages resulting from sales and releasing relevant property registrars from all related liability; requesting the benefits allowed by tax laws and undertaking to fulfill all statutory obligations, as well as doing anything else necessary to complete such transactions, with all powers necessary without limitation such that a lack of powers cannot be claimed, and including the right to grant power of attorney for others to act in the name and on behalf of the Company, covering all or a portion of the powers as granted above, in order to execute individual purchases, sales, and transfers of moveable and immovable property.
- A.5 establishing, transferring and closing secondary offices and/or other local facilities, such as production sites, sales offices, distribution centers, agencies, and storage facilities for the Company's products, and handling any formalities that may be necessary or appropriate.
- A.6 signing, modifying and terminating with government departments and other public or private entities (including through the granting of power of attorney to others) contracts and agreements covering all appropriate clauses, including an arbitration clause, for:
  - a) the purchase, sale, or transfer of machinery, equipment, materials in general, related maintenance, provisions and works, and the sale of Company products or other products handled by the Company;

- b) making and taking on tenders and sub-contracting tenders for services and supplies in general;
  - c) the purchase, sale or transfer of transport equipment in general, releasing public registrars from all obligations and liabilities;
  - d) insurance contracts;
  - e) granting and opening lines of credit for current account overdrafts in the Company's name.
- A.7 authorizing the establishment, subrogation, postponement or cancellation of mortgages, including without payment, as well as any kind of registration or recordation on mortgage records, while releasing relevant public registrars from all related liability.
- A.8 establishing consortia and enterprises pursuant to the provisions of Arts. 2602/2612 and 2612 *et seq.* and Art. 2615 of the Civil Code, including temporary business groupings pursuant to Laws 584/77, 1/1978 and 687/1984, and joint ventures with other general or specialized enterprises, both foreign and domestic, in order to participate in the acquisition and execution of contracts compatible with the Company's corporate purpose.
- A.9 acquiring and disposing of equity investments in other companies and establishing or participating in the establishment of companies with the same, similar, or directly or indirectly related purpose as that of the Company; subscribing related capital or capital increases; providing financing, including capital financing, with all consequent rights, including in relation to the sale or liquidation of said investments.
- A.10 signing communications with the legal authorities, chambers of commerce, financial markets, and other public and private bodies concerning the Company's statutory or regulatory obligations, including signing annual communications to the *Schedario Generale dei Titoli Azionari* (General Registry of Securities); and signing communications with the Commissione Nazionale per le Società e la Borsa (CONSOB) pursuant to applicable laws and regulations.
- A.11 taking out and granting loans; assigning receivables and expired mandates; granting and accepting guarantees, counter-guarantees and endorsements; negotiating and taking out lines of credit; signing and endorsing checks, money orders and similar instruments; signing and endorsing other bills and notes; issuing checks, including in relation to the opening of lines of credit.
- A.12 signing lease and rental agreements – including those with a duration of more than nine years – and establishing related payments and other general and specific terms and conditions; delivering and accepting lease and rental termination notices.
- A.13 demanding and freely collecting all sums in cash or securities, including both principal and interest accrued or to be accrued, from any person or entity, public or private, including national, regional, provincial or local government bodies and institutions and, by way of example only, ministries, post offices, Treasury offices, Cassa Depositi e Prestiti, Civil Engineering Offices, the Bank of Italy, banks and other financial institutions in general, businesses, consortia, non-profit entities, regional, provincial and local autonomous or municipalized government companies, and the Agency for the Development of Southern Italy and its various concession holders and agents, or from any other public and/or private government body, autonomous or municipalized company; receiving deposits; and issuing receipts in the forms required, and releasing payers from all liability.
- A.14 participating in public auctions, private negotiations, tenders and similar procedures for the acquisition of concessions, contracts, and supply agreements, with the power to sign and present requests for prequalification, bids, projects and cost estimates, set prices and payment terms, and all other conditions, both general and specific; signing the related contracts and additional deeds, with all powers necessary for their execution, including through contracts, sub-contracts, and other supplies and works.
- A.15 hiring, suspending and terminating the employment of senior and middle managers, office staff and workers; establishing and granting salary increases and bonuses; assessing disciplinary penalties; hiring consultants, including on long-term contracts.
- A.16 granting special powers of attorney to Company employees and other parties for specific deeds or categories of deed in the name and on behalf of the Company, with company signature powers for such deeds, as well as appointing agents to represent the Company in individual ordinary or extraordinary Shareholder Meetings at other companies or consortia, as shareholders in the Company.

In 2010, the Deputy Chairman, Mr. Carlevaris, was not required to employ his powers of Company management and representation in lieu of the Chairman.

#### **Executive Committee**

The Board of Directors has appointed an executive committee, effective until the first meeting following the Shareholders' Meeting held to approve the 2011 annual report, and determined that this committee shall be composed of three members:

- Francesco Caltagirone Jr., Chairman;
- Riccardo Nicolini, committee member;
- Mario Ciliberto, committee member;

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

#### **Reporting to the Board**

At every meeting of the Board of Directors, Board Position office holders and committees 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 the "any other business" item.



#### 4.6. Other Executive Directors

By virtue of the offices they hold at Issuer subsidiaries, other executive directors include: Mario Ciliberto, Chairman of the subsidiary Aalborg Portland A/S; Walter Montevercchi, Chairman of the subsidiary Cimentas A/S; and Riccardo Nicolini, Chairman of the subsidiary Cementir S.r.l.

Moreover, as part of Group reorganization, the Board of Directors resolved to empower Director Mario Ciliberto as follows:

- to undertake dealings and negotiations regarding all international operations (with the exception of the Mediterranean area), including but not limited to the purchase of shares and/or equity holdings in companies and/or interests and/or companies and/or company divisions, in addition to leasing of companies and/or company divisions related to the company's purpose; all such powers must be exercised in compliance with company procedures, and on a case-by-case basis and dependent upon the area of competence draw on the Company's relevant corporate structures;
- sign all correspondence and all documents necessary for the exercise of such powers as set out in item i) above, on condition that the signature of such documents does not lead to taking on binding commitments for the Company that may only validly be entered into by a party or relevant body pursuant to Company governance;
- negotiate, enter into, amend and terminate any consulting contract necessary for the exercise of the powers as set out in item i) above, within the thresholds established in the budget approved by the Company, having informed the Company's relevant corporate structures (depending upon the consultant's area of competence) regarding the choice of the consultant, and in any event, in compliance with corporate procedure.

It should be noted that in 2009 the Deputy Chairman, Mr. Carlevaris, was not required to execute his powers of Company management and representation in lieu of the Chairman. As such, he is not considered to be an executive director.

During Board of Director meetings, directors are continuously kept abreast of developments within the Company, including in relation to the applicable regulatory framework, so that they may perform their duties effectively.

#### 4.7. Independent Directors

The Board of Directors includes four independent directors (Flavio Cattaneo, Massimo Confortini, Alfio Marchini and Enrico Vitali) pursuant to the Financial Services Act and the Corporate Governance Code.

Carlo Carlevaris also meets the requirements of independence as defined solely by the Financial Services Act.

At the first meeting following its appointment, the Board of Directors verified the requisites of independence of the aforementioned directors pursuant to the Financial Services Act and the Corporate Governance Code, based on their signed declarations, and also verified their qualifications and professionalism.

For these reasons, the Board did not deem it necessary to conduct a new assessment of compliance with the independence requisites established by the Code for each of the other non-executive directors for 2010, partly in consideration of the fact that the Board of Statutory Auditors has continuously monitored ongoing compliance with these independence requirements.

The independent directors did not meet during the course of 2010.

#### 4.8. Lead Independent Director

The Board has appointed Mr Confortini as Lead Independent Director, and as such responsible for representing non-executive and, in particular, independent directors, including the coordination of their activities and contribution. The Lead Independent Director did not call any meetings of independent directors in 2010 as there was no need to do so.

## 5. HANDLING CORPORATE INFORMATION

In compliance with the Code, the Company adopted a procedure for “Handling information, especially confidential information”, the full text of which is available under the Corporate Governance section of the Company’s website at [www.cementirholding.it](http://www.cementirholding.it). Pursuant to Art. 114 of the Financial Services Act, the Company has also adopted an Internal Dealing Code governing disclosure obligations regarding internal dealing, as specified under Arts. 152-*sexies et seq.* of CONSOB Regulation no. 11971 of 14 May 1999 as amended.

The Code came into effect as of 1 April 2006 and governs the conduct and disclosure requirements with which “significant persons” (directors, standing members of the Board of Statutory Auditors, the CFO, etc.) are required to comply in their relations with CONSOB and the Company, in order to enable the Company to disclose transactions involving listed financial instruments or other related financial instruments issued by the Company or its subsidiaries to the market pursuant to the methods and deadlines established by CONSOB’s Issuers’ Regulations.

It should be noted that in accordance with Market Rules for Issuers listed on the Star index, the Company updated its Internal Dealing Code to provide for a black-out period on the selling of Company shares during the 15 calendar days (up from 5) preceding Shareholders’ and/or Board meetings.

As from 1 April 2006, the Company established a register of persons with access to inside information pursuant to the provisions of Art. 115-*bis* of the Financial Services Act, and in compliance with the procedures specified under Arts. 152-*bis et seq.* of CONSOB’s Issuers’ Regulations.

## 6. INTERNAL BOARD COMMITTEES

The Board did not deem it necessary to establish an Appointments Committee from its ranks during the year, having reserved the standard functions of this Committee for the Board as a whole.

Since 2001, in addition to the Executive Committee as discussed under Section 4.5 above, the Company's Board of Directors has also established an Internal Control Committee and a Remuneration Committee.

In its first meeting following the expiration of the term of the Board and its Committees upon approval of the 2008 financial statements, the Board of Directors reappointed said Committees for the 2009-2011 term, up to the meeting of the Board following the Shareholders' Meeting to approve the financial statements for 2011.

For more information, please see Sections 8 and 10 of this report.

The Company did not allocate a budget for Committee activities, as the Committees themselves deemed it unnecessary because they may rely on the assistance of Company structures in the performance of their duties.

## 7. THE APPOINTMENTS COMMITTEE

Without prejudice to the indications contained in the previous section, it should be noted that directors are appointed pursuant to the provisions of Company bylaws, which specify that appointments shall be made on the basis of slates presented by shareholders, in compliance with the provisions of Art. 147-ter of the Financial Services Act (see Section 4.1).

In light of the above, considering that shareholders have never encountered any difficulties in appointing directors, and given the non-mandatory nature of the Appointments Committee under the Corporate Governance Code, the Board did not deem it necessary to establish such a Committee from among its ranks.

## 8. REMUNERATION COMMITTEE

The current Remuneration Committee is composed of three non-executive directors, the majority of whom are independent. Specifically, in compliance with the provisions of Art. 7 of the Code, the Company's Board of Directors appointed the following members to the Remuneration Committee from among its ranks:

- Massimo Confortini (Committee chairman, non-executive, independent pursuant to the Financial Services Act and the Code);
- Mario Delfini;
- Enrico Vitali (non-executive, independent pursuant to the Financial Services Act and the Code).

The Remuneration Committee, which submits proposals and offers advice to the Board of Directors, performs the following functions:

- evaluating and formulating proposals for the Board of Directors regarding Company remuneration policies for management;
- evaluating and formulating proposals for the Board of Directors regarding stock incentive plans (including stock options), employee shareholding plans, and similar incentive and loyalty plans for management and employees of Group companies;
- formulating proposals for the Board of Directors, with the abstention of any parties involved, regarding the remuneration of executive directors. The Committee may also formulate proposals regarding the portion of the remuneration of executive directors indicated by the Board of Directors tied to Company performance;
- formulating proposals for the Board of Directors, with the abstention of any parties involved, regarding the remuneration of non-executive directors, which shall be commensurate with the commitment required of each, taking into account any membership of one or more internal committees within the Company. Such remuneration is not tied to Company performance.

Non-executive directors may be included as beneficiaries of stock incentive plans exclusively if so resolved and justified by the Shareholders' Meeting.

The Committee did not meet in 2010 as no such meetings were required. In 2010, the Committee did not evaluate the criteria applied to the remuneration of executives with strategic responsibilities, given that the sole remuneration for such executives is through options related to the stock incentive plan approved in 2008 (see Section 2(a) above for more information).



## 9. REMUNERATION OF DIRECTORS

The Shareholders' Meeting determines director remuneration.

Once adopted, Shareholders' Meeting resolutions remain valid until otherwise resolved by the Shareholders' Meeting.

At their meeting held on 21 April 2009, the shareholders granted the directors remuneration of €1,000.00 for each meeting of the Board of Directors attended.

Pursuant to Art. 2389 of the Civil Code, and as recommended by the Remuneration Committee, taking into account the opinion of the Board of Statutory Auditors, the Board granted the Chairman of the Board an additional incentive, given the role and responsibilities assigned to him, which is to be linked to the Group's earnings performance.

Specifically, as has occurred in the past, the Board set the Chairman's remuneration by tying it to operational cash flows generated by the Group, without prejudice to the decision taken by shareholders at their 21 April 2009 meeting concerning the total remuneration payable to each member of the Board.

Finally, the Board set the remuneration for non-executive directors on the Remuneration and Internal Control Committees in line with the commitment required to carry out their respective duties.

The remuneration of executives with strategic responsibilities is not linked to the Issuer's earnings performance, but a portion of their remuneration is tied to achieving specific targets set by the Chairman. This is in addition to the fact that said executives are also beneficiaries of the stock incentive plan approved in 2008 (see Section 2(a) of this report, as well as the section below, for more information).

The remuneration of non-executive directors is not linked to the Issuer's earnings performance, nor do such directors benefit from stock incentive plans.

### Stock Incentive Plans.

On 21 December 2007, the Company's Board of Directors approved general guidelines for a stock incentive plan ("Plan") for directors with specific duties and managers with strategic responsibilities within the Company and/or its subsidiaries ("Beneficiaries").

Also on 21 December 2007, the Company published information concerning the Plan ("Disclosure Document") pursuant to Arts. 84-*bis*(1) and 66 of the Issuers' Regulations.

On 15 January 2008, the Company's shareholders approved the aforementioned Plan and authorized a capital increase to service the Plan, delegating this task to the Board pursuant to Art. 2443 of the Civil Code, up to a maximum amount of up to €162,302,400, through the issue of up to 3,182,400 ordinary shares with standard coupon rights but no pre-emption rights, pursuant to Art. 2441(8) of the Civil Code.

On 11 February 2008, in execution of the powers assigned to it, the Company's Board resolved to:

- increase the share capital through a cash payment, including for just a portion of shares, up to an amount of €1,225,000 through the issuance of up to 1,225,000 shares of par value €1.00 each, pursuant to Art. 2441(8) of the Civil Code and, therefore, excluding pre-emption rights;
- approve the rules for the Plan; and
- assign the options included in the first tranche of the Plan to certain specific Beneficiaries.

For more information on the Plan, please see the financial statements and the disclosure document published pursuant to Art. 84-*bis* of the CONSOB Issuers' Regulations, which may be found on the Company's website ([www.cementirholding.it](http://www.cementirholding.it)) in the "Annual information statements" section, as well as being obtainable from Borsa Italiana S.p.A.

### Agreements Pursuant to Article 123-*bis*(1)(i) of the Financial Services Act

The Issuer has not entered into any agreements with directors that call for compensation in the event of resignation, termination without cause, or any other termination of their appointment following a public tender offer (pursuant to Art. 123-*bis*(1)(i) of the Financial Services Act). It should be noted, in any event, that the sole existing agreement between the Issuer and a director (Mr Mario Ciliberto) envisages the cessation of any employment relationship with the company from 2012, without any further compensation.

The following table summarizes the remuneration of members of administrative and control bodies and directors with strategic responsibilities as at 31 December 2010:

(thousands of euros)

First name Last name	Position held	Term expires	Remuneration for the person who drafts the financial statements				Non- monetar y benefits	Bonuses and other incentive s	Other remuneration	
			A.P	C.P.	M.R	B.o.D.R.			For positions at subsidiarie s	As employees
Francesco <i>CALTAGIRONE</i>	Chairman	2011				<b>2.440*</b>	<b>2</b>			<b>61</b>
Carlo <i>CARLEVARIS</i>	Vice Chairman	2011	4							
Alessandro <i>CALTAGIRONE</i>	Director	2011	3							
Azzurra <i>CALTAGIRONE</i>	Director	2011	4							
Edoardo <i>CALTAGIRONE</i>	Director	2011	-							
Saverio <i>CALTAGIRONE</i>	Director	2011	5							<b>60</b>
Flavio <i>CATTANEO</i>	Director	2011	3	10						
Mario <i>CILIBERTO</i>	Director	2011	4				<b>3</b>			<b>1.300</b>
Massimo <i>CONFORTINI</i>	Director	2011	4	45						
Fabio <i>CORSICO</i>	Director	2011	4							
Mario <i>DELFINI</i>	Director	2011	5	10						
Alfio <i>MARCHINI</i>	Director	2011	3							
Walter <i>MONTEVECCHI</i>	Director	2011	1							<b>151</b>
Riccardo <i>NICOLINI</i>	Director	2011	3							<b>726</b>
Enrico <i>VITALI</i>	Director	2011	1	20						
Claudio <i>BIANCHI</i>	Chairman	2010			62				15	
Gianpiero <i>TASCO</i>	Standing Auditor	2010			41				10	
Federico <i>MALORNI</i>	Standing Auditor (from 25.05.2010)	2010			25				18	
Carlo <i>SCHIAVONE</i>	Standing Auditor (up to 25.05.2010)				16				42	
<i>Key management personnel</i>							<b>56</b>	<b>75</b>		<b>2.006</b>

**Key**

**A.P.:** indicates an attendance payment as resolved by the Shareholders' Meeting.

**C.P.:** indicates considerations paid out for sitting on committees.

**M.R.:** indicates accrued remuneration as resolved by the Shareholders' Meeting.

**B.o.D.R.:** indicates accrued remuneration as resolved by the Board of Directors.

**REMUNERATION PAID OUT IN 2010:** in bold.

\*This consideration is calculated wholly as a variable sum, in line with the cash flow generated over the year by the Group.

## 10. INTERNAL CONTROL COMMITTEE

Pursuant to the Financial Services Act and Art. 8 of the Code, the Internal Control Committee is composed of three independent directors, one of whom (Mr. Vitali) has a level of experience in accounting and finance that the Board deems to be sufficient:

- Massimo Confortini (Committee chairman)
- Flavio Cattaneo
- Enrico Vitali

### Functions of the Internal Control Committee

The Internal Control Committee is responsible for:

- assisting the Board in carrying out its assigned internal control duties;
- in conjunction with the manager responsible for the Company's financial reports and with the independent auditors, evaluating the correct application of accounting standards and their uniformity for the purposes of preparing the consolidated financial statements;
- at the request of the Board, expressing opinions on specific issues concerning the identification of the main risks facing the Company, and the planning, implementation and management of the internal control system;
- examining the work plan prepared by managers responsible for internal controls, and the regular reports they prepare;
- assessing the work plan prepared for auditing, along with the findings stated in reports and in any letter containing recommendations;
- overseeing audit process effectiveness;
- reporting to the Board at least every six months, on approval of the annual and interim financial statements, regarding activities carried out and the adequacy of the internal control system.

In 2010, after Legislative Decree no. 39 of 27.01.2010 came into effect, converting into Italian law Community Directive 2006/43/EC on accounts auditing, that, among other things, it identifies in the Board of Statutory Auditors the new supervisory body called the "Committee for Internal Control and Auditing", the responsibilities of the Internal Control Committee were redefined and a portion of its responsibilities were allocated to the Board of Statutory Auditors in order to make the Company's Corporate Governance and internal controls more efficient and minimize the risk of repercussions on operations in terms of the potential duplication of requests from the existing bodies responsible for internal controls.

Subsequent to this change, the Internal Control Committee has retained the following responsibilities:

- assisting the Board of Directors in establishing orientations for the control system such that the main risks faced by the Company and its subsidiaries are correctly identified and appropriately measured, managed and monitored, in addition to establishing criteria for compliance of these risks with the healthy and correct management of the business, where necessary drafting any recommendations necessary for the Board of Directors;
- on an at least annual basis, reporting on activities undertaken by the Board Of Directors;
- at the Board's request, expressing opinions on specific issues regarding the identification of the main risks facing the Company and the planning, implementation and management of the internal control system;
- as required under procedures, providing opinions to the Board of Directors during the approval of certain transactions with related parties executed by the Company.

Conversely, the Board of Statutory Auditors is responsible for assessing the proper adoption of accounting standards, as well as their consistency for the purposes of consolidated financial reporting. This duty is to be carried out working in tandem with the manager responsible for the Company's financial reports, and with the independent auditors.

At the same time, the Board of Auditors, pursuant to art. 19 of the said Decree, by virtue of the above have been delegated, in addition to existing powers and responsibilities conferred by law, exclusively on the monitoring task:

- the financial reporting process;
- the effectiveness of internal control systems, internal audit, if applicable, and risk management;
- the statutory audit of annual accounts and consolidated accounts;
- the independence of statutory auditors or statutory auditors, in particular as regards the provision of non-audit service entity to the audited statutory accounts.

In 2010, the committee met four times to:

- approve the new rules for the Control Committee;
- examine the audit report for Q1 2010 prepared by the Head of Internal Control;
- examine the audit report for Q2 2010 prepared by the Head of Internal Control;
- examine new related-party procedures;
- approve the report on Internal Control Committee activities for the first half of the year;
- examine the draft document regarding relations between internal control bodies;
- examine the audit report for Q3 2010 prepared by the Head of Internal Control;
- approve the new rules for the Control Committee pursuant to Legislative Decree no. 39, 27.01.2010.

These meetings lasted, on average, roughly one hour and thirty minutes.

These meetings were also attended by, from time to time and based on the Committee's requests, the Chairman of the Board of Statutory Auditors, the Head of Internal Control, the Manager responsible for the Company's financial reports, and the independent auditors, all of whom provided input on items on the agenda that fell within their respective spheres of competence. In the wake of the review of the above-mentioned Committee's responsibilities, two meetings are scheduled for 2011.

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Minutes were duly kept during Internal Control Committee meetings. In the performance of its functions, the Internal Control Committee has access to Company data and resources necessary to carry out its duties, and may also enlist the assistance of external consultants within the limits established by the Board.

## 11. INTERNAL CONTROL SYSTEM

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

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

### 11.1. Executive Director in Charge of the Internal Control System

The Board of Directors did not deem it necessary to designate an executive director in charge of overseeing the operation of the internal control system, given the existence of a variety of bodies nominated and operational for that purpose (the Internal Control Committee, a Supervisory Body pursuant to Legislative Decree 231/01, and the Internal Audit Department appointed directly by the Board of Directors), all of which coordinate with the duties undertaken by the Board of Statutory Auditors.

### 11.2. Head of Internal Control

The Board appointed Francesco Paolucci as Head of the Internal Audit Department. Mr Paolucci is responsible for verifying that the internal control system is always appropriate, fully operational and functional (as Head of Internal Control).

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

No specific remuneration was proposed for the Head of Internal Control.

The Head of Internal Control reports to the Chairman, and as such is not responsible for any operational areas, nor is subordinate of any Head of operational areas. On a quarterly basis, the Head of Internal Control presents a report to the Board of Statutory Auditors on risk management and compliance with plans to contain risks, along with an assessment of the suitability of the internal control system.

The Head of Internal Control:

- is responsible for verifying that the internal control system is always adequate, fully operational and functional;
- has direct access to any information useful for performing the duties required of his/her position;
- has adequate resources (an annual budget) and structures to carry out the duties required of his/her position.

Audit activities are carried out in accordance with an annual plan prepared by the Head of the Internal Audit Department, examined by the Board of Statutory Auditors and approved by the Chairman.

A plan may also be commissioned by corporate management as a result of specific occurrences or events.

In carrying out its duties, the Board of Statutory Auditors may ask the Internal Audit Department to conduct audits of specific areas of operation or corporate transactions.

### 11.3. Compliance Model Pursuant to Legislative Decree 231/2001

Following a resolution adopted by the Board of Directors on 8 May 2008, the Issuer adopted a Management and Internal Control Organization Model and a Code of Ethics pursuant to Legislative Decree no. 231/2001, drafted on the basis of instructions contained in the Confindustria guidelines, and existing best practice in this field in Italy.

The Model was drafted after analyzing the risks associated with the Company's role as a holding company in the cement and cement derivatives industry, and its basic organizational 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 legislative decree.

In 2009, the mandate granted in 2008 to the Supervisory body – comprising one external, independent member, Mario Venezia, who serves as Chairman, and one member from within the company, Francesco Paolucci, the Head of Internal Auditing – was renewed for three years (i.e. until approval of the 2011 annual report).

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

- ensuring Model implementation;
- updating and modifying 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.

The Body is governed by its own rules.

In 2010, the Supervisory Body formally met six times, for the purpose of:

- defining actions for the dissemination of the Code of Ethics and 231 protocols;
- verifying implementation of the “Organization, Management and Control Model”;
- in concert with the Head of the Internal Auditing organizational unit, monitoring the status of procedures and audit activities regarding the actual application and effectiveness of such procedures and activities;
- planning activities for 2011;
- updating relations between management bodies and departments responsible for internal control;
- following up on the implementation of the 231 Model regarding Italian subsidiaries, and on its repercussions on subsidiaries outside Italy;
- checking any reports of breaches of Model provisions.

The Body keeps minutes of its meetings, which are also attended by the Chairman of the Board of Statutory Auditors. The Body has its own budget, set by the Board of Directors, which is adequate for its operations.

For further information on the 231 Model and the Code of Ethics as adopted by the Company, please refer to the Corporate Governance section of the Company’s website at [www.cementirholding.it](http://www.cementirholding.it).

#### **11.4. Independent Auditors**

Pursuant to 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 submitted by the Board of Statutory Auditors.

PricewaterhouseCoopers S.p.A. is the auditing firm appointed by the Shareholders’ Meeting of 20 April 2006 to conduct auditing activities on the Company’s separate financial statements and the consolidated financial statements for the 2006-2011 period. The appointment is due to expire upon approval of the financial statements as at 31 December 2011.

#### **11.5. Manager Responsible for the Company’s Financial Reports**

Pursuant to Art. 16 of the Company bylaws, the Board of Directors appoints a manager responsible for the Company’s financial reports, subject to obtaining the opinion of the Board of Statutory Auditors. The manager is chosen from candidates who have accumulated adequate experience in administration, finance and control in a large company or in the exercise of their profession, and who meet director integrity requirements.

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

The manager responsible for the Company’s financial reports 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 renewed the appointment of Oprandino Arrivabene – the Company’s Chief Financial Officer since 2005 – as the manager responsible for the Company’s financial reporting (first appointed on 10 September 2007) pursuant to Art. 16 of the bylaws and Art. 154-*bis* of the Financial Services Act concerning the procedures for the appointment of and prerequisites for the position of manager responsible for the Company’s financial reports. As proposed by the Chairman, having received a favorable opinion from the Board of Statutory Auditors, the Board assessed Mr. Arrivabene’s background and experience and appointed him to the position until the subsequent meeting of shareholders to approve the 2010 financial statements, while assigning the Chairman the task of formalizing this appointment and granting him all powers necessary to carry out his duties.

In execution of the aforementioned resolution, the manager has been granted the powers necessary to carry out his duties as specified under Art. 154-*bis* (2) and (3) of the Financial Services Act, including the following:

- to issue the declaration certifying the conformity of documents and communications published by the Company concerning financial reporting, including interim reports, with its accounting documentation, books and records, pursuant to section 2, Art. 154-*bis* of the Financial Services Act;
- to put appropriate administrative and accounting procedures in place for the preparation of the annual separate and consolidated financial statements and any other communication of a performance or financial nature, with particular reference to the processes for gathering, processing and distributing performance and financial information, to the computer systems involved in the acquisition and processing of accounting data, to the measurement of assets and liabilities, to activities capable of affecting the accuracy of the data and thereby impact the preparation of the financial statements and other instruments and communications;
- to review existing procedures and, where appropriate, establish new procedures to ensure, within the scope of internal organizational processes, the traceability of information flows, the assignment of duties and responsibilities and their timing, the security of information systems with regard to information flows, and the existence of an adequate control system;
- to certify, in the manner prescribed by law, pursuant to section 5, Art. 154-*bis* of the Financial Services Act, in conjunction with the delegated administrative bodies, in a special report to be attached to the annual and half-year separate and consolidated financial statements, the adequacy and effective application of the procedures referred to above 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;

- to report to the Board, on at least a quarterly basis and in any case whenever the annual and interim financial statements are approved, on the activities performed, in particular with regard to the procedures for managing and controlling the process of preparing accounting documentation and 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 organizational modifications necessary or advisable for the discharge of duties assigned by law, the Company bylaws or the Board of Directors, as well as any consulting and/or professional service engagements and/or purchases of goods or services strictly instrumental to or necessary for the discharge of the manager's duties;
- to immediately inform the Board of any impediment that could jeopardize the proper performance of the above duties.

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

On 8 May 2008, the Board of Directors adopted a procedure for handling transactions entered into by the Company and/or its subsidiaries with related parties in order to standardize their approval and implementation. For each of these transactions, in compliance with the general principles established by CONSOB, the Board adopted rules and procedures that guarantee transparency and the substantive and formal propriety of such transactions.

In particular, when establishing the procedures for approving and executing 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 Internal Control Committee.

In 2010, the Board reviewed this procedure in the light of new indications issued by CONSOB on 12 March 2010, regarding the general principles to which Italian listed companies must adhere in order to ensure the substantial and procedural transparency and propriety of transactions with related parties undertaken either directly or through subsidiaries.

For more information on the procedure adopted by the Company, please refer to the Corporate Governance section of the website at [www.cementirholding.it](http://www.cementirholding.it).



### 13. APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

Art. 15 of the Company bylaws establishes 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.

The Board of Statutory Auditors shall be elected on the basis of slates submitted by shareholders with voting rights representing at least 2% of the share capital or any other threshold that may be set pursuant to applicable law.

The slate shall be filed at the Company's registered office at least 15 days prior to the date set for the Shareholders' Meeting on first call.

Persons submitting slates shall demonstrate that they are shareholders by filing accompanying documentation at the same time showing that they hold the number of shares required to submit the slate.

In the event that only one slate is submitted by the deadline for presenting slates or only slates by shareholders belonging to the same group or party to a shareholders' agreement concerning the Company's shares have been submitted, shareholders may continue to submit slates for up to five days after the deadline, without prejudice to compliance with statutory notice requirements. In this case, the percentage threshold for presenting slates shall be reduced by half.

Slates 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 their personal responsibility, that he or she meets the requirements established by law and agrees to be a candidate.

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

No shareholder may submit or vote, either directly or through another person or a trust company, for more than one slate, and each candidate may appear on only one slate or be subject to disqualification.

Once the votes are counted, the standing auditors shall be the top two candidates on the slate that has received the highest number of votes (the "majority slate") and the top candidate of the slate – 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 slate"), who will act as Chairman of the Board of Statutory Auditors.

Also elected shall be:

- two alternate auditors from among the candidates in the "alternate auditors" section of the slate that obtained the most votes;
- one alternate auditor from among the candidates in the "alternate auditors" section of the slate that obtained the second-highest number of votes.

In the event that only one slate is submitted, or where only one slate receives votes, all the candidates from that slate shall be deemed elected on the basis of ordinary statutory majorities.

In the event that a standing auditor fails to take up or resigns from the position, an alternate auditor from the same slate shall take his or her place.

The Shareholders' Meeting called to replace members of the Board of Statutory Auditors pursuant to law shall do so in compliance with the principle for the representation of minority shareholders.

Candidates may not be included on slates if they are already members of the board of 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 called to approve the financial statements for their third year of office.

Outgoing members of the Board of Statutory Auditors may be re-elected.



## 14. STATUTORY AUDITORS

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting (pursuant to bylaws and applicable laws and regulations) on 16 April 2008 for the 2008-2010 term, until the approval of the financial statements as at 31 December 2010. This appointment was based on the sole slate presented by majority shareholder Calt 2004 S.r.l.

The following table shows the structure of the Board of Statutory Auditors as at 31 December 2010.

Name	Position	From	Up to	List (M/m)*	Independence pursuant to Code	% Part..	No. of Other positions
Claudio <i>BIANCHI</i>	Chairman	Ord. GM 16.04.08	Approval Fianacial Statements 2010	M	X	100	12
Carlo <i>SCHIAVONE</i>	Standing Auditor (up to 25.05.2010)	Ord. GM 16.04.08	Approval Fianacial Statements 2010	M	X	100	-
Giampiero <i>TASCO</i>	Standing Auditor	Ord. GM 16.04.08	Approval Fianacial Statements 2010	M	X	100	27
Federico <i>MALORNI</i>	Standing Auditor (dal 25.05.2010)	Ord. GM 16.04.08	Approval Fianacial Statements 2010	M	X	50	52
Maria Assunta <i>COLUCCIA</i>	Alternate Auditor	Ord. GM 16.04.08	Approval Fianacial Statements 2010	M	X	-	-
Vincenzo <i>SPORTELLI</i>	Alternate Auditor	Ord. GM 16.04.08	Approval Fianacial Statements 2010	M	X	-	-

**Key**  
**% Part.:** reports percentage attendance at Board of Statutory Auditor meetings.  
**Other positions:** reports number of positions held by the relevant Standing Auditor pursuant to Art. 148 *bis* of the Financial Services Act. Details about other positions are on the list pursuant to art. 144-*quinquiesdecies* of the CONSOB Issuers' Regulations attached to the report on monitoring activities prepared by the Board of Statutory Auditors pursuant to article 153 (1) of the Financial Services Act.

For information on the personal and professional qualifications of each statutory auditor, please see their CVs and the slate through which shareholders appointed the auditors, which are available on the Company's website ([www.cementirholding.it](http://www.cementirholding.it)), under Corporate Governance / Shareholders' Meetings /List of candidates for Statutory Auditors at the 16 April 2008 meeting.

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During the year, the Board of Statutory Auditors met five times.  
 Five meetings were scheduled for 2011, one of which has already taken place.

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The Board of Statutory Auditors verified that its members met and continued to meet the independence requirements.  
 As part of this process, the Board applied all of the criteria regarding the independence of directors envisaged under the Code.

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For situations in which auditors are stakeholders on their own behalf or on behalf of others, the procedures for related party transactions (see Section 12) shall apply. These procedures state that an auditor in such a situation must report the situation in a timely, thorough manner to the Board of Directors and to the other auditors, specifying the nature, origin, terms and extent of the relationship.

The Board of Statutory Auditors monitored the independence of the auditing firm and verified compliance with the applicable provisions of law, as well as the nature and quantity of any services provided to the Company.  
 In performing its duties, the Board of Statutory Auditors coordinated its activities with the Internal Audit Department, the Internal Control Committee and the CFO.

## 15. SHAREHOLDER RELATIONS

The Company has a specific section on its website ([www.cementirholding.it](http://www.cementirholding.it)) that offers shareholders access to information they require in order to exercise their rights in an informed manner.

The Company has designated Marco Maria Bianconi as Head of Investor Relations.

An investor relations office and a communications office have also been set up.

## 16. SHAREHOLDERS' MEETINGS

Shareholders' Meetings are to be convened pursuant to the procedures established under applicable laws and regulations.

There are no specific quorums for convening meetings or passing resolutions, hence prevailing laws and regulations apply.

Pursuant to Article 12 of the Bylaws, the eligibility to attend the Shareholders' Meeting and exercise the right to vote shall be certified by means of a communication sent to the issuer by the intermediary, in accordance with the data in its accounting records related to 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, except as limited by the bylaws or applicable law.

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For the time being, the Company has not deemed it necessary to adopt rules for the Shareholders' Meeting in view of the fact that Meetings have always proceeded normally, and given the limited number of shareholders.

The Chairman of the Shareholders' Meeting verifies the due constitution of the Meeting and the presence of a quorum, as well as the legal entitlement of those attending. The Chairman governs the proceedings.

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On 19 April 2010, the Shareholders' Meeting approved the amendment of article 10 of the company bylaws, and pursuant to article 2365 (2) of the Civil Code, empowered the Board of Directors to amend the company bylaws in all instances where it is necessary to bring them into line with new statutory legal and regulatory provisions.

Furthermore, the Board reported to shareholders on the activities it had carried out and its plans for the future, in response to requests made by shareholders in attendance.

During the course of 2010, the Company's market capitalization changed in line with general market trends.

## 17. CHANGES SINCE YEAR-END

### Executive Directors

It is hereby noted that as regards positions held by directors at subsidiary companies belonging to the Issuer, before the Board of Directors of the Company for approval of this report, the Director Riccardo Nicolini has resigned as member and the Director Mario Ciliberto was appointed Chairman of subsidiary company Cementir Italia S.r.l.

Rome, 8 March 2011

On behalf of the Board of Directors  
Chairman  
Francesco Caltagirone Jr.

## **ANNEX 1: Section regarding the primary characteristics of the internal control and risk management systems as they relate to financial reporting (pursuant to Art. 123-bis(2)(b) of the Consolidated Law on Financial Intermediation).**

### **1) Introduction**

The internal control 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 objective includes that of ensuring the reliability, accuracy and timeliness of financial reporting through an appropriate process of identifying, measuring, managing and monitoring the primary risks.

A single, centralized internal control system has been adopted, which structures responsibilities into 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 organizational segregation in order to allow for effective monitoring;
- third level – provides “assurances” as to the overall design and functioning of the internal control system by means of independent assessments and plans for improvement defined by management.

The guiding principles for the Company’s internal control system are those expressed by the Committee of Sponsoring Organizations of the Tradeway Commission (COSO 1).

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

#### Components of the internal control system

The main components of the internal control system are as follows:

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

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

- the verifiability, documentability, 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;
- a periodic overhaul of the internal controls system based on risk assessments and changes made to the Compliance Model.

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

The Board of Directors, with the help of the Internal Control Committee, establishes the guidelines for the internal control system and assesses, at least once each year, the adequacy, efficacy and actual operation of said system.

The head of internal controls is responsible for designing, managing and monitoring the internal control system based on the guidelines established by the Internal Control Committee.

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 internal control and risk management systems related to financial reporting**

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

On 10 September 2007, the Board of Directors appointed Oprandino Arrivabene, the Company's CFO since 2005, to be the manager responsible for the Company's financial reports and, at its 8 May 2008 meeting, it approved the operating rules for said position. This document establishes the guidelines that are to be followed within the Cementir Holding Group regarding the obligations established by Art. 154-*bis* of Legislative Decree 58/1998 concerning the preparation of Company accounting documents and related certification obligations.

In particular, the document:

- establishes the powers and responsibilities of the manager;
- establishes the appointment of financial reporting managers within the Group companies, as well as related procedures;
- to assist in the preparation of the certifications and declarations required of the manager by law, introduces the option for the financial reporting managers of the Group companies to internally certify, by way of the related internal communications process, the proper functioning of administrative and accounting procedures, as well as the completeness and reliability of information and the adequacy and actual application of internal controls.

### *Risk assessment and updating the internal control system*

The internal control system has been adapted in response to an analysis of the risks related to the main corporate processes:

A gap analysis has been conducted regarding the following internal control principles:

Procedures and regulations

Segregation of responsibilities

Signatory and authorization powers

Control activities

Controls made of information systems

The Holding Company's Internal Audit Department conducted a risk assessment of the most important operating companies. This results of this project are in the process of being updated to take account of organizational changes adopted by the Company.

Based on the results of this analysis, an action plan was then prepared, which, in coordination with the implementation of the Compliance Model pursuant to Legislative Decree 231/2001, is intended to manage and protect against related risks, and calls for the adjustment and supplementation of Company rules and procedures, adopted by Cementir Holding and the companies of the Group, in order to achieve the Company's objectives in terms of the accuracy and truthfulness of information. This action plan is in the process of being completed, taking into account the reorganization being implemented by the Group which should have an impact on the main corporate processes.

Under the current organizational structure, financial reporting managers of the subsidiaries (262) have been chosen and may internally certify the proper functioning of administrative and accounting procedures, as well as the completeness and reliability of information and the adequacy and actual application of internal controls.

Once confirmation of application of the required controls has been received from the subsidiaries, the manager responsible for the Company's financial reports verifies the figures regarding performance and financial position and certifies that such figures correspond with those contained in Company documents, books and accounting records.

The control mechanisms described above are, in accordance with the guidelines for the internal control system, to be monitored by the management of the various 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).

#### Financial risk assessment and management

Another component of the internal control system is the process of identifying the financial risks related to Group operations. The assessment and management of these risks is expressly described in the explanatory notes to the financial statements.