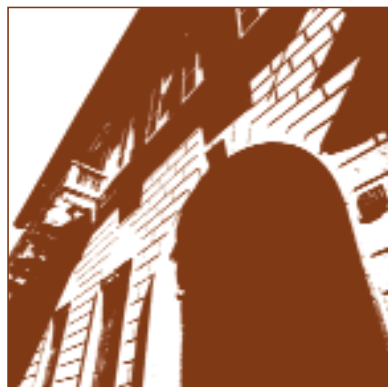


# ITALMOBILIARE

## Corporate Governance



## Report on Corporate Governance and ownership structure

### **ITALMOBILIARE S.p.A. PROFILE**

The Corporate Governance system adopted by Itamobiliare S.p.A. is based not only on the company by-laws, but also on the following codes and/or policies:

- 1) Code of Conduct;
- 2) Code of Ethics;
- 3) Treatment of Confidential Information;
- 4) Internal Dealing Code of Conduct;
- 5) Procedure for Transactions with Related Parties;
- 6) "Insider register" Procedure;
- 6) Regulation for the manager in charge of preparing the company's financial reports;
- 7) Organizational, Management and Control Model.

The above documents are all available on the company's website [www.italmobiliare.it](http://www.italmobiliare.it), except for the Regulation for the manager in charge of preparing the company's financial reports, available to all the Group companies on the company intranet and for the special part of the Organizational, Management and Control Model.

The Company, as holding company of the Group, has been actively committed in modernizing its business culture over the years in order to respond to the challenges arising from developments in corporate governance rules. This process fostered and enhanced the sharing of values and the recognition that the adoption of good rules of governance goes hand in hand with the dissemination of a business culture built on transparency, adequate management and effective controls.

The corporate governance structure of the Company, as set up in the binding articles of the by-laws and in the provisions of the above mentioned codes and policies confirms and bears witness to Italmobiliare S.p.A.'s commitment to complying with national and international best practices.

### **INFORMATION ON OWNERSHIP STRUCTURE**

This section includes the information required by art. 123-bis of Leg. Decree no. 58 of February 24, 1998 (TUF).

#### ***a) Share capital structure, indicating the various share categories, related rights and obligations, as well as the percentage of share capital represented***

Italmobiliare S.p.A. share capital is equal to 100,166,937 euro, divided into 38,525,745 shares with a nominal value of 2,60 euro each, of which 22,182,583 are ordinary shares, equal to 57.58% of the entire share capital, and 16,343,162 are savings shares, equal to 42.42% of the entire share capital.

**Ordinary shares** carry voting rights at the Company's ordinary and extraordinary shareholders' meetings.

Shareholders who, even jointly, own at least one fortieth of the share capital represented by shares with voting rights, may ask, within the deadlines envisaged by the law in force, for the items on the agenda of the shareholders' meeting to be supplemented, stating in their request which further issues are being suggested. In addition, shareholders who, individually or with other shareholders, can prove that they hold an overall stake in the share capital with voting rights that is no lower than that established by the law in force, have the right to present lists for the appointment of the Board of Directors and the Board of Statutory Auditors in accordance with the provisions of the law and the by-laws.

**Savings shares** do not carry voting rights.

In the event of an increase in share capital against consideration for which option rights have not been excluded

or limited, the holders of savings shares have option rights on the newly issued savings shares or, in their absence or to cover the difference, on other categories of shares. Resolutions to issue new savings shares with the same characteristics as those already outstanding, either through a share capital increase or through the conversion of other categories of shares, do not require approval by the special meetings of the holders of different share categories. Should ordinary and/or savings shares be excluded from trading, savings shares maintain the rights granted to them by law and by the by-laws, unless otherwise provided for by the shareholders' meeting.

When the net profit for the year is allocated, savings shares are entitled to a privileged dividend up to 5% of the nominal share value, increased with respect to that of ordinary shares, by an amount equivalent to 3% of the nominal share value. When in a financial year a lower dividend is allocated to savings shares, the difference is calculated as an increase to the savings dividend paid in the following two years.

In the event of distribution of reserves, savings shares have the same rights as other shares.

A reduction in share capital owing to losses does not cause a reduction in the nominal value of the savings shares, except for that part of the loss in excess of the overall nominal value of the other shares.

In case of dissolution of the Company, savings shares have priority in the repayment of the share capital for the full nominal value.

The Company does not have outstanding **stock option plans** either for directors or for officers. However, based on the assignments resolved in the last few years for the stock option plans in force from time to time, and cancelled for the non executed part, as at the date hereof 442,500 options on the stock option plan for directors, and 384,774 options on the stock option plan for officers are exercisable.

No additional categories of financial instruments granting rights to subscribe newly issued shares, other than the above mentioned options, have been issued by the Company.

## **b) Restrictions on share transfers**

No restrictions exist on share transfers or on acceptance clauses.

## **c) Significant shareholders as disclosed pursuant to article 120 of Leg. Dec. no. 58 of February 24, 1998**

Shareholder	Total	% of share capital	
	No. shares	overall	ordinary
Efiparind B.V. (indirectly and through Compagnia Fiduciaria Nazionale S.p.A.)	10,484,625	27.21	47.26
This figure does not take into account the 871,411 treasury shares with voting rights held by the Company.			
Serfis S.p.A.	2,228,200	5.78	10.04
Mediobanca S.p.A.	1,805,988	4.69	8.14
First Eagle Investment Management, LLC (as manager, among others, of the «First Eagle Global Fund» which holds 3.99% of the ordinary share capital)	1,109,930	2.88	5.00
Italmobiliare S.p.A.	871,411	2.26	3.92

## **d) Shares that confer special control rights**

No shares conferring special control rights have been issued.

## **e) Shareholding of employees: mechanism for exercise of voting rights**

There is no specific system for employees to have shareholdings.

**f) Restrictions on voting rights**

The by-laws does not provide for restrictions on the exercise of voting rights.

**g) Agreements among shareholders, pursuant to article 122 of Leg. Decree 58/98, of which the company is aware**

As far as the Company is aware, there are no agreements of any kind regarding the exercise of voting rights and the transfer of such shares or any of the situations envisaged by art. 122 of TUF.

**h) Significant agreements which the company or its subsidiaries are parties to, that become effective, are modified or expire should there be a change in the control of the company and their effects, and by-laws provisions on takeover bid**

Within the activities aimed at supporting its business and development, the Company have not entered into loan agreements, which grant to the lender the right, in case of a reduction of the stake directly or indirectly held by the majority shareholders, to withdraw from the loan agreement.

As far as takeover bids are concerned, the Company by-laws do not provide for the waiver of the provisions of TUF related to the passivity rule nor is the breakthrough rule stated therein.

**i) Agreements between the company and the directors that envisage compensation in the case of resignation or unfair dismissal or if the office ends following a takeover bid**

For this information, please refer to the Report on Remuneration, published in compliance with art. 123-ter TUF.

**l) Laws applicable to the appointment and replacement of directors and to amendments of the by-laws**

**Appointment of directors**

For this information, please refer to section «The Code of Conduct and corporate governance rules – A) Organizational structure – Board of Directors».

**m) Delegated powers for share capital increases pursuant to article 2443 of the Italian Civil Code or power granted to directors to issue active financial instruments and to purchase treasury shares**

**Delegated powers for share capital increases**

The Board of Directors has the right, on once or more times within five years of the shareholders' resolution made at their extraordinary shareholders' meeting of June 18, 2007:

a) pursuant to art. 2443 of the Italian Civil Code, to increase the share capital up to a maximum overall amount of 260 million euro in once or more times, free of charge and/or by means of payment, through the issue of ordinary and/or savings shares, also to serve bond emission issued by other entities which grant the power to convert them into ordinary and/or savings shares or linked to warrants entitled to subscribe ordinary and/or savings shares of the Company;

b) pursuant to art. 2420-ter of the Italian Civil Code, to issue, in once or more times, bonds convertible into ordinary and/or savings shares or linked to warrants with purchase or subscription rights of ordinary and/or savings shares, up to a maximum overall amount of 260 million euro, within the limits allowed by law from time to time, and with subsequent share capital increase to serve such conversions or warrants exercise,

all with full powers in this regard, including the powers to offer shares and convertible bonds or convertible bonds in the form as set out in the penultimate paragraph of art. 2441 of the Italian Civil Code; to reserve up to a quarter of such shares, bonds and warrants pursuant to art. 2441 of the Italian Civil Code, last paragraph; to identify the funds and reserves to be allocated to capital in the case of a free of charge increase; to establish the issue price, conversion ratios, terms and method of execution of transactions.

By resolution of May 25, 2011 at their extraordinary meeting, the shareholders granted to the Board of Directors:

- the power, pursuant to art. 2443 of the Italian Civil Code, to increase the share capital against consideration, on once or more times within five years of the aforementioned resolution, for a maximum amount of 910,000 euro through the issue of a maximum 350,000 ordinary and/or savings shares, of nominal value of 2.60 euro each, to be reserved, pursuant to art. 2441 of the Italian Civil Code, paragraph 8, for employees of Italmobiliare S.p.A. and its subsidiaries, both in Italy and abroad and in compliance with the regulations in force in the countries of the beneficiaries;
- the power, consequently, to establish the entitlement rights to the shares, to establish the timeframes, method, characteristics and conditions of the offer to employees and to set the issue price of the shares, including the related share premium all according to the provisions of the "Stock option Plan for Officers".

Moreover, by resolution of June 18, 2007 at their extraordinary meeting, the shareholders granted to the Board of Directors:

- the power, pursuant to art. 2443 of the Italian Civil Code, to increase the share capital against consideration, on once or more times within five years of the above resolution date, for a maximum amount of 910,000 euro through the issue of a maximum 350,000 ordinary and/or savings shares Italmobiliare, with a nominal value of 2.60 euro each, excluding the right of first refusal pursuant to art. 2441 of the Italian Civil Code, paragraph 5, to serve the incentives plan for Directors of the Company and of subsidiaries vested with special powers in compliance with the articles of association or who perform specific operational duties;
- the power, consequently, to establish the entitlement rights to the shares, to establish the timeframes, method, characteristics and conditions of the offer and to set the issue price of the shares, including the related share premium, all according to the provisions of the "Stock option Plan for Directors".

### **Financial equity instruments**

The Company has not issued financial equity instruments of any kind, nor do the by-laws grant any power for their issue to directors as of the date hereof.

### **Authorizations for the purchase of treasury shares**

At their ordinary meeting of May 25, 2011, the shareholders renewed the Company's authorization to buy and dispose of treasury shares for a period of 18 months from the date of the resolution.

Within the scope of the above authorization, since that date the Company has not purchased any ordinary or savings treasury shares, nor have shares held in its portfolio been used to grant them to beneficiaries of stock options, since no vested rights have been exercised by directors or officers.

Therefore, on December 31, 2011, the Company held:

- 871,411 ordinary treasury shares, equal to 3.93% of the share capital represented by ordinary shares, a portion of which to be used to serve the "Stock option plan for directors" and the "Stock option plan for officers";
- 28,500 savings treasury shares, equal to 0.17% of the share capital represented by savings shares.

### **MANAGEMENT AND COORDINATION ACTIVITY**

As noted at point «C» above, Efiaparind B.V. is the relative majority shareholder of Italmobiliare S.p.A.: according to the last notice received as well as to the other Company's information, it held indirectly a shareholding, net of the treasury shares held by the same Italmobiliare, equal to 47.26% of Italmobiliare S.p.A.'s ordinary shares, representing the share capital with voting right.

According to both art. 2497-sexies and art. 2359 of the Italian civil code, any company exercises management and coordination activity over Italmobiliare S.p.A.

### **FEATURES OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM REGARDING THE FINANCIAL**

## **DISCLOSURE PROCESS**

### **1. Foreword**

The risk management is part of the Italmobiliare Group strategy and represents a fundamental component of the corporate governance system.

As already noted in the section on “Risks and Uncertainties” of construction materials sector, in 2010 Italcementi S.p.A. set up the Risk Management Department aimed at improving the creation of value for stakeholders, also by optimizing enterprise risk management (Enterprise Risk Management – ERM). This initiative is part of the Group’s “*Risk & compliance*” program launched in 2008, which classified risks related to the financial disclosure process as one of the key risks.

Same evaluation is extended to Italmobiliare Group considering the significant influence of the Italcementi group on the consolidate financial disclosure.

The risk management and internal control system relating to the financial disclosure process also benefited from:

- the continuous development of an integrated organizational governance system (organization notices, job descriptions, corporate powers and processes) whose tools are available in a Knowledge Management Database, B.E.S.T. (Business Excellence Support Tool), which allows easy access to information and encourages cross-circulation within the Group;
- a more timely organization and planning relating to the provisions of Law no. 262 of December 28, 2005, stating “Provisions for the protection of savings and the regulation of the financial markets” and the following corrective decrees (hereinafter the “Law on Savings”) issued by lawmakers with the aim of increasing the transparency of corporate disclosure and enhancing the internal control system of listed companies.

With reference to this regulation, far-back Italmobiliare S.p.A. put in place a cycle of activities, described in section 2 below, which are included in an action plan integrated into the Company’s processes.

### **2. Description of the main features of the system**

#### **2.1 Stages in the risk management and internal control system**

Italmobiliare has established its own model for the assessment of the internal control system relating to the disclosure about financial position and results of operations (hereinafter the “Operational model”) and has established the operational approach for undertaking these activities. This model is based on the CoSO framework, issued by the Committee of Sponsoring Organizations of the Tradeway Commission (CoSO), and also takes into account the document “Internal Control over Financial Reporting - Guidance for Smaller Public Companies”, which was also drafted by CoSO.

The evaluation process of Italmobiliare is based on the adoption of a system similar to that adopted by the subsidiary Italcementi – subject to the provisions of the Law on Savings as well – in relation to the companies directly belonging to the latter.

The Operational model defined by Italmobiliare is based on the following main elements:

- a) **Preliminary analysis.** This is undertaken annually or whenever considered necessary and aims to identify and assess risks relating to the internal control system with regard to financial position and results of operations’ disclosure, so as to establish the priorities for documenting, assessing and testing the administrative and accounting procedures and the related controls. Identification of the relevant entities and processes is based on quantitative and qualitative elements. In particular, the Company identified the relevant components with respect to the consolidated figures and the main processes determining them; then, it identified the relevant companies having regard to the weight of revenues and net profits of a single entity with respect to the aggregate amounts and based on further qualitative considerations (i.e. country where the entity operates, complexity and/or legal framework evolution, business sector, specific risks); in the end, the two levels of analysis have been compared defining the relevant processes and companies included within the scope perimeter association;

- b) **Operational planning.** Every year the activities are planned on the basis of the priorities identified through the preliminary analysis and any other assumptions;
- c) **Analysis of company controls.** The individual entities in the area for action identified in the preliminary analysis are responsible for assessing the effectiveness of the internal control system in relation to the governance principles used at entity level (**Entity Level Controls**), as well as for the overall management of the information systems used in the main financial reporting processes and the related IT structure (**Information Technology General Controls**). This must be carried out in accordance with the deadlines established during operational planning and on the basis of the guidelines, instructions and templates provided;
- d) **Analysis of controls at process level.** The individual entities in the area for action identified in the preliminary analysis are responsible for: a) documenting, with varying levels of detail depending on the level of risk allocated, the administrative and accounting processes which have been identified, b) performing tests to check the effective operation of the key controls, in accordance with the deadlines established during operational planning and on the basis of the guidelines, instructions and templates provided by the manager in charge of preparing the company's financial reports;
- e) **Assessment of the adequacy and effective operation of the administrative and accounting procedures and the related controls:** in order to guarantee compliance with the key requirements for financial reporting ("financial statement assertions"), the manager in charge, on the basis of the results of the work carried out and the documentation obtained, assesses the overall adequacy and effective operation of the system of administrative and accounting procedures and the related controls, and more generally, the internal control system for these areas.

## 2.2. Roles and Functions involved

The financial disclosure related to the risk management system is supervised by various Company bodies/functions, each with specific roles and responsibilities. In particular, as already stated in other sections of this corporate governance report, the duties of the following bodies/functions with reference to the issues referred to in this section, are here reported:

- 1) The **Board of Directors**, to which the Code of Conduct assigns, among other things, the task of:
  - a) checking and approving the strategic, business and financial plans of the company;
  - b) assessing the forecasts on operations and the adequacy of the organizational, administrative and general accounting system of the company and subsidiaries;
  - c) evaluating and approving the periodic accounting reports; assessing the company's operational structure;
  - d) establishing the guidelines for the internal control system so that the main risks for the company and the subsidiaries are correctly identified, as well as adequately measured, managed and monitored, and, also, determining criteria for the suitability of these risks with safe and appropriate management of the company;
  - e) assessing, at least on an annual basis, the adequacy, effectiveness and effective functioning of the internal control system with respect to the characteristics of the company.
- 2) The **Chief Executive Officer**, who, as executive director responsible for overseeing the functioning of the internal control system, has the task of:
  - a) identifying the main company risks, taking into account the characteristics of the activities carried out by the company and by the subsidiaries, and periodically submitting them for examination to the Board of Directors;
  - b) implementing the guidelines defined by the Board of Directors, taking care of the planning, achievement and management of the internal control system, constantly checking its overall adequacy, effectiveness and efficiency; also, adapting this system to changes in operating conditions and the legal and regulatory framework;
  - c) issuing, with the manager in charge, certificates on the adequacy and effective application of the administrative

and accounting procedures, the compliance of documents with applicable IFRS, the correspondence of documents to entries in the accounting books and records, the suitability of documents in providing a true and fair representation of financial position and results of operations of the company and Group, etc.

- 3) The **Internal control committee**, to which the Code of Conduct assigns, among other things, the task of:
  - a) assessing, together with the manager in charge of preparing the company's financial reports and the external auditors, the correct application of accounting policies and their uniformity for the purposes of preparing the consolidated financial statements;
  - b) examining the audit plan and periodic reports prepared by the controller;
  - c) reporting, at least every six months, to the Board of Directors called to approve the financial statements and the half-year report, on the activities undertaken and on the adequacy of the internal control system;
- 4) The **Chief Operating Officer**, to whom are entrusted, among others, the duties of coordinating and supervising the operations of both Italmobiliare S.p.A. and its direct and indirect subsidiaries, overseeing the group companies' performance in general as well as proposing and submitting to the Chief Executive Officer organizational proposals aimed at improving the Company efficiency. He is also involved in supervising the process of drafting the Company financial disclosures.
- 5) The **Manager in charge of preparing the company's financial reports**, who, as envisaged in the regulation approved by the Board of Directors, is responsible, among other things, for:
  - a) planning adequate administrative and accounting procedures for the drafting of the financial statements, the limited half-year financial statements and the consolidated financial statements, as well as any other financial communication, by updating such procedures and ensuring dissemination and compliance, as well as verifying their effective application;
  - b) assessing, together with the Internal Control Committee and the external auditors, the correct application of accounting policies and their uniformity for the purposes of the consolidated financial statements;
  - c) handling the periodic reporting to senior management and the Board of Directors on the activities undertaken;
  - d) managing the periodic review of the assessment activities and updating the risk map relating to financial disclosure;
  - e) taking part in the development of information systems that have an impact on the company's financial positions and results of operations.
- 6) The **Controller**, who has the task of verifying that the internal control system is always adequate, fully operational and functional. The controller has direct access to all the information required to perform this task, is not responsible for any operational area and does not report to any manager in the operational areas, including administration and finance. The controller reports on the way risk management is handled, in compliance with the plans established to contain such risks and, in compliance with the legally prescribed terms and procedures, to the Internal Control Committee, the executive director in charge of overseeing the functioning of the internal control system, and the Board of Statutory Auditors and states his opinion on the suitability of the internal control system to achieve an acceptable overall risk profile.
- 7) **Compliance committee**, who is responsible for continuously overseeing the effective functioning and enforcement of the organizational, management and control model pursuant to Leg. Dec. 231/01, liaising with, among others, the manager in charge of preparing the financial reports with reference to relevant issues in terms of financial disclosure;
- 8) the **Company Functions** involved in the process of drafting the financial disclosure, which, must release



specific attestations on data and information provided, guarantee both with respect to the correct representation as well as to the effective and efficient application of the administrative and accounting procedures in the areas they are responsible for.

Finally, against this background, the Committee for the internal control and audits (***Board of Statutory Auditors***), in connection with the duties assigned by Leg. Decree 39/2010, oversees on:

- a) the financial disclosure process;
- b) the effectiveness of the internal control system, the internal audit and the risk management;
- c) the annual and consolidated accounts audits;
- d) the audit firm independence.

The circulation and integration of the information produced in the various areas is ensured by a structured information flow. In this sense, an important role is played, for example, by the quarterly report of the manager in charge, setting out, among other things, the results of the activities undertaken, problems that came out, the action plans established and their progress.

## **THE CODE OF CONDUCT AND THE CORPORATE GOVERNANCE RULES**

Italmobiliare complies with the Code of Conduct of the Italian Corporate Governance committee, promoted by the Italian stock exchange, Borsa Italiana S.p.A., since its first edition. The Company adopted its own Code of Conduct (the "Code"), last updated by the Company Board of Directors in February 2007, which constitutes a self-regulation system including legal and regulatory framework provisions, which Italmobiliare S.p.A. and its corporate bodies voluntarily comply with. Its end is to highlight the corporate governance model of the Company established to achieve its primary goal of maximizing value for shareholders.

The Code is based on the Code of Conduct, in its version of March 2006. The Code of Conduct of the Italian Corporate Governance committee was updated in March 2010 with reference to the sole art. 7 and, further, in December 2011, it has been completely renewed also to the extent of eliminating discrepancies with current law provisions. The Company, although it did not include the new art. 7 provisions (subsequently remunerated in art. 6) in its Code, has already been complying with them, submitting to the examination (i) of the Board of Directors in March 2011, upon proposal of the Remuneration Committee, the Remuneration policy for directors, officers and managers vested with special powers and (ii) of the shareholders at their meeting in May 2011, the Report on remuneration policy. On the other hand, the Company will comply with the new recommendations within the deadline envisaged therein.

The Code envisages the establishment of corporate bodies and offices as well as the adoption of specific procedures and conduct, with the sole exceptions described below and with the amendments required by the specific features of Italmobiliare S.p.A.

The Board of Directors, moreover, is always willing to assess further trends introduced in the Code of Conduct and their possible implementation in the Company's Corporate Governance system, provided that, in respect with the current company situation, the recommendations allow the Company's standing with investors to be further enhanced.

## **A) ORGANIZATIONAL STRUCTURE**

### **Board of Directors**

The Company by-laws provide for the company to be managed by a Board of Directors consisting of 5 up to 15 directors who serve for the period established on their appointment, and in any case no more than three financial years, and who terminate their office on the date of the shareholders' meeting called to approve the finan-

cial statements for the final year of their appointment, they may be re-elected.

The Company by-laws, in compliance with the law currently in force, provide for the appointment of the Board of Directors to occur on the basis of lists that ensure for minority shareholders the minimum number of directors envisaged by the law.

In addition, the Code of Conduct recommends that this must occur in accordance with a transparent procedure to ensure, among other things, timely and adequate information on the personal and professional skills of candidates.

The lists must be filed at the company head offices at least 25 days before the date set for the shareholders' meeting on first or single call; this, together with the conditions and minimum stake required to file the lists, must be mentioned in the notice of call.

Lists may be filed only by shareholders who, alone or together with other shareholders, are able to provide evidence that they hold a percentage of the share capital with voting rights no lower than that determined by Consob pursuant to the regulations in force. For 2012, the threshold established for the presentation of candidates' lists for the election of the Board of Directors of Italmobiliare S.p.A. is 2,5% of the ordinary share capital.

No shareholder may file or participate in the filing of more than one list, directly or through third parties or trust company, or vote for different lists.

Shareholders belonging to the same group and shareholders who join a shareholders' agreement on the Company shares may not file or vote for more than one list, neither through third party or trust companies.

Lists filed in violation of these restrictions will not be accepted.

Each candidate may be filed on one list only under penalty of ineligibility.

At the time of their filing, lists must include:

a) statements by which individual candidates:

- \* accept their candidature
- \* under his/her own responsibility state:
  - the non-existence of causes for ineligibility
  - entitlement of the good reputation requirements established by the law
  - entitlement of the independence qualification required by the law and by the Code of Conduct, if any;

b) a brief resume on the personal and professional skills of each candidate with indication of their position as director and statutory auditor in other companies;

c) information on the identity of shareholders who have presented lists. The intermediary certification or statement proving ownership of the shareholding prescribed by the law in force when the list is presented may also be produced after the filing of the list provided that it reaches the Company within the term envisaged by the regulation in force for the publication of lists by the Company;

d) a statement of the shareholders who do not hold, even jointly, a controlling or majority stake, bearing witness to the absence of any connection with the majority shareholder, as defined by the law in force.

The Company by-laws do not provide for good reputation or independence qualification requirements additional to those required for the Statutory Auditors by TUF.

A list filed not in compliance with the above provisions will be considered as not presented.

At least 21 days before the shareholders' meeting date, the Company shall make available at the Company premises, at the stock exchange and on its website, the lists of candidates which have been filed by share-

holders along with supporting documentation.

In the event of filing of more than one list:

- all the directors are elected from the list that obtains the highest number of votes at the shareholders' meeting, in the order in which they are listed, except for the minimum number reserved by law for the minority shareholders' list;
- the minimum number of directors reserved by law to minority shareholders are elected from the minority shareholders' list that obtains the highest number of votes and is not connected in any way, directly or indirectly, with the majority shareholders;
- should more than one list obtain the same number of votes, a runoff is held on these lists among all the shareholders present at the shareholders' meeting, and the candidates are elected from the list that obtains the majority of the share capital represented at the shareholders' meeting.

For the purposes of the apportioning of the directors to be elected, the lists that have not achieved a percentage of votes at least equal to half of the percentage required for the presentation of lists will not be considered.

Should a party connected to a majority shareholder vote for a list of the minority shareholders, the connection is significant for the purposes of excluding the minority shareholders' elected director, only if this vote was crucial for the election of the said director.

Should a single list be presented, all the candidates included in that list are elected with a simple majority vote of the share capital represented at the shareholders' meeting.

In the absence of lists, and whenever by means of the voting list mechanism, the number of candidates elected is lower than the minimum number envisaged by the by-laws, the Board of Directors is respectively appointed or supplemented by the shareholders at their meeting with the legal majority, provided that at least the minimum number of directors holding the independence qualification required by the law is guaranteed.

If during the year, owing to resignation or other reasons, one or more directors cease to serve, the others, provided that the majority is still represented by directors appointed by the shareholders at their meeting, shall arrange to replace them by means of a resolution approved by the Board of Statutory Auditors.

Directors are replaced, in compliance with the above requirements of good reputation and independence, with the appointment of unelected candidates belonging to the same list as the directors who no longer serve, following the original order of presentation. Should this not be possible, the Board of Directors shall act pursuant to the law.

Directors appointed in this manner hold office until the following shareholders' meeting.

The shareholders' meeting resolve upon the replacement of directors, in compliance with the above principles, with a simple majority of the share capital represented at the shareholders' meeting.

The term of directors appointed by this way ends at the same time as that of the directors serving at the time of their appointment.

No limits to re-eligibility of directors are envisaged, although directors holding the same position for more than nine years in the last twelve years could be considered - on voluntary basis - no longer to meet the independence qualification pursuant to the Code of Conduct.

Pursuant to the current regulations, at least one of the members of the Board of Directors, or two if the Board of Directors consists of more than seven members, must be vested with the independence qualification established by the law for the members of the Board of Statutory Auditors, while the law requires all directors to

meet the good reputation requirements established by the Minister of Justice for statutory auditors' regulation.

The Code, as stated by the Corporate Governance Committee, requires an adequate number of non-executive directors to be independent in the sense that they do not have, nor have recently had, directly or indirectly, relationships with the company or with parties linked to it, such as to influence their independence of judgment.

Should an elected director during their term of office no longer satisfy the good reputation requirements established by the law or the by-laws, their office shall terminate.

Should the independence criteria prescribed by the law no longer be met, the director concerned must immediately inform the Board of Directors. In the event, the office of the director shall terminate, except in cases where such criteria are still held by at least the minimum number of directors envisaged by the current regulation.

No exception to the ban on competition envisaged by art. 2390 of the Italian Civil Code has been authorized by the shareholders' meeting or is envisaged by the Company by-laws. Moreover, no director is a shareholder with unlimited responsibility in competitors or runs a competing business on their own or on behalf of third parties, or is a director or chief operating officer in competitors.

Pursuant to the Company by-laws, the Board of Directors is vested with full powers of ordinary and extraordinary company management. It may, therefore, perform all acts which it deems necessary to achieve the business purpose with the sole exclusion of those expressly reserved by law to the shareholders' meeting.

Besides the powers vested with the Board of Directors by law and by the Company by-laws regarding the issue of shares and bonds, in compliance with art. 2436 of the Italian Civil Code, resolutions on the matters listed below are assigned not only to the extraordinary shareholders' meeting, but also to the Board of Directors:

- incorporation of wholly owned or at least ninety percent owned companies;
- transfer of the registered office, provided that it remains within Italy;
- establishment or removal of secondary offices, in Italy and abroad;
- reduction of the share capital in the case of withdrawal by a shareholder;
- amendment of the company by-laws to comply with legal requirements.

The Board of Directors, in compliance with the by-laws, meets at least once every quarter. At these meetings, the executive directors report to the Board and Board of Statutory Auditors on significant transactions undertaken in execution of the powers granted to them.

The Code underlines the key role played by the Board of Directors and sets out and supplements its specific duties which include, among other things: the assignment and termination of delegated powers to senior officers; the evaluation and approval of strategic, business and financial plans as well as the assessment of business forecasts and the adequacy of the organizational, administrative and general accounting arrangements of the company and subsidiaries; the examination and approval of the accounting entries for the period; the prior evaluation and approval of strategic transactions; the assessment of the company operational structure; the determination of the remuneration of directors vested with special powers and the manager in charge of preparing the company's financial reports; reports presented at shareholders' meetings; the examination and approval of the Corporate Governance system.

In addition, the Board of Directors is required to evaluate and approve in advance:

- the transactions with related parties undertaken by the company itself and by its subsidiaries when such transactions are of strategic or financial importance for Italmobiliare S.p.A.;
- other transactions with related parties when expressly required by the specific company procedure and in

compliance with the methods therein.

Finally, the Board of Directors must review, at least once a year, the size, composition and functioning of the Board itself and of its Committees.

The Board of Directors mainly consists of non-executive members and among these a sufficient number are independent. Should the Chairman of the Board of Directors be the primary officer responsible for company management, as also whenever the position of Chairman is held by the person who controls the company, the Code envisages that the Board appoints an independent director as the “*lead independent director*”, to be a reference for and to coordinate the requests and contributions of non-executive directors and, in particular, independent directors.

The Chairman coordinates the activities and chairs meetings of the Board of Directors and ensures that its members are provided in due time with information on the related significant items on the agenda in order to assure a useful attendance, subject to any needs of urgency or confidentiality. To this extent, the supporting documentation on the items on the agenda is sent by e-mail to each member of both the Board of Directors and the Board of Statutory Auditors some days before each meeting (generally two days before the meeting). Moreover, when the supporting documentation is particularly complex and/or heavy, explanatory notes are provided with.

In addition, the Chairman, through the competent company departments, acts to ensure that the directors take part in initiatives aimed at increasing their knowledge of the company and its dynamics and are informed about the main amendments to the legislative and regulatory framework concerning the company and its corporate bodies.

Directors act and pass informed resolutions independently, pursuing the primary goal of creating value for shareholders. They accept their offices acknowledging that they can devote the due time to diligent performance of their duties. Pursuant to the Code, effective performance of the duties of director is deemed to be consistent with no more than:

- 5 offices as executive director,
- 10 offices as non-executive director or independent director or statutory auditor

in companies listed also abroad on regulated markets, in financial, banking, insurance or major companies, excluding subsidiaries of Italmobiliare S.p.A., parents and companies subject to joint control.

A list of the positions as director, statutory auditor, and chief operating officer held by each director in other companies listed on regulated markets, in financial, banking, insurance or major companies is set out below:

Giampiero Pesenti	* Italcementi S.p.A.	- Chairman
	* Ciments Français S.A. (representing Italcementi S.p.A.)	- Director
	* Allianz S.p.A.	- Director
	* Compagnie Monegasque de Banque	- Director
	* Credit Mobilier de Monaco	- Director
	* Finter Bank Zürich	- Director
	* Mittel S.p.A.	- Director
Italo Lucchini	* Italcementi S.p.A.	- Director
	* Unione di Banche Italiane S.c.p.a.	- Supervisory Director
	* Ciments Français S.A.	- Director
	* BMW Italia S.p.A.	- Chairman Board of Statutory Auditors

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	* BMW Financial Services Italia S.p.A.	- Chairman Board of Statutory Auditors
	* Cartiere Fedrigoni & C. S.p.A.	- Chairman Board of Statutory Auditors
	* Fedrigoni S.p.A.	- Chairman Board of Statutory Auditors
Carlo Pesenti	* Italcementi S.p.A.	- Chief Executive Officer
	* Ciments Français S.A.	- Deputy Chairman
	* Mediobanca S.p.A.	- Director
	* RCS MediaGroup S.p.A.	- Director
	* Ambienta SGR	- Director
Giorgio Bonomi	* Italcementi S.p.A.	- Director
	* IGP - Decaux S.p.A.	- Director
Gabriele Galateri di Genola	* Assicurazioni Generali S.p.A.	- Chairman
	* TIM Brasil Serviços e Participações S.A.	- Chairman
	* Banca CARIGE	- Director
	* Cassa di Risparmio di Savigliano	- Director
	* Edenred	- Director
	* Saipem	- Director
	* Telecom Italia S.p.A.	- Director
	* Tim Participações	- Director
Jonella Ligresti	* Fondiaria- SAI S.p.A.	- Chairman
	* Sai Holding Italia S.p.A.	- Chairman
	* Mediobanca S.p.A.	- Director
	* Milano Assicurazioni S.p.A.	- Director
	* RCS MediaGroup S.p.A.	- Director
Sebastiano Mazzoleni	* Italcementi S.p.A.	- Director
	* Ciments Français S.A. (representing italcementi Ingegneria S.r.l.)	- Director
Luca Minoli	* Cemital S.p.A.	- Chairman
	* Finanziaria Aureliana S.p.A.	- Chairman
	* Privital S.p.A.	- Chairman
Gianemilio Osculati	* Eurizon Capital S.g.r.	- Chairman
	* Intesa SanPaolo Assicurazioni	- Chairman
	* Osculati & Partners S.p.A.	- Chairman
	* Valore S.p.A.	- Chairman
	* Intesa SanPaolo Vita	- Chief Executive Officer
	* Intesa SanPaolo Previdenza	- Chief Executive Officer
	* Intesa SanPaolo Life	- Director
	* Société Générale	- Director
	* Miroglio S.p.A.	- Director
	* Gas Plus S.p.A.	- Director
Giorgio Perolari	* Unione Banche Italiane S.c.p.a.	- Supervisory Director

Clemente Rebecchini	* Gemina S.p.A.	- Director
	* ADR S.p.A.	- Director
	* Telco S.p.A.	- Director
Paolo Sfamini	* Allianz Bank Financial Advisor S.p.A.	- Director
	* Allianz Global Investors Sgr S.p.A.	- Deputy Chairman
	* Pirelli & C. S.p.A.	- Statutory Auditor
	* Banca ITB S.p.A.	- Statutory Auditor
	* Cordusio Fiduciaria S.p.A.	- Chairman Board of Statutory Auditors
	* Unimagement S.r.l.	- Statutory Auditor
	* Equita Sim S.p.A.	- Statutory Auditor
* Unicredit Audit S.c.r.l.	- Statutory Auditor	
Livio Strazzera	* Serfis S.p.A.	- Sole Director
	* Banca Regionale Europea	- Director

## ***Legal representation – Executives***

According to the by-laws, legal representation of the Company vis-à-vis third parties and in lawsuits lies severally with the Chairman and, if appointed, the Deputy Chairman (or Deputy Chairmen) and the Chief Executive Officer (or Chief Executive Officers).

The Board of Directors has granted to an Executive Committee all its powers, except those that the Italian Civil Code and the by-laws do not allow to be delegated.

The resolutions of the Executive Committee are reported to the Board of Directors at the first following meeting.

The Board of Directors has granted to the Chairman the office of Chief Executive Officer and it appointed a Deputy Chairman and a Chief Operating Officer. Upon their appointment each of them has been entrusted with the powers which will be illustrated herein below.

The Code provides for the Board of Directors, at its first possible meeting and, in any case, at least on a quarterly basis, to be informed on the activities carried out by the Chief Executive Officer and the other executive directors, and in particular on the most important transactions with an impact on the financial statements undertaken by the company or by the subsidiaries, on the main transactions with related parties and those with a potential conflict of interest which have not been submitted to the Board for its prior approval.

Upon proposal of the Remuneration committee, the Board of Directors, in the absence of those directly concerned, establishes the remuneration, grants monetary benefits for directors vested with special powers in compliance with the articles of association, based on the opinion of the Board of Statutory Auditors and, when required, upon further evaluation of the Committee for Transactions with Related Parties. A significant part of the remuneration of the Chairman-Chief Executive Officer and of the Director-chief Operating Officer is tied to business results and to achievement of specific targets.

A consistent approach and coordination of activities are ensured by the presence of the Chairman-Chief Executive Officer, Deputy Chairman and Director-Chief Operating Officer, directors or officers of Italmobiliare S.p.A. on the Boards of Directors of the main subsidiaries.

## ***Transactions with related parties***

Without prejudice to the provisions of the Procedure for Transactions with Related Parties last approved by the Board of Directors in its session of November 2010, transactions with related parties must be carried transpa-

rently and in compliance with the criteria of formal and substantial accuracy. Therefore, directors who have an interest, even if only potential or indirect, in a transaction are required to:

- a) provide timely and exhaustive information to the Board on the existence of the interest and on its circumstances;
- b) to leave the Board meeting at the time the resolution is taken.

In specific circumstances, however, the Board of Directors may allow the participation of the director concerned in the discussion and/or the vote.

Moreover, according to the by-laws and the above mentioned procedure, the Board of Directors may undertake significant transactions with related parties notwithstanding a negative opinion of the Committee for Transactions with Related Parties, upon authorization of the shareholders' meeting, provided that, without prejudice to the majorities of law, the shareholders who are not related parties present at the meeting represent at least 10% of the share capital and those do not vote against the transaction (the so-called "whitewash").

In cases of urgency, the Board of Directors, or the competent body, may, directly or through subsidiaries, execute transactions with related parties, that are not under the prerogatives of the shareholders' meeting and do not require its authorization, by applying the simplified rules envisaged by the Procedure for Transactions with related parties adopted by the Company.

### ***Appointment of committees***

Italmobiliare S.p.A., in its own Code, provides for the Board of Directors to appoint a Remuneration committee and an Internal control committee from among its members. Their resolutions are of advisory or propositional role and do not bind the following Board resolutions.

The Committees shall be composed of no fewer than three members and, in carrying out their duties, may access the supporting corporate information and functions, and also request the assistance of external advisors.

Each Committee elects its own Chairman and a secretary (who is not required to be a member of the committee) and meets at request of its Chairman or his/her delegate. The meeting may be called informally (including by unwritten means).

The meetings of each committee are validly convened with the participation of the majority of its members, in person or via an audio or video-conference link. Each committee carries resolutions by an absolute majority vote of the members participating at the meeting.

The Remuneration committee, consisting of non-executive directors, the majority of whom are independent, has the task of proposing to the Board, in the absence of those directly involved, the remuneration of directors vested with special powers, as well as of the Chief Operating Officer and Officers with strategic responsibilities. It also enforces their application on the basis of the information supplied by the executive directors. The Remuneration committee also performs additional advisory functions on remuneration and related matters which the Board of Directors may request from time to time.

The Internal control committee, consisting of non-executive directors, the majority of whom independent, has the task, in addition to the above, of verifying, together with the manager in charge of preparing the company's financial reports and the external auditors, the correct application of accounting policies and their consistency for the purposes of preparing the consolidated financial statements; of expressing, at request of the Chief Executive Officer, opinions on specific aspects regarding identification of the main company risks as well as the planning, realization and management of the internal control system; of examining the activities' program and periodic reports prepared by the Controller. In addition, the Internal control committee performs further duties assigned by the Board of Directors and reports, at least on a half-yearly basis, during approval of the yearly



and half-yearly reports, on the activities undertaken and on the adequacy of the internal control system.

The Internal Control committee also supports the Board of Directors with the activities related to the functioning of the internal control system.

The meetings of the committee are attended by the Chairman of the Board of Statutory Auditors or other auditor appointed by him/her; the Chairman and the Chief Executive Officer may also take part, as well as, if invited, the Chief Operating Officer, the internal control staff and the heads of other company functions.

Among the committees recommended by the Corporate Governance Committee, the Italmobiliare S.p.A. Code does not provide for a «Nomination committee». This is consistent with the shareholding structure of the Company which has a constant shareholder who exercise a significant influence on the shareholders' meeting. Moreover, the appointment of the Board of Directors is now governed by the Company by-laws which envisage that upon presentation of the list a brief resume is attached for each candidate with their personal and professional skills. These resumes, pursuant to the law and the Code, must be duly published on the company website; in addition, it is now current practice that during the shareholders' meeting the Chairman provides data and professional details on candidates and their eligibility as independent directors.

Further, in inviting issuers to evaluate the setting-up of a Nomination committee within the Board of Directors, the «Corporate Governance Committee» stated that “... *this solution has its origin in systems with widespread shareholdings, to ensure an adequate level of independence of the directors in relation to management ...*”.

Lastly, the Board of Directors, in compliance with the regulation envisaged for transactions with related parties, set up from among its members, during the adoption of the related procedure, a Committee for Transactions with Related Parties, which consists of three independent directors, two of which coincides with that of the Internal control committee.

The Committee for Transactions with Related Parties has the task of assessing the formal and substantial accuracy of the transactions undertaken directly by the Company, or through its subsidiaries, with other related parties.

The members of the Committee were asked to express their approval on the procedure prior to its adoption.

The committee elects its own Chairman and, at the latter's request, a secretary who is not necessarily a member of the committee and who has the task of preparing the minutes of meetings. The members of the committee for Transactions with Related Parties are required to promptly declare the existence of any dealings in relation to the specific transaction with related parties, in order to permit application of the equivalent controls. In order for the meetings of the committee to be valid, it is necessary for the majority of the serving members to be present. The meetings of the committee can also be held using broadcasting technology channels. The committee passes resolutions with the majority of those with voting rights.

### ***Lead independent director***

The Code envisages, in relation to independent directors, that should the Chairman of the Board of Directors be the primary officer responsible for company management, and also when the position of Chairman is held by the person who controls the company, the Board appoints an independent director as “*Lead independent director*”, to provide a reference for and coordinate requests and contributions of non-executive directors and, in particular, independent directors.

At the meeting of May 25, 2011, the Board of Directors confirmed Mr. Mauro Bini, independent director, as “*Lead independent director*”.

### ***Controls' system***

For information on the Internal control system, please refer to section “Features of the Risk management and internal control system regarding the financial disclosure process”.

### ***Executive director responsible for overseeing the internal control system***

With reference to the control system, during the meeting of May 25, 2011, pursuant to the Code and with the assistance of the Internal control committee, the Board of Directors appointed the Chairman-Chief Executive Officer as the executive director responsible for overseeing the internal control system.

### ***Manager in charge of preparing the company's financial reports***

The Consolidated Law on Finance (TUF) provides that, within the corporate organization of companies listed on regulated markets which have Italy as their homemember state, should be appointed a manager in charge of preparing the company's financial reports who is assigned with specific responsibilities, in particular for corporate disclosure.

On May 25, 2011, the Board of Directors confirmed Giorgio Moroni, Co-Chief Operating Officer Administration & Finance, as Manager in charge of preparing the company's financial reports, pursuant to art. 154-bis of TUF and art. 29 of the Company by-laws. The office of Mr. Giorgio Moroni will expire at the same time of the mandate of the Board of Directors currently in office and therefore upon approval of the financial statements as at decemebr 31, 2013.

Pursuant to the Company by-laws, the Manager in charge of preparing the company's financial reports must:

- 1) be a manager and meets the good reputation requirements established by law for the members of the Board of Directors;
- 2) have at least three consecutive years' experience in the exercise of administrative/accounting and/or financial and/or control activities at the company and/or its subsidiaries and/or at other joint stock companies.

At the time of the appointment, the Board of Directors provided the Manager in charge of preparing the company's financial reports with adequate powers and means to exercise the duties granted to him according to the law and defines his remuneration.

### ***Board of Statutory Auditors***

The Code takes up and supplements the laws and by-laws with reference to the appointment of the Board of Statutory Auditors which shall occur in accordance with a transparent procedure guaranteeing, among other things, timely and adequate information on the personal and professional skills of the candidates.

The Board of Statutory Auditors is appointed on the basis of lists aimed at ensuring for minority shareholders the appointment of one acting auditor and one substitute auditor.

Lists must be filed at the company head offices or by sending notice to the address of certified electronic mail indicated in the notice of call, at least 25 days before the date set for the shareholders' meeting in first or single call; this, together with the means and minimum stake required to file the lists, must be mentioned in the notice of call.

Lists may be presented only by shareholders who, alone or together with other shareholders, are able to provide evidence that they hold a percentage of the share capital with voting rights no lower than that determined by Consob pursuant to the regulations in force for the appointment of the Board of Directors. For 2012, the established threshold is 2.5% of the ordinary share capital.

No shareholder may file or participate in the presentation of more than one list, directly or through a third party or trust company, or vote for different lists.

Shareholders belonging to the same group and shareholders who join a shareholders' agreement on the company shares may not file or vote for more than one list, neither through a third party or trust companies.

Lists filed in violation of these restrictions will not be accepted.

Each candidate may be filed on one list only under penalty of ineligibility.

At the time of their filing, lists must include:

a) statements by which individual candidates:

- \* accept their candidature
- \* under his/her own responsibility state:
  - entitlement of the professional requirements envisaged by the by-laws,
  - the non-existence of causes for ineligibility or incompatibility,
  - entitlement of the good reputation requirements established by the law,
  - entitlement of the independence criteria required by the law and by the Code of Conduct;

b) a brief resume on the personal and professional skills of each candidate with an indication of their position as director and statutory auditor in other companies;

c) information on the identity of the shareholders who have presented lists. The certification or statement proving ownership of the shareholding prescribed by the law in force when the list is presented may also be produced further to the file of the list provided that it reaches the company within the term envisaged by the regulation in force for the publication of lists by the company;

d) a statement by the shareholders who do not hold, even jointly, a controlling or majority stake, bearing witness to the absence of any connection, as defined by the law in force.

A filed list that does not comply with the above provisions will be considered as not presented.

In the event that, by the deadline of 25 days preceding the date of the shareholders' meeting, a single list has been filed, or only lists presented by shareholders who are connected to each other pursuant to current regulations, further lists can be presented until the following third day and the participation threshold indicated in the notice of call will be halved.

At least 21 days before the date envisaged for the shareholders' meeting which is called to appoint the Board of Statutory Auditors, the Company shall make available at the company head offices, at the Italian stock exchange and on its website, the lists of candidates which have been submitted by shareholders and the belonging documentation.

In the event of filing of more than one list:

- the list that obtains the highest number of votes at the shareholders' meeting elects two acting auditors and two substitute auditors, in the order in which they are listed in the sections of the list;
- the minority shareholders' list that obtains the highest number of votes among the lists presented and voted by shareholders who are not connected in any way, directly or indirectly, with the majority shareholders, elects the third acting auditor and the third substitute auditor, in the order in which they are listed in the sections of the list;
- should more than one list obtain the same number of votes, a runoff is held on these lists among all the shareholders present at the shareholders' meeting, and the candidates are elected from the list that obtains the majority of the share capital represented at the shareholders' meeting.

Should a party connected to a majority shareholder vote for a list of the minority shareholders, the connection is relevant for the purposes of excluding the minority shareholders' elected auditor only if this vote was crucial for the election of the said auditor.

Should a single list be presented, all the candidates included in that list are elected with a majority vote of the share capital represented at the shareholders' meeting.

Should no lists be presented, the shareholders' meeting appoints the Board of Statutory Auditors with a majority vote of the share capital represented at the shareholders' meeting.

The chairmanship of the Board of Statutory Auditors lies with the person indicated in first place on the list presented and voted by the minority shareholders, or to the first name in the single list presented or to the person appointed as such by the shareholders' meeting should no lists be presented.

Pursuant to the by-laws of Italmobiliare S.p.A., those who are in situations of incompatibility as envisaged by the law or those who have exceeded the limit of engagements established by the regulation in force, cannot be elected as auditors, and if elected cease to serve.

Should an elected auditor during his/her term of office no longer satisfy the requirements envisaged by the law or the by-laws, his/her office shall terminate.

When it is necessary to replace an acting auditor, the substitute auditor belonging to the same list as the removed auditor takes over.

In their absence, in accordance with the original order of presentation, the candidate from the same list as the ceased auditor takes over, without taking the initial section into account.

Should the replacement concern the Chairman of the Board of Statutory Auditors, the position will be taken over by the auditor of the minority shareholders.

Auditors appointed in this manner hold office until the following shareholders' meeting.

Should it be necessary to supplement the Board of Statutory Auditors:

- to replace an auditor elected from the majority shareholders list, the appointment takes place with a simple majority vote of the share capital represented at the shareholders' meeting, choosing among the candidates indicated in the original majority list;
- to replace an auditor elected from the minority shareholders list, the appointment takes place with a simple majority vote of the share capital represented at the shareholders' meeting, choosing among the candidates indicated in the original minority shareholders' list;
- for the simultaneous replacement of auditors elected in the majority and the minority shareholders' lists, the appointment occurs with a simple majority vote of the share capital represented at the shareholders' meeting, choosing among the candidates indicated in the list belonging to which each auditor was part of, with a number of auditors equal to the number of ceased auditors belonging to the same list.

Whenever would not be possible to proceed as above, the shareholders' meeting called to supplement the Board of Statutory Auditors passes a resolution with a simple majority of the share capital represented at the shareholders' meeting, without prejudice to the principle by which one acting auditor and one substitute auditor must be appointed by minority shareholders. In any case, the Chairmanship of the Board of Statutory Auditors must be assigned to the auditor representing the minority shareholders.

Auditors shall accept their appointment when they believe they can devote the appropriate time to the diligent performance of their duties.

The Code recommends the statutory auditors to be chosen among those who qualify as independent on the

basis of the criteria provided therein for directors and, as mentioned above, upon filing of the list they submit a statement to confirm that they meet the independence criteria. The Board of Statutory Auditors shall verify the proper application of and compliance with these criteria upon appointment and then annually; the outcome of this assessment and of that performed by the Board of Directors to assess the independence criteria of directors so defined will be disclosed in the corporate governance report or in the auditors' report to the shareholders' meeting.

The Code states that auditors, too, are bound by an obligation of confidentiality and are prohibited by law from using, directly or indirectly, confidential information for immediate or future personal or financial gain.

Besides the duties envisaged by the law and the by-laws, the Code requires the Board of Statutory Auditors to:

- a) oversee the independence of the external auditors by verifying both compliance with relevant laws and the nature and extent of services other than account auditing provided to the company and its subsidiaries by the external auditors and companies belonging to its group;
- b) evaluate the proposals made by external auditors for their appointment to this position, as well as the audit plan and the results set out in their report and any letter of recommendations;
- c) oversee the effectiveness of the audit process.

Under the Code of Conduct approved by the «Corporate Governance Committee», these last two duties could have been entrusted to the Internal control committee rather than to the Board of Statutory Auditors. The Company believed to be more consistent with the actual functions of the corporate bodies the assignment of these duties to the Board of Statutory Auditors, which already reviews the proposals of the external auditors and their activity program and, pursuant to the current regulations, proposes the engagement and termination of the external auditors at the shareholders' meeting. This interpretation has been confirmed by Leg. Dec. 39/2010 by which VIII directive on statutory audits has been acknowledged in Italy.

The Code provide for the Auditor who has, directly or through third parties, any interest in a specific Company transaction, to timely and exhaustively inform the other Auditors and the Chairman of the Board of Directors about nature, terms, cause and value of his/her interest.

## ***Shareholders' Meetings***

The Code envisages that all the Directors regularly attend shareholders' meetings and encourage and facilitate the broadest possible participation by shareholders smoothing the process of exercising voting rights.

To this extent, the Board of Directors reports to the shareholders' meeting on the fulfillment of their duties as performed and planned and ensures shareholders to have adequate information in order to them to well-informed resolve upon the matters within their prerogatives.

Shareholders who hold voting rights as certified by the communication envisaged by law and received by the Company no later than the end of the third trading day prior to the date set for the shareholders' meeting on first or single call, are entitled to vote and attend shareholders' meetings. The legitimacy to vote and attend shareholders' meetings is in any case entrusted with when the company has received the communication after the terms fixed by current regulations, provided that this is before the beginning of the proceedings for each individual meeting.

For each shareholders' meeting the Company may appoint, with a specific indication in the notice of call, a subject to whom entitled shareholders may confer a proxy, with voting instructions on all or some of the items on the agenda, as envisaged by the current regulations.

No regulations have been envisaged for the proceedings of shareholders' meeting since the broad powers assigned to the Chairman by law and current practices, as well as the by-law (art. 14) that expressly grants to the

Chairman the power to lead the discussions, keep order and establish the voting method, as long as pursuant to disclosed proceeds, are considered adequate tools for the orderly running of shareholders' meetings.

## ***Relationships with institutional investors and shareholders***

The Company seeks continuous dialogue with shareholders, based on a mutual understanding of their respective roles. To this end, the Chairman-Chief Executive Officer provides for the general guidelines to be adopted by company departments in dealings with institutional investors and other shareholders.

To this extent, the Investor relations function, lead by Mr. Enrico Benaglio, has been established within the Shareholdings and investments department.

In addition to that and in order to provide timely and easy access to company information and thus allow shareholders to exercise their rights well-informed, a specific website section has been created, in which corporate information and documentations are available, in particular the procedures to participate and exercise voting rights at shareholders' meetings, documentation relating to the items on the agenda, including Reports on the latter, lists of candidates to director and statutory auditor positions, with their curricula, financial reports, press releases issued by the company pursuant to the Consolidated Law on Finance, the corporate calendar, etc.

## **B) IMPLEMENTATION OF CORPORATE GOVERNANCE RULES**

### ***Board of Directors composition and its meetings***

The shareholders' meeting of May 25, 2011, appointed the Board of Directors for 2011 – 2013. On that occasion, the relative majority shareholder and a minority shareholder - Serfis S.p.A. - both presented its own list of candidates.

The Board of Directors, according to the applicable laws and Company by-laws, is currently made up of 14 directors, of whom 13 elected from the list presented by the relative majority shareholder and one – Mr. Livio Strazzera – elected from the list presented by the minority shareholder Serfis S.p.A.

The Board of Directors, at its first meeting upon appointment and then during examination of the draft financial statements for the year, assessed, in compliance with the Code, the good reputation and independence qualification of its members taking into account the information supplied by each director. With reference to the independence evaluation, the Board agreed upon the declaration provided by Mr. Mauro Bini and Mr. Giorgio Perolari, who considered themselves to be vested with the independence qualification despite the fact that they hold the office for more than 9 years out of the last 12 years.

The outcome of this assessment has been disclosed to the market and is underlined in the Corporate Bodies table at the premise of this Report as well as in the table attached to this section.

As envisaged by the «Code», on March 28, 2012, the Board of Directors assessed the size, composition and functioning of the Board and its Committees.

To this extent, the Company circulated among the directors a self-evaluation questionnaire made up of statements, for which their level of agreement has been marked.

The outcome of this assessment and the comments, sometimes expressed, showed a positive judgment on the adequacy of the composition as well as of the efficiency and of the functioning of the Board of Directors and its Committees.

In particular, note was made to the following: i) the frequency and duration of Board meetings are adequate with respect to the items on the agenda, ii) relationships among Chairman and Directors are positive and fruitful.

During 2011 the Board of Directors met 7 times in total; 9 directors attended all the meetings, 4 directors, 2 of whom independent, attended 6 meetings and 2 independent directors attended 3 meetings.

The average length of meetings of the Board of Directors held during the year was of approximately 3 hours. However, if reference is made to the Board meetings during which, among others, the financial statements are approved, this average raises to 3 hours and 50 minutes.

During 2012 the Board of Directors has so far met twice, the first time to examine outlook for 2012, the second to examine and approve – among other things – the draft financial statements for 2011. During the year no fewer than a further three meetings are currently planned to approve the interim accounts.

The entire Board of Statutory Auditors attended 5 of the meetings; two statutory auditors were present at one meeting while only one statutory auditor attended the remaining meeting.

During 2011 the Executive committee has met only once, with all its members present.

During 2012, Executive committee has not met yet.

### ***Assignment of duties and granting of powers***

The Italmobiliare S.p.A. Board of Directors has 12 non-executive directors out of a total of 14. Among the non-executive directors, 7 are independent according to the criteria established for the statutory auditors by TUF; 6 of them are also independent according to the requisites provided for by the Company Code of Conduct.

The Chairman -Chief Executive Officer belongs to the executive directors. The Board of Directors, upon his/her appointment, determines duties and powers and sets any quantitative limits on the exercise of such powers.

The granting of powers (including those of the Director-Chief Operating Officer) is based on the principle of segregation of duties.

The granting of powers, i.e., the assignment of operational powers to one or more directors and/or to the Executive Committee does not exclude the prerogative of the Board of Directors, which in any case holds a greater power of guidance and control over the general business of the company in its various aspects.

Two of the 5 members of the Executive Committee, are executive directors; the others are, in any case, deemed non-executive directors. That because the Company's Executive Committee does not meet on a regular basis and in fact only meets when it is necessary to promptly adopt specific resolutions. The Code of Conduct promoted by Borsa Italiana S.p.A., also, agrees with this interpretation provided that, as in this case, the director is not granted individual executive powers.

**Legal representation** of the Company is granted by the by-laws, severally, to the Chairman, Deputy Chairman (or Deputy Chairmen), if appointed, and to the Chief Executive Officer.

Within the Board of Directors, the allocation of powers is as follows:

- to the **Executive Committee**, consisting of five members, all the powers and duties of the Board of Directors, except for those which the laws and the by-laws do not allow to be delegated. As specified at the time of its appointment, the resolutions of the Executive Committee must be reported to the first Board of Directors' meeting following the meeting of the latter;
- to the **Chairman-Chief Executive Officer**, Mr. Giampiero Pesenti, among others, the duties to ensure the compliance with Corporate Governance principles approved by the Company and to propose any amendment to them at the Board of Directors, with the assistance of the Group Corporate Affairs department which reports to him; to take care of management policies, business development strategies of Italmobiliare S.p.A. and its main directly and indirectly subsidiaries; to supervise and indicate general strategic guidelines for the business of Italmobiliare S.p.A. and its main directly and indirectly subsidiaries, by issuing the appropriate in-

structions to the Chief Operating Officer and the other corporate bodies; to define general policies for the management of the affiliated companies whether the interest in the latter is such to grant to Italmobiliare the power to significantly influence them; set guidelines concerning the choice of senior officers and staff management of Italmobiliare S.p.A. and of the main direct or indirect subsidiaries as well as, limited to Italmobiliare S.p.A., manage the personnel. To the Chairman-Chief Executive Officer were granted, among others, in addition to the powers envisaged by the bylaws and the Code of Conduct, the powers to undertake any administrative act and disposal, among which, to acquire and dispose of shareholdings, carry out credit and securities transactions, accept guarantee, grant real guarantee and guarantee in favor of third parties as long as are directly or indirectly subsidiaries or affiliated of Italmobiliare S.p.A., within the maximum amount of 150 million euro for each transaction; to enter into real estate sale and purchase agreement, trade-in and real division to settle easements or real estate rights in general, within the maximum amount of 25 million euro for each transaction; recruit staff at all levels defining their remuneration, suspending, terminating and modifying the employment relationship with the latter; appoint every kind of consultant defining their remuneration, possible deposits, suspending, terminating and modifying the relationship with the latter, with the power of grantig power of attorney to manage them.

- to the **Deputy Chairman**, Mr. Italo Lucchini, the sole representative powers, according to the bylaws, to be exercised severally by the Chairman-Chief Executive Officer;
- to the **Chief Operating Officer**, Mr. Carlo Pesenti, among others, the responsibility for supervising the performance of the shareholdings in general and to propose to the Chief Executive Officer corporate organization solutions. Among others, to him were granted the duties to undertake any act regarding the management of the Company, among which securities and credits transactions, to undertake on behalf of the Company bonds of any kind, also linked to real guarantee in favor of third parties as long as are directly or indirectly subsidiaries of Italmobiliare S.p.A., acquire and dispose of government securities, bonds, land, stocks, company shareholdings, performing sale or purchase carry-over and forward transactions on securities within the maximum amount of 75 million euro, for major amounts and up to 100 million euro with the joint signature of the Co-Chief Operating Officer Administration and Finance.

Other powers were granted to the Co-Chief Operating Officer Administration and Finance and to Secretary of the Board, within their respective area of competences.

The Chief Executive Officer and the Chief Operating Officer have assigned specific and limited powers to employees of the Company for the current management activities.

The Chairman-Chief Executive Officer and the Director-Chief Operating Officer have periodically reported to the Board of Directors and the Board of Statutory Auditors, as envisaged by the Code and by the Company bylaws, about activities undertaken within their assignments and powers. In addition, the most important transactions with an impact on the financial statements undertaken by the Company, the main transactions with related parties as well as transactions leading to potential conflicts of interests, have been submitted to the Board of Directors, even when within the limits of their powers.

### ***Remuneration for Directors, the Chief Operating Officer and Officers with strategic responsibilities***

According to the recommendations of the Code of Conduct promoted by the Italian Stock exchange, as updated in March 2010, and in compliance with the Recommendations of the European Committee no. 385 of April 30, 2009 and no. 913 of December 14, 2004, the Board of Directors, upon proposal of the Remuneration committee, submitted to the consultancy vote of the shareholders' meeting held on May 25, 2011, the report on the Company remuneration policy for executive directors, other directors vested with special powers and key management personnel.

At the same meeting held on May 25, 2011, the shareholders also resolved upon the amendment of art. 31 of



the by-laws by deleting the provisions of granting 1% of the net profits arising from the annual financial statements to the Board of Directors and recognized, till a new resolution, a fixed amount of 45,000 euro to each Board member; amount to be doubled for the Bod members who are named to be also part of the Executive committee.

The Board of Directors, upon proposal of the Remuneration Committee and based on a positive opinion of the Board of Statutory Auditors, has also established, in the absence of the recipients, the amounts, both fixed and variable, to be allocated to the Chief Executive Officer, Chief Operating Officer and the Manager in charge of preparing the company's financial reports, to be defined every year in relation to the targets assigned.

At the beginning of his office, to the Deputy-Chairman was assigned a fixed annual remuneration.

At the beginning of his office as well, to the Chief Executive Officer, was assigned a "Severance Pay" which will be vested at the end of the office.

About the Remuneration policy, please refer to the Report drafted by the Board of Directors according to art. 123-ter of TUF and object of a specific item on the shareholders' meeting agenda.

## ***Composition and activities of the Committees***

The Remuneration committee is made up of three non-executive members, the majority of whom independent. All of them are vested with a specific competence on financial and accounting matters, as envisaged by the Code of conduct for at least one member.

During the fiscal year, it met 4 times; the average length of its meetings was of less than 1 hour. One member took part in all the meetings, one member participate at three meetings and the other at the remaining meeting; the entire Board of Statutory Auditors attended one of the meetings; one statutory auditor at least was present at the other meetings.

The committee, in the absence of the recipients, examined, and then approved, the Remuneration policy for executive directors, other directors vested with special powers and key management personnel and proposed the remuneration to be granted to them at the Board of Directors.

The Chief of Human resources department is always invited to participate at the meetings.

During 2012 the Remuneration committee has so far met twice, to resolve upon the proposals to the Board of Directors on the remuneration of Directors and Officers as well as on the remuneration for 2012 of the Controller, upon proposal of the executive director responsible for overseeing the functioning of the internal control system in agreement with the Chairman of the Internal control committee.

The Internal control committee consists of three members, all non-executive, two of whom independent, vested with specific competence in financial and accounting matters, as envisaged by the Code of conduct for at least one member.

During 2011 the Internal control committee met 8 times; the average length of its meetings was of approximately 2 hours. All the members attended 5 meetings and the other 3 were held with one member absent; the Board of Statutory Auditors attended with at least one of its members at the meetings; five times it was present in its whole.

The Committee examined the reports prepared by the Controller and by the external auditors to verify the adequacy, effectiveness and correct functioning of the internal control system, and reported to the Board of Directors during approval of the annual report and the half-year financial report, on the activities undertaken and on the adequacy of the internal control system.

Some officers of the Company and of its subsidiaries and managers responsible for Company functions, from

time to time involved, are invited to attend the meetings to refer upon the items on the agenda of their fields.

During 2012 the Internal control committee has so far met once, to examine, among others, the 2011 impairment test methodology and results, the accounting methods adopted to draft the 2011 consolidated financial statements, the final balance of 2011 audit and the three-year audit plan for 2012-2014.

The Committee for Transactions with Related Parties is made up of three members, all of whom are non-executive and independent. During 2011 the Committee met once (additional to the meeting held to appoint the Chairman of the Committee), with 2 of its members present. The length of its meeting was of approximately 40 minutes.

The meetings of the Remuneration committee, the Internal control committee and the committee for Transactions with Related Parties were duly minuted.

### **Internal control system**

The internal control system is defined as the set of rules, procedures and organizational structures designed to ensure, through adequate identification, measurement, management and monitoring of key risks, healthy and proper management of the company in line with objectives, thus guaranteeing the safekeeping of the company assets, the efficiency and effectiveness of company transactions, the reliability of financial information, and compliance with laws and regulations.

The Board of Directors exercises its functions in relation to the internal control system based on national and international reference models and best practice and pays particular attention to the organizational, management and control model adopted pursuant to Legislative Decree no. 231 of June 8, 2001.

The structure of the internal control system of Italmobiliare S.p.A. is consistent with the Group structure, which could be defined as "Group of the Group". In particular the activity of the Internal control system related to the "construction materials" sector is monitored by Internal control committee of Italcementi, which the Internal control committee of Italmobiliare periodically receives half-year activity report by. Thus, although Italmobiliare takes in its consolidated financial statements the losses for value reduction of the goodwill as assessed by Italcementi Group on the basis of a CGU evaluation (cash generating Unit) more detailed of that of the holding Italmobiliare, to the extent of the impairment test of the goodwill allocated by Italmobiliare to the CGU of Italcementi, this last one is considered as a sole CGU.

The Board of Directors, with the assistance of the Internal control committee, sets the guidelines for the internal control system so that the main risks regarding the Company and the subsidiaries (except for Italcementi group which has its own autonomous internal control committee and Finter bank Zurich which has its own Internal Audit) are correctly identified and adequately measured, managed and monitored. It also sets the criteria to ensure the compatibility of these risks with correct and proper management of the Company and assesses, at least on an annual basis, the adequacy, effectiveness and functioning of the internal control system with respect to the characteristics of the Company. The Internal control committee monitors the internal control system of both Italcementi group and Finter Bank directly and through contacts and meetings with corresponding committees of the two entities.

As envisaged by the Code, the executive director responsible for overseeing the functioning of the internal control system was actively involved to identify the main corporate risks and to verify the overall adequacy, effectiveness and efficiency of this internal control system, by asking in particular the Controller to undertake specific controls of the procedures regarding both Italmobiliare S.p.A. and its subsidiaries.

Some time ago, the Company set up an internal audit department. The Board of directors, upon proposal of the executive director responsible for overseeing the functioning of the internal control system and based on the positive opinion of the Internal control committee, confirmed as Controller, on its meeting of May 25, 2011, the

head of the internal audit department.

The Internal audit department, performing its duties, got access to all the necessary information to execute them. He reported periodically to the Internal control committee, the Board of Statutory Auditors as well as to the executive director responsible for overseeing the functioning of the internal control system.

During 2011 the Controller implemented the audit plan, as presented to the Internal control committee, and undertook the appropriate measures within his duties, as assigned from time to time by the Chief Executive Officer in his capacity as the executive director responsible for overseeing the internal control system.

During 2011 the executive director responsible for overseeing the internal control system and the Controller attended the meetings of the Internal control committee of the Company.

The Board of Directors, to which the Internal control committee reports on a half-yearly basis, deems the internal control system in its whole adequate for the structure and kind of Company and Group businesses.

### ***Board of Statutory Auditors***

During the renewal of the Board of Statutory Auditors at the shareholders' meeting of May 25, 2011, the relative majority shareholder presented its own list of candidates while three minority shareholders – Hermes, Amber LB and Amber SGR - jointly presented its own list.

Therefore, the office of Chairman of the Board of Statutory Auditors, according to the current laws and Bylaws, is presently vested with Mr. Francesco Di Carlo, elected from the list presented by the minority shareholders as above indicated, while the two remaining Acting Statutory Auditors were elected from the list presented by the relative majority shareholder.

As envisaged by the Code, during 2011, the Board of Statutory Auditors, among other things, oversaw the independence of the external auditors, by verifying both compliance with the relevant regulatory provisions and the nature and extent of the non-audit services provided to the Company and its subsidiaries by the external auditors and bodies belonging to their group.

During the year, the internal audit manager took part in several meetings of the Board of Statutory Auditors, as the Board of Statutory Auditors attended all the meetings of the Internal control committee and of the Remuneration committee. This enabled a continuous information flow among the various bodies involved in monitoring the whole control system.

**TABLE 1**

**STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES**

BOARD OF DIRECTORS							Executive Committee		Internal Control Committee		Remuneration Committee		Committee for Transactions with Related Parties	
Position	Member	Executives	Non executives	Independent	Attendance	No. other posts	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance
Chairman-Chief Executive Officer	Giampiero Pesenti	•			7/7	7	•	1/1						
Deputy Chairman	Italo Lucchini		•		7/7	7	•	1/1			•	3/4		
Chief Operating Officer	Carlo Pesenti	•			7/7	6	•	1/1						
Director	Pier Giorgio Barlassina		•		0/4	6								
Director	Mauro Bini		•	•	6/7	1			•	7/8			•	2/2
Director	Giorgio Bonomi		•		7/7	2			•	8/8				
Director	Gabriele Galateri di Genola		•	•	3/7	8					•	1/4		
Director	Jonella Ligresti		•	•	3/7	8							•	0/2
Director	Sebastiano Mazzoleni		•		3/3	2								
Director	Luca Minoli		•		7/7	3								
Director	Gianemilio Osculati		•	•	3/3	10								
Director	Giorgio Perolari		•	•	6/7	1	•	1/1	•	6/8	•	4/4	•	2/2
Director	Clemente Rebecchini		•		3/3	3								
Director	Paolo Sfameni		•	•	3/3	10								
Director	Livio Strazzera		•		6/7	2	•	1/1						
Director	Francesco Saverio Vinci		•		3/4	7								

**TABLE 2**

**BOARD OF STATUTORY AUDITORS**

<b>Position</b>	<b>Member</b>	<b>Attendance at meetings</b>
Chairman	Mario Cera	3/3
Chairman	Francesco Di Carlo	8/8
Acting auditor	Luigi Guatri	3/3
Acting auditor	Angelo Casò	8/8
Acting auditor	Leonardo Cossu	10/11

## **CODE OF ETHICS**

The Code, approved for the first time in 1993 and further modified, envisages that all employees and those who deal with the Group or act to achieve its objectives shall base their dealings and conduct on principles of honesty, fairness, integrity, transparency, confidentiality and mutual respect.

To this end, at its meeting of February 9, 2001, the Italmobiliare Board of Directors approved the current version of the Code of Ethics which defines the rules for loyalty and fidelity, impartiality, protection of privacy and confidentiality of information, protection of people, the environment and company assets. The Code establishes the provisions which are the basis of the control processes and the accounting/operational information, and introduces rules to govern dealings with customers, suppliers, public institutions, political organizations and unions, and the media.

## **CONFIDENTIAL INFORMATION**

In terms of managing confidential information, the Code, after recalling the obligation of confidentiality and the prohibition on using such information for personal gain, envisages the adoption of procedures for the disclosure of documents and information, with particular reference to price-sensitive information which may be disclosed only by people who are generally or specifically authorized to do so.

At its meeting of February 9, 2001, the Company's Board of Directors approved a specific procedure requiring strict compliance with the disclosure procedures and terms envisaged by the provisions in force, in full alignment with the principle of fairness and contextuality.

Regarding relationships with institutional investors and other shareholders, based, as envisaged by the Code, on continuous attention, the organization notices issued by the Chief Executive Officer have established general guidelines and identified the Company structures dedicated to this activity.

## **INTERNAL DEALING CODE OF CONDUCT**

The Company adopted its own 'Internal Dealing Code of Conduct', originally in application of the provisions issued by Borsa Italiana S.p.A. and then to take account of the new regulatory provisions adopted by CONSOB in execution of the new European regulation (so-called *Market abuse*) introduced by the Law on Savings of 2005. The 'Internal Dealing Code of Conduct' governs the information to be disclosed to the Company, and by the Company to the market, on any transactions involving Italmobiliare shares, Italcementi shares and other financial instruments connected to them undertaken by 'Relevant persons' on their own behalf.

Pursuant to the 'Internal Dealing Code of Conduct', 'Relevant persons' are the members of the Board of Directors, the Board of Statutory Auditors and the Chief Operating Officer of Italmobiliare S.p.A. and any subject holding an equity investment of at least 10% of the voting share capital of Italmobiliare S.p.A., as well as any other subject who controls Italmobiliare S.p.A.

In particular, 'Relevant persons' must inform Italmobiliare S.p.A., which in turn informs the market, about completed transactions of an aggregate amount crossing the 5,000 euro threshold by the end of the year. It is to be noted that Consob, the Italian market Authority, with its resolution no. 18079 of last January 20, introduced an exemption to the disclosure of these transactions to the market establishing that only the further transactions executed during the year and crossing the previous mentioned threshold (5,000 euro) within the same reference period shall be disclosed.

Given the particular structure of the Group, the 'Internal Dealing Code of Conduct' is associated with the one adopted by Italcementi S.p.A., since the market disclosures of the sole transactions performed on Italcementi

securities by parties who are 'Relevant persons' for both Italmobiliare S.p.A. and Italcementi S.p.A., are considered as made also pursuant to the provisions contained in the Code of Conduct adopted by Company when the disclosure obligations are complied with by the subsidiary, which will take care of the disclosure to the market also on behalf of the holding company.

The 'Code of internal dealing' also states that the 'relevant Persons' will have to refrain from entering into transactions which are the subject of disclosures to the Company:

- on listed financial instruments issued by Italmobiliare SpA:
  - within 30 calendar days prior to the Board of Directors' meeting of Italmobiliare SpA called to approve the financial statements and the limited half-year report, including the day on which the meeting is held;
  - within 15 calendar days prior to the Board of Directors' meeting of Italmobiliare SpA called to approve the interim management reports, including the day on which the meeting is held;
- on financial instruments issued by the listed subsidiary Italcementi SpA:
  - within 30 calendar days prior to the Board of Directors' meeting of Italcementi SpA called to approve the financial statements and the limited half-year report, including the day on which the meeting is held;
  - within 15 calendar days prior to the Board of Directors' meeting of Italcementi SpA called to approve the interim management reports, including the day on which the meeting is held.

## **PROCEDURE FOR TRANSACTIONS WITH RELATED PARTIES**

On November 12, 2010, based on the positive opinion of the specifically appointed Committee for Transactions with Related Parties, the Company's Board of Directors adopted the Procedure for Transactions with Related Parties envisaged by the Consob Regulation of March 12, 2010.

The Procedure, in compliance with art. 2391-*bis* of the Italian Civil Code, sets out the measures adopted by the Company to ensure that transactions undertaken with related parties, whether directly or through subsidiaries, are carried out transparently and in compliance with the criteria of substantial and procedural correctness.

In particular, with the exception of some situations which are described below, the Procedure provides for the authorization process and the disclosure requirements for transactions between *i)* a party related to Italmobiliare, on the one hand, and *ii)* Italmobiliare, on the other, or one of its subsidiaries when, prior to completing the transaction, the prior examination or authorization by a corporate body of Italcementi or by an officer of Italcementi with relevant delegated powers is requested. The Procedure is also applied to transactions undertaken by Italmobiliare with a subsidiary or associate, as well as among its subsidiaries, when the transaction involves significant interests of a related party of Italmobiliare.

The Procedure distinguishes «significant» transactions from «minor» transactions on the basis of specific quantitative criteria predetermined by CONSOB. This distinction is also relevant for the different kind of rules applicable on transparency transactions, which are simplified for minor transactions and more stringent for significant transactions, although both envisage prior opinion of the Committee for Transactions with Related Parties.

The Committee has:

- the duty to give and explain its opinion on both minor (non-binding opinion) and significant (binding opinion) transactions;

- the right, for significant transactions, to take part in the negotiations and in the preliminary investigation stage through a complete and prompt information flow, and the right to ask for information and to submit its remarks to the delegated bodies and to those in charge of the negotiations or the preliminary investigation;
- the right to seek the assistance, at the Company's expense, of independent experts of its choosing.

In the case of minor transactions, the Procedure envisages the right, in any case, to execute the transaction even if the Committee for Transactions with Related Parties expresses a negative opinion, provided that this is disclosed to the market through a specific document setting out the reasons for this divergence.

For significant transactions, on the other hand, should the Committee express a negative opinion, the Board of Directors may approve the transaction only with the prior authorization of the shareholders' meeting.

Finally, in application of the determination powers provided by the CONSOB Regulation, the Company has identified the following main exemptions:

- transactions of a **negligible amount** (transactions that do not exceed **500,000 euro**);
- **ordinary** transactions (which fall within the sphere of ordinary business and the related financial transactions of the Company and of the Group generally) provided that they are completed on arms-length terms and equivalent to market standards;
- transactions **with or between subsidiaries or with associates**, unless in the counterpart subsidiaries or associates there are significant interests of other related parties of the Company;
- **urgent** transactions.

The Procedure is available on the company website at [www.italmobiliare.it](http://www.italmobiliare.it).

At their meeting last year, in accordance with the proposal of the Board of Directors, the shareholders integrated the by-laws provisions stating that:

- the significant transactions with related parties can be performed despite the negative opinion of the Committee for Transactions with related parties provided that the execution is authorized by the shareholders meeting and, without prejudice to the majorities of law, the non-related shareholders present at the shareholders' meeting represent at least 10% of the share capital with voting rights and that a contrary vote is not expressed by the majority of the non-related shareholders (so called *whitewash*);
- the Company may, in cases of urgency, execute transactions with related parties, that are not under the prerogatives of the shareholders' meeting and do not require its authorization, by applying the simplified rules envisaged by the Procedure for Transactions with related parties.

## **REGULATION OF THE MANAGER IN CHARGE OF PREPARING THE COMPANY'S FINANCIAL REPORTS**

As mentioned in another part of the report, the Company, in connection with Law on Savings, appointed a «Manager in charge of preparing the company's financial reports» and adopted a specific «Regulation» which, in compliance with legal provisions, the by-laws and following current best practices, among other things:

- \* defines the responsibilities of the Manager in charge of Italmobiliare and specifies his/her related powers;
- \* identifies the responsibilities and method for the appointment, removal and termination of office of the Manager in charge, the length of service and the requirements in terms of professional skills and good reputation;
- \* reports on the principles of conduct which the Company Manager in charge must comply with in the event of conflicts of interest as well as the confidentiality obligations to be observed in carrying out his/her activities;
- \* indicates the responsibilities, powers, and resources granted to the Manager in charge for the exercise of



his/her duties, identifying the financial and human resources needed to carry out the mandate;

- \* defines dealings with other Company bodies/functions, with the corporate bodies, the internal and external control bodies and with subsidiaries, regulating information flows;
- \*\* illustrates the internal and external attestation process in reference to: a) the statements of the Manager in charge regarding the correspondence of the disclosed acts and communications of the Company to the documents and the accounting books and entries; b) the attestations of the Manager in charge and of the executives, relating to the financial statements, the limited half-year financial statements and the consolidated financial statements.

The Regulation has been approved by the Board of Directors and refers to all the entities, functions, corporate bodies of Italmobiliare S.p.A., as well as all the companies that it directly or indirectly controls. The Regulation has been circulated to the staff of the Company, the subsidiaries, as well as to all those considered affected by its contents.

## **ORGANIZATIONAL, MANAGEMENT AND CONTROL MODEL**

In order to make the control system and *Corporate Governance* more effective, and prevent corporate offenses and offenses against the public administration, during 2004, in application of Legislative Decree no. 231/01, the Company Board of Directors adopted an «Organizational, management and control model» (the «Model»).

This was subsequently updated in 2006 in line with the law on market abuse and failure to disclose a conflict of interest by directors.

By adopting the Model, the Company intends to disseminate and establish a corporate culture based on legality, with the express censure of all conduct contrary to the law and the regulations of the «Model».

In 2008 the Model was also extended to crimes connected to violation of the laws on workplace health and safety (section later revised in 2010), on transnational crimes, conspiracy to handle stolen goods and money-laundering. Finally, on March 2011, several amendments have been approved to better design the information flow system among the various compliance corporate bodies of the Group both in the phase of adoption and amendment of the Models of the subsidiaries and in the phase of communicating with the Compliance committee of Italmobiliare S.p.A.

The Model will be further amended to include the crimes further introduced by the lawmaker in Leg. Decree 231/01 as crimes relevant for the purposes of applying the Decree itself. To this extent, the Company already appointed a specialized consultancy company to perform a risk assessment on the new risks.

The duty of ongoing overseeing the effective functioning and enforcement of the Model, as well as proposing amendments, is entrusted to a Compliance Committee, which operates on an autonomous, professional and independent basis.

In accordance with the provisions of the Model, the Compliance Committee is currently composed of an independent director (subsequently appointed Chairman), an external qualified advisor and the company's Internal Audit manager.

## **CONSOB Regulation on Markets**

The Consob Regulation on Markets (approved with the resolution no. 16191 of October 29, 2007, provides for specific conditions to be complied with by the listed companies:

- A) that control companies whose registered office is outside European Union («non-EU») (art. 36)
- B) that are subject to management and coordination activity by another company (art. 37).

In particular, the companies as set out in letter A) are required to:

- 1) disclose the accounts of non-EU subsidiaries drawn up for the purposes of the consolidated financial statements, including at least the balance sheet and the income statement;
- 2) gather non-EU subsidiaries by-laws, composition and powers of the corporate bodies;
- 3) check that the non-EU subsidiaries:
  - \* provide the parent company external auditor with the information needed to audit the annual and interim accounts of the parent company,
  - \* have an administrative-accounting system consistent to provide the management and external auditor of the parent company, on a regular basis, with the business, financial and equity information needed to draft the consolidated financial statements.

The companies set out at letter B), on the other hand, may be admitted for trading on a regulated Italian market (or maintain their listing) where they:

- a) have fulfilled the disclosure obligations envisaged by article 2497-bis of the Italian Civil Code;
- b) are free to negotiate in dealings with customers and suppliers;
- c) do not have, with the company that exercises administration and control activity or with any other company of the group to which belongs, a centralized treasury management agreement, which is not in their corporate interest. The correspondence with the corporate interest is attested by the Board of Directors with a detailed declaration verified by the Board of Statutory Auditors;
- d) have a Board of Directors composed mainly of independent directors (pursuant to the Code of Conduct) and an Internal Control Committee consisting solely of independent directors. Where appointed, also the other committees, as recommended by corporate governance codes promoted by regulated market managers or by category associations, shall consist solely of independent directors.

With reference to the provisions set out at art. 36, at Italmobiliare S.p.A., the scope of application involves as of today 33 subsidiaries, located in 14 countries outside the European Union.

The information flow between the Company and its subsidiaries is adequate to guarantee:

- \* the transmission of the accounts of the non-EU subsidiaries drawn up for the purposes of the consolidated financial statements, to enable such accounts to be disclosed;
- \* the gathering and storing of the by-laws, the composition and powers of the corporate bodies of the mentioned subsidiaries and any subsequent amendment.

Thus, all the by-laws of subsidiaries located in countries that do not belong to the European Union, which are relevant according to the last Audit plan, as well as the composition and powers of the corporate bodies have been acquired and are stored in the Company records.

Furthermore, it has been verified that the subsidiaries based in countries outside European Union, and relevant for the purpose of the captioned regulation:

- \* provide the company's external auditor with the information needed to verify the annual and interim accounts of Italmobiliare S.p.A.,
- \* have an administrative-accounting system suitable to provide the management and external auditor of the

parent company, on a regular basis, with the business, financial and equity information needed to draft the consolidated financial statements.

With reference to the provisions of art.37 mentioned above, however, not being subject to management and coordination of any other company or entity, Italmobiliare SpA is not subject to the obligations laid down therein.

Although Efi-parind B.V., pursuant to Art. 2359 in the Italian Civil Code, paragraph no.1, no.2, has a sufficient number of voting rights to exercise a dominant influence in the ordinary Meeting, albeit indirectly, it does not set, nor has it ever set, the Company's strategic policies to follow in the management of its business. The Board of Directors of Italmobiliare SpA, therefore, has always taken its decisions in full autonomy without any interference whatsoever by the relative majority shareholder.