

**2011 ANNUAL REPORT
ON CORPORATE GOVERNANCE AND OWNERSHIP
STRUCTURE**

in accordance with Article 123-*bis* of the Consolidated Finance Act (TUF)

Approval date: 8 March 2012

Traditional management and control model

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

GLOSSARY

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

- **Code:**
The Corporate Governance Code of listed companies approved in March 2006 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A.
- **Italian Civil Code:**
The Italian Civil Code
- **Board:**
The Board of Directors of the Issuer:
- **Issuer:**
The issuer of listed shares as referenced herein.
- **Financial year:**
The financial year to which the Report refers.
- **Instructions to the Stock Market Regulations:**
The Instructions to the Regulations of the Markets organised and operated by Borsa Italiana S.p.A.
- **Consob Issuers' Regulations:**
The Regulations for issuers promulgated by Consob with its resolution no. 11971 of 14 May 1999 (as subsequently amended).
- **Consob Market Regulations:**
The Regulations for markets promulgated by Consob with its resolution no. 16191 of 2007 (as subsequently amended).
- **Consob Related Parties Regulations:**
The Regulations for transactions with related parties promulgated by Consob with its resolution no. 17221 of 12 March 2010 (as subsequently amended).
- **Stock Market Regulations:**
The Regulations of the Markets organised and operated by Borsa Italiana S.p.A.
- **Report:**
The Report on corporate governance and ownership structure which Companies must prepare in accordance with Article 123-*bis* of the Consolidated Finance Act,
- **Consolidated Finance Act (TUF):**
Legislative Decree no. 58 of 24 February 1998 (Consolidated Finance Act).

INTRODUCTION

This report, approved by the Board on 8 March 2012, provides a general and complete description of the Corporate Governance and ownership structure of Cementir Holding S.p.A. at 31 December 2011, drafted according to the recommendations of Borsa Italiana S.p.A. ("Borsa Italiana"), and taking into account the document "Format for the report on corporate governance and ownership structure" (3rd Edition, February 2012) prepared by Borsa Italian with the support of Assonime.

As will be described in the remainder of this Report, in 2011 the Company continued to upgrade its corporate governance system in accordance with the Code which it has, therefore, formally adopted.

The text of this Report is available at the registered office and on the Company website www.cementirholding.it and it has been delivered to Borsa Italiana, according to the procedures and within the terms prescribed by current regulations.

1. ISSUER'S PROFILE

1.1. Foreword

Cementir Holding S.p.A. ("Cementir" or "the Company" or "the Issuer") is the parent company of one of the world's leading operators in the white and grey cement and concrete industry.

The Company manufactures and distributes grey and white cement, aggregates, concrete and cement products in many Countries throughout the world. With plants located in 14 Countries and over 3,190 employees, Cementir Holding is a world leader in the production of white cement; it is also the only cement manufacturer in Denmark, the third largest in Turkey and the fourth largest in Italy, in addition to being the leading concrete manufacturer in Scandinavia.

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

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

1.2. Company Organisational Structure

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

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

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

The Board elects a Chairman among its members and it may elect a Deputy Chairman to replace the Chairman in case of absence or disability.

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

The Board of Statutory Auditors, as a result of the entry into force of Legislative Decree 39/10, having taken on the new role of "Committee for Internal Control and Auditing", shall not only monitor compliance with the law and the Articles of Association as well as with the principles of correct administration in the conduct of Company business, but also monitor the effectiveness of the internal control, internal audit and risk management system as well as the financial disclosure and statutory account auditing process and the independence of the outside auditor or audit company.

Account auditing shall be performed by a specialised company registered with the Consob, specifically appointed by the Shareholders' Meeting.

2. INFORMATION ON THE OWNERSHIP STRUCTURE IN ACCORDANCE WITH ARTICLE 123-BIS OF THE CONSOLIDATED FINANCE ACT

Paragraph 1

a) Share capital structure

Cementir's subscribed and paid up share capital as at 31 December 2011 amounts to EUR 159,120,000 (one hundred fifty-nine million, one hundred twenty thousand) divided into 159,120,000 ordinary share with a par value of EUR 1.00 each, except as specified below with respect to approved but non subscribed capital related to the stock incentive plan approved by the Company on 15 January 2008.

SHARE CAPITAL STRUCTURE				
	No. of shares	Percentage of share capital	Listed	Rights and obligations
Ordinary shares	159.120.000	100%	Borsa Italiana – STAR Segment	Those ordinarily prescribed by current regulations

The shares are indivisible and freely transferable and each share entitles to one vote. Shareholders can exercise the corporate and capital rights attributed to them by current regulations, in compliance with the limits set out therein. Cementir Holding has not issued other categories of shares or of financial instruments that may be converted or exchangeable with shares.

With regard to stock-based incentive plans, during financial year 2008 the Shareholders' Meeting of the Company approved a stock-based incentive plan ("Plan") intended for Directors tasked with specific duties and for Key Executives within the Company and/or its subsidiaries, delegating the Board of Directors, in accordance with Article 2443 of the Italian Civil Code, to increase the share capital to service the Plan up to a maximum amount of EUR 162,302,400, by issuing no more than 3,182,400 ordinary shares, with regular dividend rights, excluding the option right, in accordance with Article 2441, Eighth Paragraph, of the Italian Civil Code.

On 11 February 2008, therefore, the Board of Directors of the Company, by virtue of the aforesaid powers, resolved, *inter alia*, to:

increase the share capital of the Company against payment, also in divisible form, up to an amount of EUR 1,225,000, through the issue of up to 1,225,000 shares, with a par value of EUR 1, in accordance with Article 2441, Eighth Paragraph, of the Italian Civil Code and, hence, with the exclusion of the option right (in this regard, it is specified that the share capital shall be deemed to be increased by an amount equal to the value of the ordinary share actually subscribed from time to time);

approve the regulations of the Plan ("Regulations"); and

assign the options of the Plan ("Options") to some of the beneficiaries as identified above. It should be specified that the assigned options may not be exercised before the vesting date (11 February 2011) and shall be exercisable no later than two years after the vesting date.

For more information about the Plan, please refer to the Report on the Remuneration Policy, to the financial statements and to the information document prepared in accordance with Article 84-bis of the Consob Issuers Regulations made available at the Website of the Company, www.cementirholding.it, in the "information documents" and at Borsa Italiana S.p.A.

b) Restrictions on the transfer of shares

There are no restrictions on the transfer of shares.

c) Material holdings

At the date of approval of the report, shareholders owning more than 2% of the share capital, as reported in the shareholders' register, in the notices received in accordance with Article 120 of the Consolidated Finance Act and in the other available information at 31 December 2011 are:

MATERIAL HOLDINGS AS AT 31 DECEMBER 2011			
Declarant	Direct shareholder	Percentage of ordinary capital	Percentage of voting capital
Francesco Gaetano CALTAGIRONE	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.	65.104%	65.104%
Francesco Gaetano CALTAGIRONE	YES	0.834%	0.834%
Francesco CALTAGIRONE Jr.	NO through: Chupas 2007 S.r.l.	2.514 %	2.514 %
Francesco CALTAGIRONE Jr.	YES	1.885%	1.885%

For events subsequent to the ending date of financial year 2011 until the approval of this Report, please refer to the information provided on the Consob Website, at the section "Issuers – Listed Companies – Shareholders of Cementir Holding".

d) Shares entitling to special rights

No shares entitling to special control rights have been issued.

e) Employee shareholdings: voting rights exercising procedure

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

f) Restrictions on voting rights

There are no restrictions on voting rights.

g) Shareholder agreements pursuant to Article 122 of the Consolidated Finance Act

No shareholder agreements pursuant to Article 122 of the Consolidated Finance Act, concerning the exercise of rights pertaining to the shares or their transfer are known or have been reported.

h) Change of control clauses and articles of association provisions on takeover bids

The Issuer and its subsidiaries have not stipulated significant agreements that become effective or invalid in case of change of control of the contracting company. The Articles of Association of the Issuer do not provide any waivers of the passivity rule as set out by Article 104, Paragraphs 1 and 2 of the Consolidated Finance Act and do not provide for the enforcement of the neutralization rules contemplated by Article 104-bis, Paragraphs 2 and 3 of the Consolidated Finance Act.

i) Directors' indemnity in case of resignation, dismissal or termination of employment as a result of a takeover bid

The information required by Article 123-bis, First Paragraph, Letter i) is provided in the Report on Remuneration published in accordance with Article 123-ter of the Consolidated Finance Act.

l) Appointment and replacement of directors

Please see Paragraph 4 (Board of Directors).

m) Powers to increase the share capital and authorisations to purchase treasury shares

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

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

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

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

Therefore, the conditions set out in Article 37 of Consob Market Regulations no. 16191/2007 do not apply.

Paragraph 2

a) Adoption of a code of conduct

See paragraph 3 (Compliance).

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

See paragraphs 5 ((Handling of Corporate Reporting), 11 (Internal Control System), and Annex 1 on the "Primary characteristics of existing risk management and internal control systems in relation to the financial reporting process".

c) Shareholders' Meetings procedures

See paragraph 16 (Shareholders' Meetings).

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

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

3.COMPLIANCE

The Issuer has formally adopted the Code, accessible to the public at the Website of Borsa Italiana (www.borsaitaliana.it). With regard to any failure to comply with one or more recommendations of this Code, please see the specific explanations in the various sections of this Report.

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

4. BOARD OF DIRECTORS

4.1. Appointment and replacement of directors

On 21 June 2007, the Extraordinary Shareholders' Meeting amended to Articles of Association to implement the changes required by Law no. 262 of 28 December 2005 (the "Savings" Law) with subsequent amendments and/or additions.

Directors are appointed by the Shareholders' Meeting at the direct proposal of the Shareholders, based on the provisions of the Articles of Association and current laws.

Members of the Board of Directors are elected on the basis of lists submitted by Shareholders with voting rights who represent at least 2% of the share capital or the different threshold set in accordance with current regulations. The lists shall be filed at the registered office of the company no later than the twenty-fifth day preceding the date set for the shareholders' meeting on first call.

The lists indicate which candidates fulfil the independence requirements set by law and they are accompanied by the CV of the candidates, describing their professional and personal characteristics and their acceptance of the candidacy.

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

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

If only one list is submitted or if only one list receives votes, all of its candidates shall be elected on the basis of ordinary majorities as prescribed by law.

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

When directors have to be appointed in situations other than the renewal of the entire Board of Directors, the Shareholders' Meeting shall decide with the majorities prescribed by law and without following the aforesaid process.

If one or more Directors leave office during the year, the provisions of Article 2386 of the Italian Civil Code shall apply.

The Shareholders' Meeting may appoint an Honorary Chairman, who need not be a member of the Board of Directors, identifying him among those persons who particularly distinguished themselves by their work and their achievements for the Company, and by the merits they earned during their professional career. The Honorary Chairman may attend Board of Directors meetings in a consultative role and without voting rights. The Honorary Chairman shall be entitled to the same compensation prescribed by the Articles of Association and by the Shareholders' Meeting for members of the Board of Directors. The Articles of Association do not specify additional independence requirements aside from those set out for statutory auditors in accordance with Article 148 of the Consolidated Finance Act, and/or additional integrity and/or professionalism requirements for eligibility to serve as directors, also with reference to the requirements set out by the Corporate Governance Code.

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

Succession plans

Currently, the company has no succession plans for the replacement of the Executive Directors.

4.2. Composition

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

Currently, the Company is governed by a Board of Directors comprising fifteen Directors, appointed, with 98.43% favourable votes on the basis of the single list submitted by the majority shareholder Calt 2004 S.r.l., by the ordinary Shareholders' meeting held on 21 April 2009. The Directors shall be in office for three years, i.e. until the approval of the financial statements as at 31 December 2011.

No Directors left office during the year ending on 31 December 2011.

The following table shows the composition of the Board of Directors and of the Committees as at 31 December 2011.

Name	Office	In office since	In office until	List (M/m)	EXEC NON	EXEC	INDEP TUF	INDEP CODE	% BOARD	EC	% EC	R.C.	% R.C.	I.C.C.	% I.C.C.
Francesco CALTAGIRONE	Chairman	Sh. Mtg. 21.04.09	Approval of 2011 Fin. St.	M		X			100	C	/				
Carlo CARLEVARIS	Deputy Chairman	Sh. Mtg. 21.04.09	Approval of 2011 Fin. St.	M	X		X		60						
Alessandro CALTAGIRONE	Director	Sh. Mtg. 21.04.09	Approval of 2011 Fin. St.	M	X				80						
Azzurra CALTAGIRONE	Director	Sh. Mtg. 21.04.09	Approval of 2011 Fin. St.	M	X				80						
Edoardo CALTAGIRONE	Director	Sh. Mtg. 21.04.09	Approval of 2011 Fin. St.	M	X				-						
Saverio CALTAGIRONE	Director	Sh. Mtg. 21.04.09	Approval of 2011 Fin. St.	M	X				100						
Flavio CATTANEO	Director	Sh. Mtg. 21.04.09	Approval of 2011 Fin. St.	M	X		X	X	20					M	/
Mario CILIBERTO	Director	Sh. Mtg. 21.04.09	Approval of 2011 Fin. St.	M		X			80	M	/				
Massimo CONFORTINI	Director	Sh. Mtg. 21.04.09	Approval of 2011 Fin. St.	M	X		X	X	100			C	/	C	100
Fabio CORSICO	Director	Sh. Mtg. 21.04.09	Approval of 2011 Fin. St.	M	X				20						
Mario DELFINI	Director	Sh. Mtg. 21.04.09	Approval of 2011 Fin. St.	M	X				100			M	/		
Alfio MARCHINI	Director	Sh. Mtg. 21.04.09	Approval of 2011 Fin. St.	M	X		X	X	20						
Walter MONTEVECCHI	Director	Sh. Mtg. 21.04.09	Approval of 2011 Fin. St.	M		X			-						
Riccardo NICOLINI	Director	Sh. Mtg. 21.04.09	Approval of 2011 Fin. St.	M		X			100	M	/				
Enrico VITALI	Director	Sh. Mtg. 21.04.09	Approval of 2011 Fin. St.	M	X		X	X	80			M	/	M	100

The following table shows the number of meetings held by the Board of Directors, by the Internal Control Committee, by the Remuneration Committee and by the Executive Committee as at 31 December 2011.

Number of meetings held during 2011	BoD: 5	ICC: 1	RC: 0	EC: 0
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Key
Exec.: checked if the director qualifies as an executive director
Non exec.: checked if the director qualifies as a non-executive director
Indep. TUF: checked if the director fulfils the independence requirements set out in Article 148, Paragraph 3 of the Consolidated Finance Act (Article 144 *decies*, of the Consob Issuers Regulations)
Indep. Code: checked if the director fulfils the independence requirements set out in the current Corporate Governance Code.
% Board: the directors' percentage of attendance at Board meetings (the percentage is calculated according to the number of meetings attended by the director relative to the number of Board meetings held during the year or after the director took office)
Other positions: the positions held in other companies listed in regulated markets (also abroad), in financial, banking, insurance companies or in companies of significant size, identified according to criteria defined by the Board.
CE: executive committee; C/M entered if chairman/member of the executive committee.
% EC: the directors' percentage of attendance at executive committee meetings (the percentage is calculated according to the number of meetings attended by the director relative to the number of executive committee meetings held during the year or after the director took office)
C.R.: C/M entered if chairman/member of the Remuneration Committee
% RC: the directors' percentage of attendance at remuneration committee meetings (the percentage is calculated according to the number of meetings attended by the director relative to the number of remuneration committee meetings held during the year or after the director took office)
I.C.C.: C/M entered if chairman/member of the internal control committee
% I.C.C.: the directors' percentage of attendance at internal control committee meetings (the percentage is calculated according to the number of meetings attended by the director relative to the number of internal control committee meetings held during the year or after the director took office)

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

Name	Position	Other positions
Francesco CALTAGIRONE	Chairman	Deputy Chairman Banca Antonveneta S.p.A. Deputy Chairman Cimentas A.S. Deputy Chairman Cimbeton A.S. Deputy Chairman Aalborg-Portland A.S. Deputy Chairman Unicon A.S. Director Caltagirone S.p.A. Director Caltagirone Editore S.p.A. Director Banca Finnat Euramerica S.p.A. Director Acea S.p.A.
Carlo CARLEVARIS	Deputy-Chairman	Hon. Chairman Banca Finnat Euramerica S.p.A. Director Caltagirone S.p.A. Director Vianini Lavori S.p.A. Director Vianini Industria S.p.A. Director Il Messaggero S.p.A. Director Immobiliare Caltagirone ICAL S.p.A.
Alessandro CALTAGIRONE	Director	Chairman Vianini Industria S.p.A. Chairman FGC S.p.A. Director Caltagirone S.p.A. Director di Vianini Lavori S.p.A. Director Caltagirone Editore S.p.A. Director Il Messaggero S.p.A. Director Cimentas A.S. Director il Gazzettino S.p.A.
Azzurra CALTAGIRONE	Director	Deputy Chairman Caltagirone Editore S.p.A. Director Caltagirone S.p.A. Director Il Messaggero S.p.A. Director Piemme S.p.A.
Edoardo CALTAGIRONE	Director	Deputy Chairman Caltagirone S.p.A.
Saverio CALTAGIRONE	Director	
Flavio CATTANEO	Director	Chief Executive Officer of Terna S.p.A.
Mario CILIBERTO	Director	Chairman Cementir Italia S.r.l. Chairman Betontir S.p.A. Chairman Aalborg Portland Anqing Ltd Chairman Aalborg Portland Malaysia Sdn Bhd Chairman Aalborg Portland US Inc. Director Cimentas A.S. Director Cimbeton A.S. Chairman Vianini Pipe Inc. Director Sinai White Portland Cement Co. S.A.E.
Massimo CONFORTINI	Director	Director Caltagirone Editore S.p.A. Receiver of Antonio Merloni S.p.A. (in receivership)
Fabio CORSICO	Director	Director Il Gazzettino S.p.A. Director Alleanza Toro S.p.A. Director Consum.it S.p.A. Director Biverbanca S.p.A. Director Grandi Stazioni S.p.A.
Mario DELFINI	Director	Deputy Chairman Vianini Lavori S.p.A. Deputy Chairman Cementir Italia S.r.l. Director Caltagirone S.p.A. Director Caltagirone Editore S.p.A. Director Vianini Industria S.p.A. Deputy Chairman Fabrica Immobiliare SGR S.p.A. Director Il Messaggero S.p.A. Director Il Gazzettino S.p.A. Director Piemme S.p.A. Director FGC S.p.A.
Alfio MARCHINI	Director	Chairman and CEO Astrim S.p.A. Chairman Keryx S.p.A. Director Edilnova Romana S.r.l. Director E-CARE S.p.A.
Walter MONTEVECCHI	Director	Chairman Cimentas A.S. Chairman Cimbeton A.S. Director Aalborg Portland A.S. Director Cementir Italia S.r.l.
Riccardo NICOLINI	Director	Director Cimentas A.S. Deputy Chairman Unicon A.S. Deputy Chairman Sinai White Portland Cement Co. S.A.E.
Enrico VITALI	Director	

With reference to the personal and professional characteristics of each Director in office, reference is made to the *curricula vitae* published, together with the aforementioned list, at the Company's website www.cementirholding.it, in the sections entitled *Investor Relations/Corporate Governance/2009 Shareholders' Meeting*.

Maximum number of positions held in other companies

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

Therefore, the Issuer's Board of Directors did not set rigid, general criteria for the maximum number of appointments to other companies' governing and controlling boards that may be considered compatible with the effective performance of a director's duties. In any case, the Board annually verifies whether the number of governing board positions assumed in other companies by its members is compatible with the effective performance of their duties, taking into account the directors' varying levels of effort in relation to the role in which they serve (e.g. executive, non-executive, independent, member of multiple committees, etc.), the nature and the size of the companies in which the positions are held and whether or not the companies belong to the Issuer's group.

4.3. Role of the Board of Directors

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

In 2011, the Board of Directors met 5 times; all meetings were duly attended by the Directors, the members of the Board of Statutory Auditors, the Manager responsible for preparing the company's financial reports, and in some cases the Head of Internal Control, who provided additional information about agenda items.

On average, Board of Directors meetings lasted one hour in 2011.

At least 5 meetings are scheduled in 2012.

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

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

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

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

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

Additionally, the Board of Directors shall:

- examine and approve the Issuer's corporate governance system and the Group's structure;
- assess the adequacy of the Issuer's organisation, administration and general accounting system, with particular reference to the internal control system and the management of conflicts of interest;
- assign and revoke directors' powers, defining the limitations and methods for the exercise of such powers;
- set the remuneration of managing directors and of the other directors tasked with specific duties, if the Shareholders' Meeting has not done so;
- assess general operating performance, taking particular account of information received from the cognisant bodies;
- examine and approve the Issuer's transactions in advance, when such transactions have strategic, economic, or financial relevance for 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;
- evaluate the size, composition and operation of the Board and of its Committees

Transactions of economic and financial significance, including transactions with related parties when the transaction is Significant and Relevant in accordance with the procedure for related-party transactions adopted by the Company (Section 12), are subject to prior examination and approval by the Board of Directors, whose members shall be provided with the information required to pass resolutions on the various topics under discussion.

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

The Board of Directors has assessed, at least once per year, the adequacy of the Issuer's organization, administration and general accounting system, as well as the effectiveness and actual operation of the internal control system and of the management of conflict of interest.

During 2011, the Board periodically evaluated the general performance of the Company, taking into account the information received from the Chairman of the Board of Director upon approval of the interim reports on operations. For more information about the amendments made by the Company to the Articles of Association, please refer to the Corporate Governance section of the Company's Website, www.cementirholding.it.

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

To meet organisational needs, the Company's Shareholders' Meeting did not provide prior general authorisation for exceptions to the non-competition clause pursuant to Article 2390 of the Civil Code, but empowered the Board to assess any issues as and when they arise, and to notify the shareholders of any critical issues at the next Shareholders' Meeting. In 2011, the Board did not examine any such case.

4.4. 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 details on such powers, please see the following paragraph) – with the sole exception of those reserved to the Shareholders' Meeting and the Board of Directors by law and by the Articles of Association.

Therefore, since no Managing Director was appointed, the Chairman has primary responsibility for the management of the Issuer (Chief Executive Officer).

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

Chairman of the Board of Directors

Irrespective of the powers prescribed by law and by the Articles of Association, 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 strictly 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 Co-ordinating 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, municipal and local government authorities, with private and public bodies, institutions, agencies, autonomous and municipalised government companies, and before any other ordinary or special administrative, judicial and tax authority, including in arbitration.
- A.3 Initiating and signing at any and all proceedings at any level and before all administrative, tax or legal authorities, in all appeals, petitions or defences, claims or other suits and proceedings of any kind; settling disputes; appointing and revoking legal counsel and attorneys, including addressees for substituted service; and designating and appointing consultants, mediators and arbitrators.
- A.4 Purchasing, selling, and exchanging 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 and 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 with respect to the ownership and availability of the assets, and to the absence of prejudicial mortgages, privileges or other encumbrances; requesting and authorising the transfer of possession; accepting and agreeing obligations, reserves, easements and community of property; waiving any mortgages resulting from deeds of sales and releasing cognisant property registrars from all related liabilities; requesting the benefits allowed by tax laws, undertaking to fulfil all statutory obligations, as well as doing anything else necessary to complete such transactions, with all powers necessary without limitation such that no lack of powers may ever 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, relocating and closing secondary offices and/or other local facilities, such as production sites, sales offices, distribution centres, agencies, and storage facilities for the Company's products, and handling any formalities that may be necessary or appropriate.
- A.6 Stipulating, amending 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 exchange of machinery, equipment, materials in general, maintenance work thereon, as well and delivery and installation and the sale of Company products or other products handled by the Company;
 - b) issuing and accepting contracts and sub-contracts, also for services and supplies in general;
 - c) purchasing, selling and exchanging motor vehicles and transport equipment in general, releasing public registrars

- from all obligations and liabilities;
- d) insurance contract;
- e) granting and opening lines of credit for overdrafts on current account in the Company's name.
- A.7 Authorising 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 in accordance with Articles 2602/2612 and 2612 *et seq.* and Article 2615 of the Italian Civil Code, including Consortia, Temporary Business Groupings pursuant to Laws 584/77, 1/1978 and 687/1984, and joint ventures with other General or Specialised Enterprises, both foreign and domestic, in order to participate in the acquisition and performance of contracts for works and/or deliveries compatible with the Company's purpose.
- A.9 Acquiring and disposing of equity investments in other companies and establishing or participating in the establishment of companies whose purpose is the same, similar, or directly or indirectly connected to that of the Company; consequently, subscribing capital or capital increases; providing financing, including capital financing, with all consequent rights, including in relation to the disposal or liquidation of said equity investments.
- A.10 Signing communications with the Judicial 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); signing communications to the *Commissione Nazionale per le Società e la Borsa* (CONSOB, the Italian Companies and Stock Exchange Commission) in accordance with applicable laws and regulations.
- A.11 Stipulating loans as a lender and borrower; assigning receivables and expired payment orders; 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 Stipulating 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 treasuries, 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 municipalised company; receiving deposits, signing receipts, orders and payment orders, issuing receipts in the forms required, releasing payers from all liability.
- A.14 Participating in public auctions, private negotiations, tenders and similar competitive procedures for the acquisition of concessions, contracts, and supply agreements, with the power to sign and present requests for prequalification, bids, designs 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 performance, including through contracts, sub-contracts, and deliveries including installation on site.
- A.15 Hiring, suspending and terminating the employment of executives, managers, office staff and workers; appointing executives, authorising and granting salary increases and bonuses; assessing disciplinary penalties; hiring consultants, with long-term contracts.
- A.16 Granting special powers of attorney, to be exercised individually or jointly, to Company employees (who may be Directors) and third parties for specific deeds or categories of deeds 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, firms, consortia and/or enterprises, as Company shareholders.

In 2011, the Deputy Chairman, Mr. Carlevaris, was never 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 financial statements, and determined that said Committee shall comprise three members:

- Francesco Caltagirone Jr. Chairman;
- Riccardo Nicolini Director;
- Mario Ciliberto Director;

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

Reports to the Board

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

4.5. Other Executive Directors

By virtue of the offices they hold within the Issuer and its subsidiaries, other executive directors include: the Directors Riccardo Nicolini, Chief Operating Officer of the Issuer, Mario Ciliberto, Chairman of the subsidiary Cementir Italia S.r.l.; and Walter Montevecchi, Chairman of the subsidiary Cimentas A/S. Within the Group's reorganisation process, the Board of Directors decided to:

- vest Director Riccardo Nicolini, as Agent of the Issuer, with the following powers:
 - B.1 within the budget approved by the Company and within company policies and procedures:
 - a) to negotiate, stipulate, amend and terminate agreements for the purchase of goods pertaining to the ordinary operations of the Company, up to the maximum total amount of EUR 50,000 for each agreement;
 - b) to negotiate agreements for professional and consulting services and service agreements in general, setting all conditions and terms up to the maximum total amount of EUR 500,000 for each agreement;
 - c) to negotiate master agreements, also in the interest of the other Subsidiaries of Cementir Holding, in relation to the following types of goods and/or services:
 - (i) goods and/or services pertaining to the procurement of electricity, or other fuels relating to energy requirements (e.g. pet coke);
 - (ii) goods and/or services pertaining to manufacturing requirements (e.g. additives, refractory bricks, grinding bodies, extraordinary plant maintenance);
 - (iii) logistical services (by land and by sea);
 - (iv) goods and/or services pertaining to the IT systems;
 - (v) insurance and reinsurance products and services in general, including brokerage contracts;
 - B.2 within the scope of Group policies and corporate procedures, to sign any intra-group agreement (e.g. service or trademark license, agency agreements, etc.) with the other subsidiaries of Cementir Holding;
 - B.3 to implement the medium and long term loan agreements resolved by the Company and to request credit institutions or third parties in general to issue sureties and other guarantees supporting company obligations as resolved by the Company, signing all necessary and consequent deeds;
 - B.4 to accept sureties or equivalent guarantees issued by banking institutions or by third parties in favour of the Company to guarantee third party obligations;
 - B.5 to issue with maximum validity up to the 12 months after the date of conferral and to revoke within the limits of the above powers, special powers of attorneys to Company employees and/or to third parties for determined transactions or categories of transactions within the aforesaid powers;
 - B.6 to sign communications with the Judicial Authorities, Chambers of Commerce, and other public and private Bodies concerning the Company's statutory or regulatory obligations, with the exception of communications to the *Commissione Nazionale per le Società e la Borsa* (CONSOB, the Italian Companies and Stock Exchange Commission) in accordance with applicable laws and regulations.
- to vest Director Mario Ciliberto with the following powers:
 - C.1 to undertake dealings and negotiations regarding all international transactions (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 business units, in addition to leasing of companies and/or business units related to the company's purpose; all such powers must be exercised in compliance with company procedures, drawing on the Company's relevant corporate structures on a case-by-case basis and dependent upon the area of competence;
 - C.2 to 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 so authorized in accordance with Company governance;
 - C.3 to negotiate, enter into, amend and terminate any consulting agreement necessary for the exercise of the powers as set out in item i) above, within the limits established in the budget approved by the Company, having informed the Company's relevant corporate organisations (depending upon the consultant's area of competence) regarding the choice of the consultant, and in any event, in compliance with corporate procedure.

The Deputy Chairman, Mr. Carlevaris is not deemed to be an Executive Director, because he was never required to exercise his powers of Company management and representation in lieu of the Chairman in 2011. During Board of Director meetings, Directors are continuously kept abreast of developments within the Company, also in relation to the applicable regulatory framework, so that they may perform their duties effectively.

4.6. Independent Directors

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

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

At the first meeting following its appointment, the Board of Directors verified – applying the criteria set out in the Corporate Governance Code - the independence requirements of the aforementioned directors pursuant to the Consolidated Finance Act and the Corporate Governance Code, based on their signed declarations; it also verified their integrity and professionalism.

In its meeting of 9 May 2011, the Board assessed whether the independence requirements were still met by the Directors who, upon appointment, had been qualified as "Independents"; the outcome of the assessment was positive also with respect to requirements that in any case are constantly verified by the Board of Statutory Auditors.

The independent directors did not meet in 2011.

4.7. Lead Independent Director

The Board designated independent Director Prof. Confortini as Lead Independent Director, to serve as the representative and coordinator of the requests and contributions of the non-executive directors and particularly of the independent directors. The Lead Independent Director did not call any meetings of independent directors in 2011 as there was no need to do so.

5. HANDLING COMPANY INFORMATION

In compliance with the Code, the Company adopted a procedure for “Handling information, with particular reference to confidential information”, whose full text is available under the Corporate Governance section of the Company’s website, www.cementirholding.it.

In accordance with Article 114 of the Consolidated Finance Act, the Company has also adopted an Internal Dealing Code governing disclosure obligations regarding internal dealing, as specified under Articles 152-*sexies et seq.* of CONSOB Regulation no. 11971 of 14 May 1999 as amended.

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

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

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

6. COMMITTEES WITHIN THE BOARD

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

Since 2001, in addition to the Executive Committee as discussed under Section 4.5 above, the Company's Board of Directors has also established the Internal Control Committee and the 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 refer to 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 can rely on the assistance of Company organisations in the performance of their duties.

7. APPOINTMENTS COMMITTEE

Without prejudice to the indications contained in the previous paragraph, it is specified that Directors are appointed in accordance with the Articles of Association, which specify that appointments shall be made on the basis of lists submitted by Shareholders, in compliance with the provisions of Article 147-ter of the Consolidated Finance Act (see Section 4.1).

In light of the above, considering that shareholders have never had any difficulties in appointing directors, and given the optional 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 Article 7 of the Code, the Company's Board of Directors appointed the following Directors to serve on the Remuneration Committee:

- Massimo Confortini (Committee Chairman, independent in accordance with the Consolidated Finance Act and the Code, non-executive);
- Mario Delfini (non-executive, experienced in the accounting and financial fields);
- Enrico Vitali (independent in accordance with the Consolidated Finance Act and the Code and non-executive).

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

- evaluating and formulating proposals for the Board of Directors regarding remuneration policies proposed by the Company for its managers;
- evaluating and formulating proposals to the Board of Directors with regard to stock incentive, stock option, employee shareholding and similar plans motivating and retaining the managers and employees of the Group companies controlled by the Company;
- formulating proposals to the Board of Directors, with the abstention of any parties directly involved, regarding the remuneration of the Executive Directors. The Committee may also formulate proposals regarding the portion of the remuneration of the Executive Directors, indicated by the Board of Directors, to be tied to Company performance;
- formulating proposals to the Board of Directors, with the abstention of any parties directly involved, regarding the remuneration of non-executive Directors, which shall be commensurate with the effort required from each of them, taking into account any membership in 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 only if so resolved and justified by the Shareholders' Meeting.

The Committee did not meet in 2011 as no such meetings were necessary. In 2011, the Committee did not evaluate the criteria adopted for the remuneration of key executives, since the sole remuneration for such executives is through options related to the stock incentive plan approved in 2008, described in the Report on the Remuneration Policy.

9. REMUNERATION OF DIRECTORS

General remuneration policy

Please refer to Chapter 1 of the Report on the Remuneration Policy.

The Issuer decided to submit its Remuneration Policy to the Board of Directors only after the legal and regulatory framework was complete. For this purpose, since the amendments to the Consob remuneration regulations were issued only last December with resolution no. 18049, the Remuneration Policy prescribed by Article 6 of the Code will be approved at the first meeting of the Board of Directors in 2012.

Stock incentive plans.

Please refer to Chapter 2.2.2 of the Report on the Remuneration Policy.

Remuneration of Executive Directors

Please refer to Chapter 2.1 of the Report on the Remuneration Policy.

Remuneration of Key Executives

Please refer to Chapter 2.1.4 of the Report on the Remuneration Policy.

Incentive schemes for internal control personnel and for the Manager responsible for preparing the company's financial reports

Please refer to Chapter 2.1.2 of the Report on the Remuneration Policy.

Remuneration of non-Executive Directors

Please refer to Chapter 2.1 of the Report on the Remuneration Policy.

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

Please refer to Chapter 2 of the Report on the Remuneration Policy.

10. INTERNAL CONTROL COMMITTEE

In accordance with the Consolidated Finance Act and Article 8 of the Code, the Internal Control Committee comprises three independent directors, one of whom (Mr. Vitali) has a level of experience in accounting and finance that is deemed sufficient by the Board:

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

Functions of the Internal Control Committee

The Internal Control Committee is responsible for:

- assisting the Board of Directors in the definition of the control system's guidelines, so that the main risks of the Company and of its subsidiaries are correctly identified and adequately measured, managed and monitored, whilst also establishing criteria for assessing the compatibility of such risks with a sound and correct conduct of the Company's business, formulating proposals to the Board of Directors in this regard;
- reporting at least annually to the Board of Directors on the work it carried out;
- at the request of the Board of Directors, 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;
- when required by the related procedure, providing an advance opinion to the Board of Directors in the course of the process for the approval of certain transactions completed by the Company with related parties.

In 2011, the Committee met once to:

- analyse the Risk Policy sent by the Head of Internal Control;
- examining the report on the Internal Control System of Cementir Holding for the 3rd Quarter of 2011, prepared by the Head of Internal Control;

The meeting lasted about one and a half hours.

The meeting was attended by the Chairman of the Board of Statutory Auditors, and the Head of Internal Control, who provided input on agenda items under their cognisance.

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 outside 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 organisational structures established to ensure, through the appropriate identification, measurement and management of major risks, the sound management of the Company in a manner consistent with its objectives.

For the description of the primary characteristics of the internal control and risk management systems related to separate and consolidated financial reporting, please refer to [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 appointed and operating for that purpose (Internal Control Committee, Supervisory Body pursuant to Legislative Decree 231/01, and the Internal Audit Department appointed directly by the Board of Directors), all of which are coordinated with the Board of Statutory Auditors.

11.2. Head of Internal Control

The Board appointed Mr. Francesco Paolucci as Head of the Internal Audit Department, responsible for verifying that the internal control system is always adequate, fully operational and functional (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 operating areas, nor is it hierarchically subordinate to any Head of operating 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 risk containment plans, 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 in the performance of his/her duties
- has adequate resources (annual budget) and means to perform his/her duties.

Audit work is carried out in accordance with an annual work plan prepared by the Head of the Internal Audit Department, examined and approved by the Board of Statutory Auditors and approved by the Chairman, but they may also be ordered by corporate management in relation to specific occurrences or as a result of particular 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. Organisational Model in accordance with Legislative Decree 231/2001

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

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

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

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

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

The Body is governed by its own rules.

In 2011, the Supervisory Body formally met five times, for the purpose of:

- defining actions for the dissemination of the Code of Ethics and 231 protocols;
- verifying implementation of the "Organisation, Management and Control Model";
- together with the Head of the Internal Auditing organisational unit, monitoring the progress of the implementation of procedures and of the audit activities regarding the actual application and effectiveness of the procedures;
- planning work for the year 2012
- following up on the project for upgrading the 231 Model of Cementir Holding and of the Italian subsidiaries, and on its repercussions on foreign subsidiaries.
- verifying 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 more information about the 231 Model and the Code of Ethics adopted by the Company, please refer to the Corporate Governance section of the Company's Website, www.cementirholding.it.

11.4. Independent Auditors

In accordance with the law, an auditing firm registered with CONSOB has been appointed to audit the Company's accounts. The appointment was made by the Shareholders' Meeting following a justified recommendation by the Board of Statutory Auditors.

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 statutory 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 preparing the company's financial reports

In accordance with Article 16 of the Company's Articles of Association, the Board of Directors appoints the manager responsible for preparing the Company's financial report, with due regard for the opinion of the Board of Statutory Auditors. The manager is selected among candidates who have accumulated adequate experience in administration, finance and control in large companies or in the exercise of their profession, and who meet the integrity requirements prescribed for Directors.

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

The manager responsible for preparing the Company's financial reports shall remain in office for a one-year term, until the Board of Directors meeting subsequent to the Shareholders' Meeting that approves the financial statements for the year.

The Company's Board of Directors renewed the appointment of Mr. Oprandino Arrivabene – the Company's Chief Financial Officer since 2005 in charge of administration, finance and control – as the Manager responsible for preparing the Company's financial reports (first appointed on 10 September 2007) pursuant to Article 16 of the Articles of Association and Article 154-bis of the Consolidated Finance Act concerning the procedures for the appointment and the requirements for the position of Manager responsible for preparing the Company's financial reports. At the proposal of the Chairman, having received the favourable opinion of the Board of Statutory Auditors, the Board assessed Mr. Arrivabene's background and experience and

appointed him to the position until the subsequent shareholders' meeting for the approval of the 2011 financial statements, while assigning the Chairman the task of formalising this appointment and vesting him with all powers necessary to carry out his duties.

Implementing the aforementioned resolution, the Manager Responsible has been vested with the powers necessary to carry out his duties as specified in Article 154-*bis* (2) and (3) of the Consolidated Finance Act, including the following, merely by way of example:

- 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 Paragraph 2, Article 154-*bis* of the Consolidated Finance Act;
- to put appropriate administrative and accounting procedures in place for the preparation of the annual statutory and consolidated financial statements and any other communication of a business or financial nature, with particular reference to the processes for gathering, processing and distributing business and financial information, to the IT 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 documents and communications;
- to revise 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 IT systems with regard to information flows, and the existence of an adequate control system;
- to certify, in the manner prescribed by law, pursuant to Paragraph 5 of Article 154-*bis* of the Consolidated Finance 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 actual enforcement 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 at the time of approval of the annual and interim financial statements, on the activities performed, in particular with regard to the procedures for managing and controlling the process of preparing accounting documentation and direct disclosures to the market;
- to report any problems that emerge during the course of the year and any actions taken to address those problems;
- to inform the Board of Directors regarding the use of resources placed at the Manager's disposal;
- to request any organisational modifications necessary and/or advisable for the discharge of his/her duties assigned by law, the Articles of Association and by the Board of Directors, as well as any consulting and/or professional service engagements and/of the purchase of goods or services strictly instrumental to or necessary for the discharge of the Manager's duties;
- immediately to inform the Board of any impediment that could compromise the proper performance of the above duties.

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

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

In 2010, the Board revised this procedure in 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 aforesaid procedure, please refer to the Corporate Governance section of the Company's website at www.cementirholding.it.

13. APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

Article 15 of the Articles of Association prescribes that the Board of Statutory Auditors shall consist of three Standing Auditors and three Alternate Auditors whose remuneration shall be determined by the Shareholders' Meeting.

Members of Board of Statutory Auditors are elected on the basis of lists submitted by Shareholders with voting rights representing at least two percent of the share capital or, alternatively, the lower percentage that may be set by applicable laws. With its Resolution no. 17633 of 16 January 2011, Consob set 2.5% as the minimum equity interest required to submit lists of candidates for the election of the governing and supervisory bodies whose year ended 31 December 2011.

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

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

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

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

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

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

The following shall also be elected:

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

If only one list is submitted or if only one list receives votes, all of its candidates shall be elected on the basis of ordinary majorities as prescribed by law.

If a Standing Auditor fails to take office or resigns from office, the Alternate belonging to the same list shall take over.

The Shareholders' Meeting convened to replace members of the Board of Statutory Auditors in accordance with the law shall do so in compliance with the minority representation principle.

Candidates may not be included in lists if they already serve as Auditors for three other listed companies, excluding Group companies. Members of the Board of Statutory Auditors shall serve a term of three years, which expires on the date of the Shareholders' Meeting convened to approve the financial statements for their third year of office.

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

14. STATUTORY AUDITORS

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting (in accordance with the Articles and Association and applicable laws and regulations) on 18 April 2011 for the 2011-2013 term, until the approval of the financial statements as at 31 December 2013. This appointment was based on the sole list presented by the majority shareholder, Calt 2004 S.r.l.

The following table shows the structure of the Board of Statutory Auditors as at 31 December 2011.

Name	Position	In office from	In office until	List (M/m)*	Independent per the Code	% Attendance	No. of Other positions
Claudio <i>BIANCHI</i>	Chairman	Sh. Mtg. 18.04.11	Approval of 2013 Fin. St.	M	X	100	12
Giampiero <i>TASCO</i>	Standing auditor	Sh. Mtg. 18.04.11	Approval of 2013 Fin. St.	M	X	100	27
Federico <i>MALORNI</i>	Standing auditor	Sh. Mtg. 18.04.11	Approval of 2013 Fin. St.	M	X	100	52
Maria Assunta <i>COLUCCIA</i>	Alternate Auditor	Sh. Mtg. 18.04.11	Approval of 2013 Fin. St.	M	X	-	-
Vincenzo <i>SPORTELLI</i>	Alternate Auditor	Sh. Mtg. 18.04.11	Approval of 2013 Fin. St.	M	X	-	-

Key
% Attendance: this column shows the percentage of attendance at Board of Statutory Auditor meetings.
Other positions: reports the number of positions held by the Auditor pursuant to Article 148-bis of the Consolidated Finance Act. In accordance with Article 144-quinquiesdecies of the Consob Issuers' Regulations, the complete list of positions held is attached to the report on supervisory activities prepared by the Board of Statutory Auditors pursuant to article 153, Paragraph 1 of the Consolidated Finance Act.

For information on the personal and professional qualifications of each statutory auditor, please refer to their CVs, available at the Company's website (www.cementirholding.it), under Corporate Governance / Shareholders' Meetings / 2011 Archive / List of candidates for Statutory Auditors at the 18 April 2011 meeting.

During the year, the Board of Statutory Auditors met five times.
 On average, the meetings lasted about one and a half hours.
 Five meetings are scheduled for 2012.

The Board of Statutory Auditors verified that its members continued to meet the independence requirements
 As part of this assessment process, the Board applied all of the criteria regarding the independence of Directors prescribed by the Code.

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 above) shall apply. The procedures state that an auditor in such a situation must inform the Board of Directors and the other auditors in a timely, thorough manner, specifying the nature, origin, terms and scope of their interest. The Board of Statutory Auditors monitored the independence of the independent auditor 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 established a specific section of its website (www.cementirholding.it) to enable shareholders to access the information they require in order to exercise their rights in an informed manner.

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

An investor relations office and a communications office have also been established.

16.SHAREHOLDERS' MEETINGS

Shareholders' Meetings shall be convened in accordance with the procedures established under applicable laws and regulations.

There are no specific quorums for convening meetings or passing resolutions, hence prevailing laws and regulations shall apply. Eligibility to attend the Shareholders' Meeting and exercise the right to vote shall be certified by a notice sent to the Company by the intermediary, in accordance with applicable regulations, on the basis of the data in its accounting records for the end of the accounting day of the seventh business day (Record Date) before the date set for the first calling of the Shareholders' Meeting.

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

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

The Chairman of the Shareholders' Meeting shall verify individual Shareholders' entitlement to participate and shall ascertain whether the Meeting is duly convened and a quorum is present. The Chairman shall preside over the proceedings.

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

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

In 2011 the Company's market capitalisation changed in line with general market trends.

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

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

17.ADDITIONAL CORPORATE GOVERNANCE PRACTICES

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

18.CHANGES SINCE YEAR-END

With the exceptions indicated above, no significant changes have occurred in the Company's corporate governance system between the end of the Year and the date of this Report.

Rome, 8 March 2012

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

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

1) Foreword

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

A single, centralised Internal Control System has been adopted, which assigns responsibilities at three levels:

- first level – defines and manages the “line” controls inherent in operating processes;
- second level – manages the process of managing and controlling risks related to operations, thereby ensuring consistency with corporate objectives and sufficient organisational segregation to allow for effective monitoring;
- third level – provides “assurances” as to the overall design and operation of the Internal Control System as a whole by means of independent assessments and improvement plans 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 must not to be seen as separate from the internal control system with regard to the financial reporting process. Indeed, both are components of the same System aimed at ensuring the reliability, accuracy and timeliness of the financial information provided.

Components of the Internal control system

The most significant components of the Internal control system are:

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

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

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

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

The Board of Directors, aided by the Internal Control Committee, establishes the guidelines for the Internal Control System and assesses, at least once each year, its adequacy, effectiveness and actual operation.

The Head of Internal Control is responsible for designing, managing and monitoring the Internal Control System according to the guidelines set 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 risk management and internal control systems related to the financial reporting process

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

The Board of Directors of the Company appointed Mr. Oprandino Arrivabene, the Company's CFO since 2005, as 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 to be followed within the Cementir Holding Group regarding the obligations deriving from Article 154-*bis* of Legislative Decree 58/1998 concerning the preparation of Company accounting documents and related certification obligations. In particular, the document:

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

Upgrading the Internal Control System

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

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

- Procedures and regulations
- Segregation of duties
- Signatory and authorization powers
- Control activities

Controls on the IT systems

The Holding Company's Internal Audit Department conducted a risk assessment of the most important operating companies. The results of this project are being updated to take into account the organisational changes being implemented by the Company.

Based on the results of this analysis, an action plan was then prepared, which, in coordination with the implementation of the Model pursuant to Legislative Decree 231/2001, is intended to manage and protect against related risks, and requires upgrading and making additions to Company rules and procedures, adopted by Cementir Holding and by the operating 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 reorganisation currently being implemented by the Group, which may affect major corporate processes.

Under the current organizational structure, financial reporting managers for subsidiary operating companies in accordance with Law 262/2005 have been identify and they shall internally certify the proper operation of administrative and accounting procedures, the completeness and reliability of information flows and the adequacy and actual application of internal controls.

Once confirmation of application of the required controls has been received from the 262 Managers of the subsidiary operating companies, the Manager Responsible for the Company's financial reports shall verify the figures the economic and financial information and shall certify that such figures match those contained in company documents, books and accounting records.

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

Risk management system

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

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

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

- for periodically reporting on risk

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

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

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

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

The risk management and assessment system was implemented at the operating companies Aalborg Portland (Denmark), Aalborg Portland Anqing (China) and Aalborg Portland Malaysia and it will be extended to all other Group companies in 2012.

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

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