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Report on Corporate Governance and ownership structure

INTRODUCTION

This Report describes the corporate governance system adopted by Italmobiliare S.p.A. (hereinafter also referred to as "Italmobiliare" or the "Company").

Fulfilling applicable legal and regulatory provisions, this Report contains information on the ownership structure and compliance with the Code of Conduct for listed companies promoted by the Committee for Corporate Governance, (hereinafter "Code", available on the Italian Stock exchange website www.borsaitaliana.it). This Report also illustrates the reasons underlying the non-implementation of certain, very limited, recommendations of the Code, which the Board of Directors decided not to adopt, it describes the corporate governance practices actually applied and provides for a description of the main features of the Internal Control and Risk Management System, also with reference to the financial reporting process.

This Report, approved by the Board of Directors on March 26, 2014, is published in the section "Governance/General Meetings" on the Company's website (www.italmobiliare.it).

The information contained in this Report refers to fiscal year 2013 and, in regard of specific topics, was updated as of the meeting of the Board of Directors which approved it.

ITALMOBILIARE S.p.A. PROFILE

Italmobiliare adopts the traditional governance model based on the presence of a Board of Directors and a Board of Statutory Auditors, both appointed by the Shareholders' Meeting, considering it the most suitable governance system to combine "efficient management" with "effective control", and simultaneously pursue the satisfaction of the shareholders' interests and enhancement of the management value.

The Company Corporate Governance system deduces from the following codes and regulations, as well as the By-laws:

- 1) Code of Conduct for listed companies promoted by the Committee for Corporate Governance;
- 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;
- 7) Regulation for the manager in charge of preparing the company's financial reports;
- 8) Organizational, Management and Control Model.

The above documents are available on the Company's website, 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 in respect of the special Part of the Organizational, Management and Control Model, also made available to all employees on the Company intranet.

The Company, as holding company of the Group, has always been actively committed in modernizing its business culture 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 corporate governance goes hand in hand with the dissemination of a business culture whose aims are transparency, adequate

management and effective control.

The corporate governance structure adopted by the Company, as set up in the binding articles of the By-laws and the provisions of the above mentioned codes and policies, confirms and bears witness to Italmobiliare commitment to comply with national and international best practices.

INFORMATION ON OWNERSHIP STRUCTURE

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

Italmobiliare share capital is equal to 100,166,937 euro, divided into 38,525,745 shares with a face 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.

When the profit for the year is allocated, savings shares are entitled to a privileged dividend of up to 5% of the face value, and it is pointed out that, if in a fiscal 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. The remaining amount is distributed to all Shareholders so that savings shares are granted an overall dividend increased, with respect to that of ordinary shares, by an amount equivalent to 3% of the face value of the shares, unless the shareholders' meeting resolves upon special allocations to the extraordinary reserves or to the Board of directors for other purposes.

In the event of distribution of reserves, savings shares have the same rights as other shares. Reduction in share capital owing to losses does not cause a reduction in the face value of the savings shares, except for that part of the loss in excess of the overall face value of the other shares.

In the event of exclusion from the stock exchange of ordinary and/or savings shares, savings shares retain the rights attributed to them by law and the By-laws, unless otherwise provided by the shareholders' meeting.

In case of dissolution of the Company, savings shares have priority in the repayment of the share capital for the full face 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, cancelled for the unexecuted portion, 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 TUF (i.e. consolidated law on finance)

Shareholder	Total	% of share capital	
	No. shares	overall	ordinary
Efiparind B.V. (indirectly and through Compagnia Fiduciaria Nazionale S.p.A.) This figure does not take into account the 871,411 treasury shares with voting rights held by the Company.	10,484,625	27.21	47.26
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. (treasury shares)	871,411	2.26	3.93

d) Shares that confer special control rights

No shares conferring special control rights have been issued.

e) Shareholding of employees: mechanism for exercising voting rights

There is no specific shareholdings' system for employees.

f) Restrictions on voting rights

The By-laws do not provide for restrictions on the exercise of voting rights.

g) Shareholders' Agreements pursuant to article 122 of TUF, 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 would become effective, be modified or expire should there be a change in the control of the company and their effects, and By-laws provisions on takeover bids

The Company did not enter into any loan agreements that provide for the right to the lender to terminate the contract should the majority shareholders reduce their stake in the Company share capital.

However, some subsidiaries have entered into loan agreements which grant the lender the right, in case of a change of control of the financed company, to terminate the loan agreement in advance and have the consequent right to demand principal and the accrued interest or, lastly, in the case of derivative-based agreements, the right to terminate the outstanding derivative agreements.

As far as takeover bids are concerned, the Company By-laws do not provide for waivers to the provisions of TUF related to the passivity rule nor the breakthrough rule is 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

Please refer to the Report on Remuneration, published in compliance with TUF.

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

Please refer to section "Code of Conduct: corporate governance rules and their implementation".

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

Delegated powers for share capital increases

In execution of the extraordinary shareholders' resolutions of May 29, 2012, the Directors are granted with the powers, in once or more times within a period of five years from the resolution:

- a) under art. 2443 of the Italian Civil Code, to increase share capital once or more times up to a maximum amount of euro 260 million, free-of-charge or against consideration, by issuing ordinary and/or savings shares, also to serve bonds issued by other entities convertible into ordinary and/or savings shares of the company or that are combined with warrants for the subscription of ordinary and/or savings shares of the Company;
- b) under art. 2420-ter of the Italian Civil Code, to issue once or in various times bonds to be converted into ordinary and/or savings shares or with warrants to acquire ordinary and/or savings shares, up to a maximum overall amount of euro 260 million, in compliance with the terms and conditions established by the laws and regulations in force from time to time, with the consequent share capital increase to serve such conversion or the exercise of the captioned warrant.

All with the widest powers connected thereto, including those of offering the shares and convertible bonds or with a warrant according to the penultimate clause of art. 2441 of the Italian Civil Code; reserve up to a quarter of them under art. 2441 of the Italian Civil Code, last clause; define the provisions and reserves to enter as capital in the event of free-of-charge increase; define issue price, conversion rates, terms and modes for the execution of the transactions.

Equity financial 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 to purchase treasury shares

At their ordinary meeting of May 29, 2013, the shareholders renewed the Company's authorization to purchase and dispose of treasury shares for a period of 18 months from the date of the resolution.

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

Therefore, on December 31, 2013, the Company held:

- 871,411 ordinary treasury shares, equal to 3.93% of the share capital represented by ordinary shares, 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, Efi-parind B.V. is the relative majority shareholder of Italmobiliare. According to the last notice received as well as to other Company information, it held indirectly a shareholding, net of the treasury shares held by Italmobiliare itself, equal to 47.26% of Italmobiliare ordinary shares, representing the share capital with voting rights.

Pursuant to both art. 2497-sexies and art. 2359 of the Italian civil code, no company or entity exercises management and coordination activity over Italmobiliare.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

1. Introduction

The Internal Control and Risk Management System of Italmobiliare is an essential part of the corporate governance system and is a set of organizational rules, procedures and structures intended to enable the identification, measurement, management and monitoring of the main risks which the Company and its subsidiaries are subject to.

The Company is currently finalizing the «Guidelines» for the Internal Control and Risk Management System which will be soon submitted to the approval of the Board of Directors upon opinion of the Control and Risk Committee.

Within the process of drafting the above mentioned Guidelines, the Company pays close attention in order to safeguard the coherence and the harmonization of the various control tools of the Group which includes companies subject to the supervision of national control Authorities with their own autonomous internal control functions.

The Internal Control and Risk Management System shall contribute to the management of the Company consistently with the corporate objectives set by the Board of Directors by facilitating the adoption of conscious decisions. It contributes to ensure the preservation of the Company's assets, the efficiency and effectiveness of business processes, the trustworthiness, accuracy, reliability and timeliness of financial information, the compliance with laws and regulations as well as with the By-laws and internal procedures.

The System, in line with the best national and international standards and paying constant attention to the provisions set forth in the Organizational, Management and Control Model, consists of the following three levels of control:

- Level 1: first line controls carried out by the heads of operating units that identify and assess the risks and define specific actions for their management;
- Level 2: functions in charge of the definition of methodologies and tools for risk management and performance of risk monitoring activities;
- Level 3: the Internal Audit function, as well as any other parties that provide objective and independent assessments (the so-called assurance) on the design and operation of the overall System.

The structure of the internal control system of Italmobiliare is consistent with the Group structure, which could be defined as "group of the group".

The Board of Directors, with the assistance of the Control and Risk committee, sets the guidelines for the internal control system and risk management so that the main risks regarding the Company and the subsidiaries 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 a half-yearly basis, the adequacy, effectiveness and functioning of the internal control system with respect to the characteristics of the Company.

However, some subsidiaries within the Group (Italcementi, Credit Mobilière de Monaco and Finter Bank Zurich) are under the supervision and control of national Authorities and then they have their own and autonomous internal control functions performing tasks similar to the duties assigned to the Control and Risk committee by the Code. With reference to such subsidiaries, the Control and Risk committee of Italmobiliare reviews and assesses the reports received from the subsidiaries' correspondent functions.

In particular the activities of the internal control and risk management related to the "construction materials" sector are monitored by the Control and Risk committee of Italcementi. Thus Italmobiliare, to the extent of the impairment test of goodwill allocated to the CGU (cash generating unit) of Italcementi, takes in its consolidated financial statements the impairment losses on goodwill as assessed by Italcementi Group on the basis of a CGU evaluation which is more detailed in Italcementi compared with that of Italmobiliare reporting system.

The Board of directors defines and approves an annual budget, it also monitors and examines the risks which the Company and the Group as a whole are subject to, and that, as specified under the By-laws, are essentially financial.

Moreover, the Company launched a project aimed at developing a Management Risks Model aligned with the best practices on identification, evaluation and management of the company risks. The project will develop throughout 2014 to be then fully operating in 2015, upon definition of the governance program.

2. Description of the main features of the Internal Control and Risk Management System in regard of the financial reporting process

2.1 Phases of the risk management and internal control system

The risk management and internal control system in relation to the financial reporting process consists of a set of corporate rules and procedures, adopted by the various operating structures, aimed at ensuring trustworthiness, accuracy, reliability and timeliness of financial reporting.

Italmobiliare has defined its own reference Model for the assessment of the Internal Control and Risk Management System related to the financial disclosure (hereinafter, in short, "Operational Model"), detailing the operational approach for the performance of activities. This Model is based on the principles contained in the CoSO framework and in the document "Internal Control over Financial Reporting - Guidance for Smaller Public Companies", also developed 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 controlled by the latter. In this Model, the risk control system is considered together with the internal control system in relation to the financial reporting process.

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

- a) **Preliminary analysis.** This activity, carried out on an annual basis and whenever deemed necessary, is aimed at identifying and assessing the risks related to the Internal Control and Risk Management System with regard to financial reporting, in order to determine priorities for the actions related to documentation, assessment and testing of administrative and accounting procedures and related controls. The identification of the relevant quantities and processes is based on quantitative (weight of revenue and assets of a single entity on consolidated amounts, the carrying amount of consolidated financial statement items related to a particular process) and qualitative (the Country in which an entity operates, specific risks, risk levels assigned to the various items) factors;
- b) **Operational planning.** Every year the activities are planned on the basis of the priorities identified through the preliminary analysis and other assumptions, if any;
- c) **Analysis of controls at company level.** Single entities, within the area of action identified in the preliminary analysis, are responsible for *i*) 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 *ii*) 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 the operational planning and on the basis of the guidelines, instructions and templates provided by the Manager in charge;
- d) **Analysis of controls at process level.** Single entities in the area for action identified in the preliminary analysis are responsible for: *i*) documenting, with varying levels of detail depending on the level of risk allocated, the identified administrative and accounting processes, *ii*) performing tests to check the effective operation of controls, in accordance with the deadlines established during operational planning and on the basis of guidelines, instructions and templates provided by the Manager in charge;
- 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 carried out activities and the obtained documentation, 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.

The Internal Control and Risk Management System, with reference to the financial reporting process has also benefited from:

- the ongoing development of an integrated Corporate Governance system (Organization notices, delegated powers, corporate processes and procedures) whose operational tools are available in a *Knowledge Management Data-*

base, BEST 2.0 (*Business Excellence Support Tool*), which allows easy access to information and facilitates its dissemination across the Group;

- a more detailed organization and planning in relation to the provisions of Law No. 262 of December 28, 2005, containing "Provisions for the protection of savings and the regulation of financial markets" and the subsequent corrective decrees (hereinafter, in short, the "Savings Law"), enacted by law-makers for the purpose of increasing the transparency of financial reporting and strengthening the internal control system of listed companies.

2.2. Positions and Functions involved

Financial reporting is manned by the following corporate bodies and functions, which operate with roles and responsibilities defined in the broader Internal Control and Risk Management System:

- 1) **Board of Directors**, to which the Code attributes, among other things, the following tasks:
 - a) examining and approving the Strategic Plan, monitoring periodically the related implementation;
 - b) defining the risk profile, both as to nature and level of risks, in a manner consistent with the Company's strategic objectives, as determined by the same Board at the time of approval, amendment or revision of the Strategic Plan;
 - c) evaluating the adequacy of the organizational, administrative and accounting structure of the issuer as well as of its strategically significant subsidiaries in particular with regard to the internal control and risk management system;
 - d) upon opinion of the Control and Risk Committee:
 - 1) defining, in line with the Company's risk profile, the guidelines of the internal control and risk management system, also seeing to its updating, so that the main risks concerning the issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, determining, moreover, the level of compatibility of such risks with the management of the Company in a manner consistent with its strategic objectives;
 - 2) assessing, at least annually, the adequacy and effectiveness of the Internal Control and Risk Management System with respect to the Company's characteristics and the risk profile assumed, ensuring that:
 - duties and responsibilities are allocated in a clear and appropriate manner;
 - control functions, including the Head of Internal Audit, the Manager in charge and the Supervisory Board have been provided with the appropriate resources for the performance of their duties and are granted an appropriate degree of independence within the corporate structure.
 - 3) approving, at least annually, the plan (which should also address the reliability of information systems) drafted by the Head of Internal Audit, having heard the opinion of the director in charge of the Internal Control and Risk Management System and the Board of Statutory Auditors;
 - 4) upon proposal of the Director in charge of the Internal Control and Risk Management System, after also hearing the opinion of the Board of Statutory Auditors, appointing and dismissing the Head of Internal Audit, ensuring that the same is adequately provided with the resources to carry out their responsibilities and defining their remuneration in line with corporate policies;
 - e) examining and approving the financial statements for the period; assessing the company's operating structure.
- 2) **Director in charge of the Internal Control and Risk Management System**, identified by the Board of Directors' meeting of May 25, 2011, in the person of the Chairman-Chief Executive Officer.

According to the Code, he has the task of:

 - a) identifying the main business risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and submit them periodically to the review of the Board of Directors at least once a year;
 - b) implementing the guidelines defined by the Board of Directors, taking care of the planning, implementation and management of the internal control and risk system, constantly monitoring its adequacy and effectiveness;
 - c) proposing to the Board of Directors, after the favorable opinion of the Control and Risk Committee and after hearing the opinion of the Board of Statutory Auditors, the appointment, removal and remuneration of the Head of Internal Audit ensuring its operating independence and autonomy from each head of operating de-

partments, verifying that the same is provided with adequate resources for the fulfillment of the tasks entrusted thereto;

- d) adjusting such system to the dynamics of the operating conditions and the legislative and regulatory framework;
- e) possibly requesting to internal audit function to carry out reviews of specific operational areas and on the compliance of business operations with rules and internal procedures, giving simultaneous notice to the Chairman of the Board of Directors, the Chairman of Control and Risk committee and the Chairman of the Board of Statutory auditors;
- f) promptly reporting to the control and risk committee(or to the Board of Directors) issues and problems that resulted from his/her activity or of which he/she became aware in order for the committee (or the Board) to take the appropriate actions.

Under the powers granted to him, the Director in charge of the Internal Control and Risk Management System, took steps to develop a Management Risks Model aligned with the best practices on identification, evaluation and management of the company risks.

Moreover, since the two positions coincide, the Director in charge of the Internal Control and Risk Management System is responsible for issuing, together with the Manager in charge, statements on the adequacy and effective implementation of administrative and accounting procedures, the compliance of documents with applicable international financial reporting standards, compliance of documents with book entries and accounting records, suitability of documents to give a true and fair representation of the financial position and results of operations of the Company and of the Group, etc..

- 3) **Control and Risk Committee**, which, as a body supporting and assisting the Board of Directors, carries out advisory and proactive functions. In particular it:
 - a) issues opinions to the Board of Directors whenever the Code provides so;
 - b) evaluates together with the Manager in charge, after hearing the external auditors and the Board of Statutory auditors, the correct application of the accounting principles, as well as their consistency for the purpose of preparing of the consolidated financial statements;
 - c) expresses opinions on specific aspects relating to the identification, measurement, management and monitoring of the Company's main risks and the definition of the nature and level of risk deemed compatible with the strategic objectives;
 - d) reviews the periodic reports of the internal audit function concerning the assessment of the internal control and risk management system, as well as the other reports of the Internal Audit function that are particularly significant;
 - e) monitors the independence, adequacy, efficiency and effectiveness of the Internal Audit Function;
 - f) whenever deemed necessary or desirable for a better management of business risks, requires the Head of Internal Audit to carry out reviews of specific operational areas, giving simultaneous notice to the Chairman of the Board of Statutory auditors;
 - g) reports to the Board of Directors at least half-yearly, on the occasion of the approval of the annual and half-year financial report, on the activity carried out, as well as on the adequacy and effectiveness of the Internal Control and Risk Management System;
 - h) promptly exchanges information with the Board of Statutory Auditors relevant to the performance of their respective tasks.
- 4) The **Chief Operating Officer**, to whom are entrusted, among others, the duties of coordinating and supervising the operations of both Italmobiliare 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) **Manager in charge of preparing the company's financial reports**, who, as provided for 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 interim financial statements and the consolidated financial statements, as well as any other financial reporting, by updating such procedures and ensuring dissemination and compliance, as well as verifying their effective application;

- b) assessing, together with the Control and Risk 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 top 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 IT systems that have an impact on the Company's financial positions and results of operations.

The Manager in charge of Italmobiliare acknowledges the content of Italcementi's Manager in charge quarterly report on the internal control and risk management performed activities at Italcementi group level. Moreover the Manager in charge receives and evaluates the activities' reports of the Group subsidiaries subject to the control of National Authorities and with their own controls functions, like Finter Bank Zurich and Credit Mobilière de Monaco.

The Board of Directors meeting held on May 25, 2011, confirmed Mr. Giorgio Moroni, Co-Chief Operating Officer Administration & Finance, as the Manager in charge of preparing the company's financial reports, pursuant to Art. 154-bis of TUF and Art. 29 of the By-laws.

The appointment of Mr. Moroni will expire upon completion of the term of office of the current Board of Directors, i.e. with the approval of the 2013 financial statements.

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

- 1) be qualified as a manager and meet the requirements of good reputation set forth by law for members of the Board of Directors;
- 2) have a total of at least three years' experience in performing administrative/accounting and/or financial and/or control activities at the Company and/or its subsidiaries and/or at other joint-stock companies.

The Board of Directors, upon appointment, provided such Manager with autonomous financial resources to exercise the powers granted to him with the duty to report to the Board of Directors on the financial resources used every six months. Furthermore, the Board of Directors, upon proposal of the Remuneration Committee, defines, at the time of appointment and then annually, the remuneration of the Manager in charge.

- 6) **Head of Internal Audit**, who is entrusted with the task of verifying the functioning and adequacy of the Internal Control and Risk Management System, providing an objective assessment of its suitability to corporate bodies and top management.

He has direct access to all relevant information for the performance of his duties, is not responsible for any operational area and is under the Board of Directors hierarchically.

The Head of Internal Audit reports on the Company's risk management process as well as about the compliance with the management plans defined for risk mitigation, and expresses its assessment to the Board of Directors, Control and Risk Committee, to the Director in charge of the Internal Control and Risk Management System and to the Board of Statutory Auditors on the adequacy of the Internal Control and Risk Management System.

The Board of Directors, at its meeting held on October 16, 2012, after hearing the opinion of the Board of Statutory Auditors, confirmed Mrs. Delia Strazzarino as Head of Internal Audit.

The Head of Internal Audit annually illustrates to the Control and Risk Committee the Internal Audit structure which has been considered appropriate, both in terms of headcount and professional skills, with the contribution of qualified personnel of the Group, to fulfill the tasks entrusted to it.

Within its "Assurance and Quality improvement Program", the Internal Audit Department is subject, at least every five years, to a Quality Assurance Review by an independent external entity. Last review, performed on late 2011, had an outcome of general compliance with reference international standards.

The Board of Directors following the opinion served by the Control and Risk Committee and having heard the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System, approved:

- the Internal Audit Charter during the meeting of November 14, 2013. The Charter officially defines the mission, objectives, organisational context and responsibilities of the Internal Audit Department, in accordance with the definition of Internal Auditing, with the Code of Ethics of the Institute of Internal Auditors ("IIA") and with the International Standards set by the International Professional Practices Framework of the IIA.
- the 2014 Audit Plan prepared by the Head of Internal Audit during the meeting of February 14, 2014.

The Internal Audit Department performs its activities with reference to Italmobiliare group, except for the subsidiaries – and their affiliates – that, although controlled by Italmobiliare, are subject to the control of National authorities and have an independent Internal audit function.

- 7) **Supervisory Body**, which is responsible for the ongoing monitoring of the effective operation and compliance with the Organization, Management and Control model pursuant to Legislative Decree no. 231/01.

As part of its duties, the Supervisory Body, periodically meets with executives of the Company in charge of sensitive areas under Legislative Decree no. 231/01, the Board of Statutory Auditors, the Manager in charge and the representatives of the independent auditors in respect of any matters relevant to the prevention of offenses specified in the Model, including those relating to financial reporting.

This body is autonomous and independent in the exercise of its functions, and its members have adequate qualifications in the field of risk control associated with the specific activities carried out by the Company and its legal aspects. It reports directly to the Board of Directors, which appoints it with a motivated resolution with respect to each member, chosen solely on the basis of qualifications, integrity, competence, independence and functional autonomy requirements.

The Supervisory Body is granted with autonomous initiative and control powers within the Company in order to efficiently exercise its functions.

The Supervisory Body periodically, and at least every six months, prepares a written report on its activities sending it, together with a documented statement of expenses incurred, to the Chairman of the Board of Directors, the Chairman of the Board of Statutory Auditors, the Chairman of the Control and Risk Committee and the Manager in charge. Such reports contain proposals, if any, for additions and amendments to the Model. The aforementioned periodic report must at least contain or highlight:

- i) any problems arising with regard to implementation of the procedures set forth in the Model, adopted in implementation of or in the light of the Model and the Code of Ethics of the Company;
- (ii) the warning reports received from internal and external parties in regard of the Model;
- (iii) disciplinary procedures and penalties, if any, applied by the Company, with exclusive reference to activities at risk;
- (iv) an overall assessment of the effectiveness of the Model with possible instructions for additions, corrections or changes.

- 8) **Various company Functions**, which, as already noted with regard to the Chief Operating Officer, must, to the extent of their competence, ensure the correct representation of the information provided, as well as the efficient and effective implementation of administrative and accounting procedures in the areas under their responsibility.

Lastly, in this context, the **Board of Statutory Auditors**, as part of the tasks assigned to it under applicable laws, among other things, oversees the financial reporting process and effectiveness of the internal control, internal audit and risk management systems.

The auditing of the company's accounts, as required by the current applicable laws, was entrusted to independent auditors appointed at the Shareholders' Meeting, upon proposal of the Board of Statutory Auditors. The task of auditing the separate financial statements of Italmobiliare, the consolidated financial statements of Italmobiliare Group and performing a review of the consolidated financial statements of Italmobiliare Group for the fiscal years 2010-2018 was assigned at the Shareholders' Meeting to KPMG S.p.A. on April 29, 2010.

The sharing and integration of information generated in the various areas is ensured by a structured information flow. In this regard, the quarterly report of the Manager in charge is, for example significant as it reports, among other things, on the results of the performed activities, the problems that emerged, the identified action plans and their state of progress. The same officer, together with the Chief Executive Officer, also supplied the certificate referred to in paragraph 5 of Art. 154-*bis* of TUF.

3. Overall Assessment of the Internal Control and Risk Management System

The Board of Directors, based on the information and evidence collected with the support of the preliminary activity performed by the Control and Risk Committee, with the assistance of the Director in charge of the Internal Control and Risk Management System and the Head of Internal Audit, believes that the Internal Control and Risk Management System is appropriate and effective with respect to the structure of the Company and of the Group, the characteristics of the business, including with reference to the organizational, administrative and accounting structure that ensures the trustworthiness, accuracy, reliability, timeliness and completeness of financial reporting.

The Board of Directors, however, points out that some weaknesses were identified in the internal control system of the subsidiary Finter Bank Zurich; the Board of directors of the bank has been already requested by the Swiss Supervisory Authority to remedy to them.

CODE OF CONDUCT: CORPORATE GOVERNANCE RULES AND THEIR IMPLEMENTATION

Italmobiliare complies with the Code of Conduct for listed companies approved by the Italian Committee for Corporate Governance.

However, the Board of Directors decided not to adhere to two recommendations of the Code on: i) the establishment of the Appointment Committee and ii) the adoption of the Shareholders' Meeting Regulations, maintaining some governance principles set out in previous versions of the Code of Conduct. Further details in this regard will be provided in this Report, based on the various topics to be illustrated.

Moreover, the Board of Directors is always open to evaluating any new orientations that may occur in the Code and their possible inclusion in the Company's corporate governance system, provided that, consistently with Company policy, the recommendations given by the Code allow the Company to enhance its trustworthiness towards investors.

A) BOARD OF DIRECTORS

Role and Responsibilities

The Board of directors is responsible for defining the strategic direction of the Company and the Group belonging to it and it is in charge of the management. To this end, pursuant to the By-laws, it is vested with all the necessary powers for the ordinary and extraordinary management of the Company, since it is competent on everything that is not expressly reserved by law and the By-laws to the Shareholders' Meeting.

In addition to the powers conferred to it by law and by the By-laws regarding the issue of shares and bonds, the resolutions concerning the following matters are also entrusted to the Board of Directors - without prejudice to the Shareholders' Meeting authority, existing by operation of law -, in compliance with Art. 2436 of the Italian Civil Code:

- incorporation of companies that are fully owned or owned at least ninety percent;
- transfer of the registered office, as long as within the (Italian) national territory;
- establishment or closure of branches, whether in Italy or abroad;
- reduction of share capital in the event of withdrawal of a shareholder;
- amendment of the By-laws to comply with mandatory legal provisions.

The Board of Directors, in compliance with the provisions of the By-laws, meets at least once in each calendar quarter. At such meeting, the delegated bodies report to the same Board and to the Board of Statutory Auditors on significant transactions put in place in the exercise of delegated powers.

The Board of Directors also has the task of passing resolutions regarding:

- transactions with a significant strategic, importance and impact on Italmobiliare financial position and results of operations, put in place by the Company itself and by its subsidiaries;

- transactions with related parties, as governed by specific company procedure and in compliance with the conditions provided therein.

Moreover, the Board is entrusted with *i)* the assessment on the overall operating performance, *ii)* the assessment of the adequacy of the organizational, administrative and accounting structure with particular reference to the Internal Control and Risk Management System, which is overseen by the Director in charge of such System, under the powers delegated to him by the Board itself, *iii)* the granting of powers to the executive directors and *iv)* the determination of the remuneration of directors vested with special powers and key management personnel.

The directors act and make decisions on an informed basis and independently pursuing the primary objective of creating value for shareholders. They hold their office being aware that they can devote the necessary time for a diligent performance.

No exception to the non-competition provisions under Art. 2390 of the Italian Civil Code has been authorized by the Shareholders' Meeting nor is required by the By-laws. In addition, no Director is a partner with unlimited liability of any competitors, or exercises a competing business on its own or on behalf of third parties, or is a director or Chief Operating Officer of competitors.

Composition

The Company by-laws provide that the Company shall be managed by a Board of Directors consisting of 5 up to 15 directors, appointed at Ordinary Shareholders' Meeting, for the period decided at the time of appointment, but in no event for more than three fiscal years and they may be reappointed when their term of office expires.

The Board of Directors currently in office is made up of fourteen members, whose term of office expires upon approval of the financial statements for the fiscal year 2013. Thirteen out of fourteen members have been appointed by the General Shareholders' meeting of May 25, 2011. Further to the resignations of Mrs. Jonella Ligresti, tendered on July 23, 2013, and as non-elected candidates belonging to the same list of the latter waived the nomination, the Board of Directors of November 14, 2013 co-opted Mrs. Laura Zanetti and her office will elapse, together with that of the entire Board, at the general Shareholders' meeting called to approve 2013 financial statements. Twelve out of fourteen members are non-executive and, among these, seven directors are independent in accordance with the Consolidated Law and Finance (TUF); six of them also have the independence qualification set out by the Code.

Among the fourteen Board members, Mr. Livio Strazzera represents the minority shareholder Serfis S.p.A.

The composition of the Board of Directors is shown in the table infra, as well as at the beginning of this report, where the Directors' *curricula* are also provided, along with their seniority in office.

These *curricula*, in accordance with the regulations, are promptly published on the Company's website at the time of appointment and it is now common practice that, at the Shareholders' Meeting, the Chairman provides information on the professional qualifications of the candidates and their characteristics and suitability to qualify as independent directors.

Appointment and replacement of Board members

The Company's By-laws, in compliance with the provisions of current legislation, provide that the appointment of the Board of Directors shall occur on the basis of lists that ensure that the minority shareholders obtain the minimum number of directors required by law and should comply with the regulations in force concerning the gender balance.

Lists must be filed at the Company's 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 the nominations to be taken in 2014, the threshold established for the presentation of candidates' lists for the election of the Board of Directors of Italmobiliare is of 2.5% of the ordinary share capital.

No shareholder may file, or participate in filing, even through a third person or trust company, more than one list or vote for different lists. Shareholders belonging to the same group and shareholders who adhere to a shareholders'

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agreement relating to the Company's shares may not file or vote for more than one list, either through a third person or through a trust company.

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

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

Pursuant to the By-laws, the lists that have a number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that one or the other gender may be represented by at least one third (rounded upwards) of the candidates. However, upon the first renewal of the Board of Directors following entry into force of the Law (October 2011), the relevant transitional provisions provide that the quota of the less represented gender be at least one-fifth of the elected candidates.

At the time of their filing, lists must include:

a) statements whereby individual candidates:

* accept their candidature;

* under his/her own responsibility state:

- the non-existence of causes for ineligibility
- entitlement to the good reputation requirements established by the law
- entitlement to the independence qualification required by the law and by the Code of Conduct, if any. The latter is a principle already contained in the Code of conduct originally adopted by the Company, now outmoded by the Code and which the Company has complied with. The Board of Directors considered it appropriate to keep this principle in line with the best practices governing the matter.

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 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. Any elected directors whose requirements of good reputation, as set forth by law or the By-laws, become void during their term of office, will forfeit their office.

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 makes available at the Company premises, at the stock exchange and on its website, the lists of candidates which have been filed by shareholders 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 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.

If as a result of the voting based on lists or the voting of the only list presented, the composition of the Board of Directors does not meet the current regulations regarding gender balance, the necessary replacements will be carried out within the list that has obtained the highest number of votes or within the only list presented, starting from the candidate in the last place of the same list. Subsequently, if compliance with the requirement concerning the balance between genders is not ensured in the minimum number required by law, there will be similar replacements, again within the list that has obtained the highest number of votes, or within the only list presented.

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 for its composition, the Board of Directors is respectively appointed or supplemented by the Shareholders at their meeting with the legal majority, provided that the gender balance set forth by current legislation in force is ensured and at least the minimum number of directors holding the independence qualification required by the law is guaranteed.

If during the year, due 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 will act pursuant to the law. All of the above, in any case, in compliance with the current legislation in force regarding gender balance.

Directors appointed in this manner hold office until the following Shareholders' Meeting.

The Shareholders' Meeting resolves 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 in 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 have been envisaged, although directors holding the same position for more than nine years in the last twelve years could be considered - on a voluntary basis - no longer to meet the independence qualification pursuant to the Code.

Executives Directors

The Company By-laws provide that, unless the Shareholders' Meeting has already done so, the Board is entitled to appoint the Chairman and possibly one or more Deputy Chairmen and to determine their powers.

The Board of Directors, in accordance with law provisions and the By-laws, can delegate its powers to an Executive Committee, made up of some of its members, and determine their number and powers. The Board of directors can also delegate its powers to only one of its members, with the title of Chief Executive Officer - CEO - , and determine the limits of such empowerment. The Board of Directors or the Executive committee, if it has been appointed, can appoint, also from outside the Board of directors, a Chief Operating Officer - COO -, and determine his/her term of office and the relevant attributions, powers and remunerations.

The Board of Directors has appointed, among its members, in addition to the Chairman-Chief Executive Officer, a Deputy Chairman and a Chief Operating Officer.

The Chairman-Chief Executive Officer and the Chief Operating Officer to whom the Board of Directors, upon appointment, granted duties and powers identifying any quantitative limits, are considered executive directors.

The Board also granted the Executive Committee all its powers except for those that pursuant to the Italian Civil Code and the By-laws may not be delegated. The resolutions of the Executive Committee are reported to the Board of Directors at its next meeting.

The consistency of direction and coordination of activities is ensured by the presence of the Chairman-Chief Executive Officer, the Deputy Chairman and the Chief Operating Officer, directors and Company managers on the Boards of Directors of the main subsidiaries.

Allocation of responsibilities and delegation of powers

The granting of powers is based on the principle of segregation of duties.

The delegation of powers, i.e. the assignment of operating powers to one or more persons and/or the Executive Committee, does not exclude the competence of the Board of Directors, which in any case holds a superior steering and controlling power over the Company's general activities as to its various components.

Among the five members of the Executive Committee, two are executive directors; the remaining ones, two of which independents, are considered, however, non-executive directors, as the Company's Executive Committee meets without any regularity and, in fact, exclusively to address the timely examination of certain transactions and for the adoption of the relevant resolutions. The Code also shares this interpretation provided that, as in this case, the director, member of the Executive Board, is not given individual executive powers.

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

- to the **Executive Committee**, consisting of five members, all the powers and the assignments of the Board of Directors, except for those which the law 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 next Board of Directors' meeting;
- 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 Corporate Affairs department which reports to him; to take care of management policies, business development strategies of Italmobiliare and its main direct and indirect subsidiaries; to supervise and indicate general strategic guidelines for the business of Italmobiliare and its main direct and indirect subsidiaries, by issuing the appropriate instructions to the Chief Operating Officer and the other corporate bodies; to define general policies for the management of the companies in which Italmobiliare, directly or indirectly, holds an investment which is such to grant Italmobiliare the power to significantly influence them; set guidelines concerning the choice of the main senior officers of Italmobiliare and the direct or indirect subsidiaries as well as, limited to Italmobiliare, the management of personnel. The Chairman-Chief Executive Officer was granted, among others, in addition to the powers envisaged by the bylaws and the Code, the powers to undertake any administrative act and measure, among which, to acquire and dispose of equity investments, carry out credit and securities transactions, accept guarantees, grant collateral and guarantees in favor of third parties as long as these are direct or indirect subsidiaries or affiliated of Italmobiliare, within a 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 powers of granting power of attorney to manage them.
- to the **Deputy Chairman**, Mr. Italo Lucchini, the sole representative powers, according to the By-laws, 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 corporate organization solutions to the Chief Executive Officer. Among others, he was 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 secured by collateral in favor of third parties as long as these are direct or indirect subsidiaries of Italmobiliare, acquire and dispose of government securities, bonds, land, stocks, company shareholdings, performing sale or purchase carry-over and forward transactions on securities within a maximum amount of 75 million euro, for each

transaction; negotiate the opening of credit lines with banks worth a maximum amount of 75 million euro; for larger amounts and up to 100 million euro with the joint signature of the Co-Chief Operating Officer Administration and Finance.

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

The Chairman-Chief Executive Officer and 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 by-laws, about activities undertaken within their assignments and powers. In addition, the most important transactions undertaken by the Company with an impact on its financial statements, the main transactions with related parties as well as transactions leading to potential conflicts of interests, are submitted to the Board of Directors, even when within the limits of their powers.

Independent Directors

In accordance with the regulations in force, at least one of the members of the Board of Directors, or two in case it is composed of more than seven members, must meet the independence requirements established by law for members of the Board of Statutory Auditors.

The Code also requires that the number and qualifications of independent directors are adequate in relation to the size of the Board and to the Company's activities and such as to allow the establishment of committees within the Board; also under the Code, the independent directors must be two at least.

In compliance with the provisions and recommendations mentioned above, each individual concerned, upon submission of the lists of candidates for the office of director, must declare that he/she meets the requirements for independence under the TUF and pursuant to the Code; the Board of Directors, at its first meeting after the appointment of its members, will, on the basis of information provided by each person or information available to the Company, verify that directors who have declared to be independent actually meet the independence requirements.

Moreover, at the time of preparing the annual Report on Corporate Governance, the Company reiterates its request to all directors in office to declare the existence or not of such requirements. Their responses are annually submitted to the Board for the consequent independency evaluation.

The results of such assessment are disclosed to the market on each occasion and shown on the page regarding corporate bodies, which opens this document, and in the table shown below.

In case the independence requirements prescribed by law are no longer met, the director concerned must give prompt communication thereof to the Board of Directors. This circumstance entails the removal from office of such director, except in cases where such requirements are still met by at least the minimum number of directors required by current legislation.

The current Board of Directors consists of seven directors meeting the requirements of independence provided by law, six of which are also considered independent on the basis of the criteria set out in the Code.

With the reference to the criteria provided for by the Code, the Board of Directors shared the assessment made by the Directors Mauro Bini and Giorgio Perolari, who considered themselves independent despite having held the directorship for more than nine years over the last twelve years.

The Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to evaluate the independence of its members.

Lead Independent Director

The Code provides that, should the Chairman of the Board of Directors be the main officer in charge of company management, and also when the position of Chairman is held by the person who controls the Company, the Board should appoint 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.

The Board of Directors meeting of May 25, 2011, confirmed Mr. Mauro Bini, an independent director, as "*Lead independent director*".

Remuneration for Directors and Officers with strategic responsibilities

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The remuneration for Directors was determined by the Shareholders' Meeting held on May 25, 2011 that, until a new resolution, set such remuneration in the amount of 45,000 euro per year for each director, to be doubled in the event that the latter is also a member of the Executive Committee.

However, taking into account the current economic situation and non-positive results of the Company, the Board of directors unanimously resolved to reduce the compensation granted to the Directors as members of the Board itself and of the various Committees, for the fiscal year, 2013 of:

- 20% for the positions of Director, member of the Internal & Control Risk Committee and member of the Compliance Committee;
- 50% for the members of the Executive committee, the Remuneration committee and the Committee for Transaction with Related parties.

The remuneration of the Chairman - Chief Executive Officer, Director-Chief Operating Officer, Manager in charge of preparing the company's financial reports and Head of Internal Audit is determined by the Board of Directors, in the absence of the concerned parties, upon proposal of the Remuneration Committee, having heard the opinion, when required, of the Board of Statutory Auditors and Committee for Transactions with Related Parties.

A significant part of the remuneration of the Chairman - Chief Executive Officer and Chief Operating Officer is linked to the financial performance and the achievement of specific targets set beforehand and determined in accordance with the remuneration Policy adopted by the Company.

For detailed information please see the Remuneration Report prepared pursuant to Art. 123-ter of TUF and approved by the Board of Directors on March 26, 2013.

Limitations on the number of offices

The Board of Directors in accordance with the Code, resolved that the maximum number of offices that can be held as director or statutory auditor in other companies listed on regulated markets including abroad, in financial, banking, insurance or major companies, considered compatible with the effective performance of the office of Company director, with the exception of its subsidiaries, parents and companies subject to joint control, was the follows:

- five (for the office of executive director) and
- ten (for the office of non-executive or independent director or statutory auditor)

A list of offices as director or statutory auditor held by each director in other companies listed on regulated markets even abroad, in financial, banking, insurance or major companies is set out below:

Giampiero Pesenti	* Italcementi S.p.A.	- Chairman
	* Finter Bank Zürich	- Deputy Chairman
	* Ciments Français S.A. (representing Italcementi S.p.A.)	- Director
	* Compagnie Monegasque de Banque	- Director
	* Credit Mobilier de Monaco	- Director
Italo Lucchini	* Italcementi S.p.A.	- Director
	* Unione di Banche Italiane S.c.p.a.	- Member of Management Board
	* BMW Italia S.p.A.	- Chairman Board of Statutory Auditors
	* San Colombano S.p.A.	- Chairman Board of Statutory Auditors
	* Fedrigoni S.p.A.	- Chairman Board of Statutory Auditors
	* Alphabet Italia Fleet Management 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
	* Finter Bank Zürich	- Director
Giorgio Bonomi	* Italcementi S.p.A.	- Director
	* IGP - Decaux S.p.A.	- Director

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Gabriele Galateri di Genola	* Assicurazioni Generali S.p.A.	- Chairman
	* Edenred S.A.	- Director
	* Saipem S.p.A.	- Director
	* Telecom Italia S.p.A.	- Director
Sebastiano Mazzoleni	* Italcementi S.p.A.	- Director
	* Ciments Français S.A. (representing <i>Italcementi Ingegneria S.r.l.</i>)	- Director
Luca Minoli	* Cemital S.p.A.	- Chairman
	* Finanziaria Aureliana S.p.A.	- Chairman
	* Privital S.p.A.	- Chairman
Gianemilio Osculati	* Intesa SanPaolo Assicura	- Chairman
	* Intesa SanPaolo Vita	- Chief Executive Officer
	* Intesa SanPaolo Previdenza SIM S.p.A.	- Chief Executive Officer
	* Intesa SanPaolo Life Ltd.	- Director
	* Société Générale	- Director
	* Miroglio S.p.A.	- Director
	* Ariston Thermo S.p.A.	- Director
* Intesa SanPaolo Private Banking	- Director	
Clemente Rebecchini	* Telco S.p.A.	- Chairman
	* Assicurazioni Generali S.p.A.	- Deputy Chairman
	* Atlantia S.p.A.	- Director
Paolo Sfameni	* Allianz Bank Financial Advisor S.p.A.	- Director
	* Investitori SGR S.p.A.	- Director
	* Pirelli Tyre S.p.A.	- Statutory Auditor
Livio Strazzera	* Serfis S.p.A.	- Sole Director
	* Banca Regionale Europea	- Substitute Deputy Chairman
Laura Zanetti	* Alerion Clean Power S.p.A.	- Director
	* Incofin S.p.A.	- Director

Meetings of the Board of Directors

The Chairman coordinates the activities and conducts the meetings of the Board of Directors and ensures that the documentation relating to items on the agenda is disclosed to the directors and statutory auditors properly in advance. In particular, the Board of Directors set as at least two days the prior notice period to be observed in order to submit the aforementioned documentation. Such prior notice period has always been met during fiscal year 2013.

When the material on certain items on the agenda is particularly complex, specific explanatory notes prepared on each occasion by the competent corporate functions are also sent in order to facilitate the adoption of resolutions by board members on these issues. All documentation is sent by e-mail in files protected by passwords only known to the recipients in order to preserve confidentiality of the data and information provided.

Moreover, the Chairman, through the competent company functions, ensures that directors participate in initiatives aimed at increasing their knowledge of the company's operations and dynamics and are informed on key legislative and regulatory developments having an impact on the Company and its corporate bodies.

The Board meets at least every quarter to approve the financial statements for the period. At such meeting, the delegated bodies report on the activities performed by virtue of their respective powers. Moreover, pursuant to the By-

laws, the Board meets anytime deemed necessary by the Chairman, or the Deputy, or upon request of a member of the Board of statutory Auditors to the Chairman of the Company.

The Board of Directors, during fiscal year 2013, held a total of five meetings in which six directors, two of which independent, were always present; six directors, three of which independent, attended four times; an independent director attended three times and, lastly, an independent director attended twice. The new director attended by invitation the sole meeting (the last of the year) during which was coopted. The meetings of the Board of Directors were always attended by all the members of the Board of Statutory Auditors, except for one meeting which was attended by two of them .

All meetings of the Board of Directors were attended, by invitation, by the Manager in charge of preparing the company's financial reports. Some meetings were also attended by managers of the Company to provide additional information on the topics put on the agenda from time to time.

The average duration of the meetings of the Board of Directors held during the year was about four hours and thirty minutes.

As required by the Code and as per common practice, the Board, when examining and approving the financial statements for the period, taking into particular consideration the information received from the delegated bodies, assesses the overall company performance by comparing the results achieved with those planned in the annual budget.

During 2014, the Board of Directors has so far met three times, the first time to examine the budget for 2014 and the Audit plan, the second time to examine the plan to strengthen and streamline Italcementi group capital structure and the third one to approve - among others - the 2013 draft financial statements. At least other four board meetings are scheduled for the current fiscal year for the approval of the interim and half year reports and one after the Shareholders' meeting to appoint the executive directors and grant them the authorities and powers.

The corporate calendar is annually disclosed to the market and published on the Company's website in the section Investor / Financial Calendar. The 2014 calendar was published in January.

The Executive Committee met three times in 2013, two of which at the presence of all its members, the other with four members out of five attending. Two meetings were attended by one Auditor, the other one by two members of the Board of statutory auditors.

The Executive Committee has not met yet in 2014.

Establishment of committees

In order to ensure the effective performance of its functions, the Company's Board of Directors has set up an internal Remuneration Committee and a Control and Risk Committee whose resolutions have a consultative and advisory nature and do not bind the Board.

Moreover, pursuant to the rules applicable to transactions with related parties, the Board has, upon adoption of the relevant procedure, established an internal Committee for Transactions with Related Parties, composed of independent directors only.

In carrying out their functions, the above mentioned committees are entitled to access corporate information and functions necessary for the performance of their duties, and may use external consultants at the expense of the Company.

Each Committee appoints a secretary, who does not need to be a member thereof and is entrusted with the task of drawing up the minutes of the meetings.

Considering the stable presence of a relative majority shareholder which is able to significantly influence the Shareholders' meetings, the Company decided, not to proceed with the establishment of an "Appointment Committee" as it has always taken its decisions in full autonomy proposing people with the appropriate characteristics of competence, prestige, expertise and availability, as provided for by the Code, for the list of candidates to the Board of Directors.

a) Control and Risk Committee

In compliance with the provisions of the Code, the Control and Risk Committee has the task of supporting, through adequate preparatory work, the assessments and decisions of the Board of Directors relating to the In-

ternal Control and Risk Management System, as well as those regarding the approval of interim and half year reports.

The Control and Risk Committee consists of three members, all non-executive, two of which independents and it is chaired by Mr. Mauro Bini. All of its members have an adequate expertise in accounting and finance, as required by the Code for at least one of them.

During 2013, the Control and Risk Committee met nine times, eight of which with the attendance of all of its members and the other one at the presence of two members. The average duration of its meetings was approximately three hours. Six meetings were attended by all the members of the Board of Statutory Auditors, two meetings were attended by two statutory auditors while one meeting was attended by one statutory auditor.

During fiscal year 2013, the Committee, among other things:

- a) examined and approved of the methodology used by the Company for the preparation of impairment tests;
- b) acknowledged the correct implementation of the accounting policies and their consistency for the purposes of preparing the consolidated financial statements;
- c) reviewed and approved the 2013 Audit Plan;
- d) examined and proposed some amendments at the Internal Audit Charter prior to the approval of the Board of Directors;
- e) analyzed the setting of the risk management at Group level;
- f) examined the reports prepared by the Head of Internal Audit to verify the adequacy, efficiency and effectiveness of the Internal Control System;
- g) reported to the Board of Directors, when approving the annual and half-year reports, on its activities and on the adequacy of the Internal Control and Risk Management System.

Managers of the Company responsible for the matters on the agenda are regularly invited to the meetings of the Control and Risk Committee to provide the appropriate in-depth information; first and foremost, the Manager in charge of preparing the Company's financial and business reports and the Head of Internal Audit.

During 2014, the Control and Risk Committee has so far met twice to discuss, among other things, the methodology of impairments test for fiscal year 2013, the accounting policies adopted for the preparation of the 2013 consolidated financial statements and the Audit Plan for 2014, the latter in turn submitted to the approval of the Board of Directors at its meeting on February 14, 2014.

On March 19, 2014, the Committee also examined the part of this Report regarding the description of the Internal Control and Risk Management System and it gave a positive opinion thereon.

b) Remuneration Committee

The Remuneration Committee, under the Code, is responsible for (i) periodically assessing the adequacy, overall consistency and actual implementation of the policy for the remuneration of directors and managers with strategic responsibilities, submitting proposals to the Board of Directors, and (ii) submitting proposals or expressing opinions to the Board of Directors on the remuneration of executive directors and of other directors who hold particular offices, as well as on the setting of performance targets related to the variable portion of such remuneration. The Remuneration Committee is also required to monitor the implementation of the resolutions adopted by the Board, in particular, by verifying the actual achievement of performance targets.

The Remuneration Committee currently in office is made up of three non-executive members, the majority of whom are independent and it's chaired by Mr. Italo Lucchini. All of its members are in possession of adequate experience in accounting and finance, as required by the Code for at least one of them.

The Committee, in the absence of the concerned parties, examined, and subsequently approved, the remuneration policy for executive directors vested with special powers and managers with strategic responsibilities and submitted proposals to the Board of Directors on the remuneration of directors and managers also on the basis, with reference to the variable portion, of the degree of achievement of targets assigned for the previous year.

During the fiscal year the Committee met twice; the average duration of its meetings was around one hour. All the members of the Committee as well as all the members of the Board of Statutory Auditors attended the meetings, which the Head of Human Resources is regularly invited to take part in.

In the course of 2014 the Remuneration Committee has so far met once to submit proposals to the Board of Directors regarding the remuneration of directors and executives.

c) *Committee for Transactions with Related Parties*

The Committee for Transactions with Related Parties is composed of three members, all non-executive and independent and it's chaired by Mr. Mauro Bini. During 2013, following the resignations of Mrs. Jonella Ligresti, member of the Committee, Mr. Paolo Sfameni was appointed in substitution as third member of the Committee.

During 2013, the Committee met once in order to evaluate the efficiency and the amendments proposed at the Procedure for transactions with related parties, which was subsequently submitted to the Board of Directors and expressed its favorable opinion thereupon. For further details on the amendments made to the Procedure, please refer to paragraph "Interests of Directors and Transactions with Related Parties".

Assessment of the functioning of the Board of Directors and its Committees

As envisaged by the Code, on March 26, 2014, the Board of Directors assessed the size, composition and functioning of the Board itself and its Committees.

To this extent, the Company circulated among the directors a self-assessment questionnaire made up of statements, for which the respondent had to rate their level of agreement

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

Moreover, the Directors envisage a wider distribution of responsibilities and duties among the members of the Board.

B) BOARD OF STATUTORY AUDITORS

Role and responsibilities

The Board of Statutory Auditors oversees compliance with the law and the By-laws and it has management control functions, in particular having to check: i) compliance with the principles of good administration; ii) adequacy of the Company's organizational structure, the internal control system and the administrative and accounting system; iii) actual implementation of the Code; iv) compliance with the procedure adopted by the Company in respect of transactions with related parties; v) adequacy of the instructions given by the Company to its subsidiaries in respect of the obligations of public disclosure of sensitive information.

It is not entrusted with the legally-required audit of the company's accounts, which, as required by law, is entrusted to an independent auditor chosen among those enrolled in the appropriate register, while it has the task to submit a reasoned proposal to the Shareholders' Meeting regarding the appointment of such auditors.

The Board of Statutory Auditors, in its capacity as Control and Risk Committee, as established by January 27, 2010 Legislative Decree No. 39, is also required to perform additional supervision tasks, as assigned to it by such provisions of law, on the financial reporting process, on the effectiveness of the internal control, internal audit and risk management systems; on the audit of the annual financial statements and consolidated financial statements, on the independence of the audit firm.

Appointment and replacement of statutory auditors

The Board of Statutory Auditors is appointed on the basis of lists aimed at ensuring the appointment of one Acting Auditor and one Substitute Auditor for minority shareholders, as well as compliance with current legislation regulating gender balance.

Lists must be filed at the Company head offices or by sending notice to the certified electronic mail address 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 procedures and minimum stake required to file the lists, must be mentioned in the notice of call.

Lists may only be presented 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 concerning the appointment of the Board of Directors; the threshold for 2014 is of 2.5% of the ordinary share capital.

No shareholder may file or participate in the filing 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 on one list only under penalty of ineligibility.

The lists that have a total number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that one or the other gender is represented by at least one third (rounded upwards) of candidates for the office of Acting Auditor and at least one third (rounded upwards) of the candidates for the office of Substitute Auditor. At the time of their filing, lists must include:

- a) statements whereby 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, if any;
- b) a brief curriculum 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 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 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 head offices, at the Italian stock exchange and on its website, the lists of candidates which have been submitted by shareholders and the accompanying 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 said auditor.

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.

If, as a result of voting several lists or voting the only list presented, the composition of the Board of Statutory Auditors, as to its acting members, does not meet the current regulations regarding balance between genders, the necessary replacements will be made choosing from among candidates to the office of acting auditor of the list that has obtained the highest number of votes or from within the only list presented starting from the last candidate from that list.

Should no lists be presented, the Shareholders' Meeting appoints the Board of Statutory Auditors with a simple majority vote of the share capital represented at the Shareholders' Meeting, provided gender balance is ensured as pursuant to current legislation in force. 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 with the first name in the single list presented or with the person appointed as such by the Shareholders' Meeting should no lists be presented.

Pursuant to the By-laws of Italmobiliare, those who are in situations of incompatibility as envisaged by the law or those who have exceeded the limit to the number of offices held as established by the regulation in force, cannot be elected as Statutory Auditors, and if elected cease to serve.

Should an elected Statutory Auditor during his/her term of office no longer meet the requirements envisaged by the law or the By-laws, his/her office terminates.

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

In the absence thereof, 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 Statutory 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 a Statutory 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 from among the candidates indicated in the original majority Shareholders' list;
- to replace a Statutory 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 from 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 from among the candidates indicated in the list which each Statutory Auditor to be replaced was part of, with a number of Statutory Auditors equal to the number of ceased Statutory Auditors belonging to the same list.

If it is not 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 whereby 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 Statutory auditor representing the minority shareholders. The procedures on replacements as indicated in the previous paragraphs must in any case ensure compliance with current legislation regulating gender balance.

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

Composition and activities

ITALMOBILIARE

When renewing the Board of Statutory Auditors by 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 – presented together its own list.

Therefore, according to current regulations and Company By-laws, the Chairmanship was granted to Mr. Francesco Di Carlo, from the list presented by the above mentioned minority shareholders while the remaining two Acting Auditors were elected from the list presented by the relative majority shareholder.

C) SHAREHOLDERS' MEETING AND INVESTOR RELATIONS

The Company endeavors to develop a dialogue with shareholders based on an understanding of each other's roles, and with the market, in accordance with the laws and rules governing the dissemination of price sensitive information. The Company's behaviors and procedures are designed, among other things, to avoid information asymmetries and to ensure the effectiveness of the principle whereby all investors and potential investors are entitled to receive the same information in order to make sound investment decisions.

The Shareholders' meeting is called, according to the laws and regulations provided for companies whose shares are listed on regulated markets, to pass resolutions on matters reserved to it by law. The decisions taken in accordance with the law and the By-laws are binding on all shareholders, including those absent or dissenting, except the right of withdrawal in allowed cases.

The Board of Directors recommends to all of its members to regularly participate in Shareholders' Meetings and seeks to encourage and facilitate the widest possible participation of shareholders and to facilitate the exercise of voting rights.

To this end, the Board of Directors reports to the Shareholders' Meeting on the activities it has carried out and planned and endeavors to ensure that shareholders have adequate information so that they can take the decisions pertaining to the Shareholders' Meeting with knowledge of the facts.

All those who have the right to vote as attested by the communication required by current laws received by the Company by the end of the third trading day prior to the date fixed for the Shareholders' Meeting on first or single call, or such other period as established by applicable regulations in force, are entitled to attend the Shareholders' Meeting. The right to attend and vote is retained if the communications are received by the Company after the deadline, as long as they are received by the beginning of the Shareholders' Meetings proceedings of each call.

The Company may designate a person, giving a clear indication thereof in the notice of call, for each Shareholders' Meeting to whom all eligible parties may grant a proxy with voting instructions on all or some of the proposals on the agenda, in the manner provided for by applicable law.

No Shareholders' Meeting regulation has been set forth since the broad powers that the law and jurisprudence recognize to the Chairman, as well as the provision of the By-laws (Art. 13) that expressly gives the Chairman the power to direct the discussion and establish order and method of the vote, provided it takes place by recorded vote, were considered adequate tools for the orderly conduct of meetings of shareholders.

With regard to market relations, the Chairman - Chief Executive Officer and the Chief Operating Officer, within their respective responsibilities, provide the general guidelines that the responsible structures should follow in dealing with institutional investors and other shareholders. To this end, an Investor Relations function whose responsibility has been entrusted to Mr. Enrico Benaglio was established as part of the Shareholdings and investments department.

Moreover, in order to provide timely and easy access to information concerning the Company and, therefore, allow the shareholders to consciously exercise their rights, a special section of the Company's website was set up, easily identifiable and accessible, where information regarding the Shareholders' Meetings is given, with particular reference to the arrangements for attendance and exercise of voting rights at the Shareholders' Meetings, the documentation relating to items on the agenda, including Reports on the items on the agenda and the list of candidates for the positions of director and statutory auditor with an indication of their personal and professional characteristics.

TABLE 1

STRUCTURE OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

BOARD OF DIRECTORS							Executive Committee		Control and Risk Committee		Remuneration Committee		Committee for Transactions with Related Parties	
Position	Member	Executives	Non executives	Independent	Attendance	No. of other posts	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance
Chairman-Chief Executive Officer	Giampiero Pesenti	•			4/5	5	•	3/3						
Deputy Chairman	Italo Lucchini		•		4/5	5	•	2/3			•	2/2		
Chief Operating Officer	Carlo Pesenti	•			5/5	4	•	3/3						
Director	Mauro Bini		•	•	5/5	-			•	9/9			•	1/1
Director	Giorgio Bonomi		•		5/5	2			•	8/9				
Director	Gabriele Galateri di Genola		•	•	3/5	4					•	2/2		
Director	Jonella Ligresti		•	•	2/3	1							•	-
Director	Sebastiano Mazzoleni		•		5/5	2								
Director	Luca Minoli		•		5/5	3								
Director	Gianemilio Osculati		•	•	4/5	8								
Director	Giorgio Perolari		•	•	4/5	-	•	3/3	•	9/9	•	2/2	•	1/1
Director	Clemente Rebecchini		•		4/5	3								
Director	Paolo Sfameni		•	•	5/5	3							•	1/1
Director	Livio Strazzera		•	•	4/5	2	•	3/3						
Director	Laura Zanetti		•	•	1/1	2								

TABLE 2

BOARD OF STATUTORY AUDITORS

Position	Member	Attendance at meetings
Chairman	Francesco Di Carlo	14/14
Acting Auditor	Angelo Casò	14/14
Acting Auditor	Leonardo Cossu	14/14

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

Since November 2000, the Company's Board of Directors has approved a specific procedure for the management and processing of confidential information, which also contains the procedures for the disclosure of documents and information concerning the Company and the Group, with particular reference to price sensitive information. This procedure requires strict compliance with the terms and conditions of disclosure of documents and information, while ensuring that disclosure to the market of corporate data is correct, complete, adequate, timely and objective.

The rules of procedure referred to herein bind all Company employees, the members of the Board of Directors and of the Board of Statutory Auditors, and all those who maintain an advisory relationship or collaboration with the Company and/or the Group.

Moreover, since 2006, the Company, as required by CONSOB has established and regularly updated a register of persons who, by virtue of their job or professional duties or by virtue of the functions performed, have access to sensitive information and has prepared the implementation procedure related thereto.

The following persons are required to comply with the said implementation procedure:

- a) members of the Board of Directors, of the Board of Statutory Auditors and the Chief Executive Officer of Italmobiliare;
- b) those who by virtue of work performed are hierarchically directly under one of the persons referred to in letter a) and are responsible for the organizational unit within which sensitive information originates and/or is handled;
- c) employees individually identified who belong to the same organizational unit after being notified in writing by one of the persons referred to in letter b);
- d) any third party by virtue of their work, professional duties or functions performed on behalf of the Company, after being notified in writing by one of the persons mentioned in letter b) above;
- e) the Chairman, the Deputy Chairman (if any and if equipped with operating powers), the Chief Executive Officer, any other director to whom executive powers have been granted and the Chief Operating Officer (if any) of the principal subsidiaries where sensitive information can be generated.

The procedure identifies two different types of sensitive information:

- a) *sensitive information of an ordinary kind*: i.e. information pertaining to an event or set of circumstances relating to activities or transactions falling within the ordinary business administration of the Company or of a Subsidiary, with particular reference to the preparation of accounting statement of financial position, income statement data, whether on an actual or forecasting basis;
- b) *sensitive information of an extraordinary kind*: i.e., information pertaining to a specific event or set of circumstances relating to activities or transactions that do not fall within the ordinary administration of the Company or of a Subsidiary, with particular reference to specific mergers, spin-offs, acquisitions of shareholdings or companies.

Every person registered in the insider register is obliged to maintain confidential all sensitive information they handle or which they have access to until the same has been disclosed to the public in accordance with the principle of equal access to information.

CODE OF CONDUCT

The Company has adopted its own “Code of Conduct”, originally in implementation of the provisions issued by Borsa Italiana S.p.A. with its own regulation and also to take account of the new regulatory provisions issued by CONSOB in execution of European provisions (the so-called Market abuse directive) introduced by the Law on Savings of 2005. It regulates the information to be provided to the Company, and by the latter to the market, on any transactions carried out for any reason on their own account by the ‘Relevant persons’ concerning Italmobiliare shares, Italcementi shares and other financial instruments linked to them.

Pursuant to the ‘Code of Conduct’, ‘Relevant persons’ are the members of the Company Board of Directors, Board of Statutory Auditors and the Chief Operating Officer of Italmobiliare and any person who holds a stake of at least 10% of the share capital of Italmobiliare represented by shares with the right to vote, and any other person who controls the Company.

In particular, the persons concerned must inform the Company, so that the latter may inform the market, about the performance of transactions on the latter’s shares of an aggregate amount crossing the 5,000 euro threshold by the end of the year.

Given the particular structure of the Group, the ‘Code of Conduct’ is associated with the Code adopted by Italcementi, in the sense that market disclosures made by Italcementi only regarding transactions on Italcementi shares by parties who are ‘Relevant persons’ for both Italmobiliare and Italcementi, 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 parent company.

Moreover, the ‘Code of Conduct’ envisages that ‘Relevant persons’ must abstain from performing transactions that are subject to disclosure to the Company:

- on listed financial instruments issued by Italmobiliare:
 - during the 30 calendar days preceding the meeting of the Company’s Board of Directors called to approve the annual and half-year financial statements, including the day on which the meeting is held;
 - during the 15 calendar days preceding the meeting of the Company’s Board of Directors called to approve the quarterly reports, including the day on which the meeting is held.
- on financial instruments issued by the listed subsidiary Italcementi S.p.A.:
 - within 30 calendar days prior to the Board of Directors’ meeting of Italcementi S.p.A. called to approve the annual 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 S.p.A. called to approve the interim reports, including the day on which the meeting is held.

INTERESTS OF DIRECTORS AND 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.

After three years from the first adoption date, the Board of Directors met on 14 November 2013 and in compliance with the recommendations of the Supervisory Authority assessed the current Procedure, paying particular attention to the efficacy of the practices applied by the same.

Based on the experience acquired over this first three year period of application of the Procedure the Board resolved that the same can be deemed effective and apt to guarantee substantial and formal correctness of transactions with related parties.

However, in order to adapt the Procedure in force to the best practices adopted by other listed companies and comply with the criteria determined by Consob, the Board, given the favorable opinion of the Committee for Transactions with Related Parties, resolved to make some amendments concerning (i) the scope of correlation which, in order to

guarantee correct management of potential conflicts of interest that involve the members of a significant control body, has been extended to the Supervisory Body, with the express indication that, if composed of any Company employees, such an employee shall not be classified as "Manager with strategic responsibilities" and (ii) the introduction of a differentiation of the low thresholds between the transactions with counter parties being private individuals or legal entities.

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 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, before completing the transaction, the prior examination or authorization by a corporate body of Italmobiliare or by an officer of Italmobiliare with relevant delegated powers is required. The Procedure also applies to transactions undertaken by Italmobiliare with a subsidiary or associated company, as well as between 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 determining applicable rules on transparency, which are simplified for minor transactions and more stringent for significant transactions, although both envisage the 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 the receipt of 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 choice.

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 such divergence.

Moreover, the Company By-laws provide that (i) significant transactions with related parties can be performed despite the negative opinion of the Committee for Transactions with Related Parties provided that the execution of such transactions is authorized by the Shareholders' Meeting on condition that the majority of non-related shareholders do not cast a vote contrary to performance of the transaction and the non-related shareholders present at the Shareholders' Meeting represent at least 10% of the share capital with voting rights (so called *whitewash*); and that (ii) the Company may apply the simplified rules in cases of urgency unless the transaction is under the prerogatives of the Shareholders' Meeting and requires its authorization.

Finally, exercising the powers contained in the Regulations issued by CONSOB, the Company identified the following main grounds for exclusion:

- transactions for smaller amounts (transactions that do not exceed the amount of 500,000 euro if carried out with related legal entities and transactions that do not exceed an amount of 300,000 euro if carried out with related private individuals);
- ordinary transactions (which fall within the ordinary course of business operations and related financial activities of the Company and of the Group in general) if they are concluded on terms equivalent to market or standard conditions;
- transactions with or between subsidiaries or with associated companies, unless there are *significant interests* of other parties related to the Company in the subsidiaries or associated counterparties in the transaction;

- urgent transactions.

The Procedure is available on the Company's website www.italmobiliare.it.

Without prejudice to the provisions contained in the above procedure, transactions with related parties must be carried out transparently and in accordance with criteria of substantial and formal correctness. Therefore, the directors who have an interest, even potential or indirect, in the transaction are required to:

- a) promptly and fully inform the Board about the existence of the interest and the circumstances regarding it;
- b) leave the board meeting room during the vote.

The Board of Directors, however, under specific circumstances, may allow the director concerned to participate in the discussion and/or vote.

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

As mentioned elsewhere in the Report, the Company, in connection with the provisions of the 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 Company's acts and communications disclosed to the market with its documents and 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, approved by the Board of Directors, is intended for all the entities, functions, corporate bodies of Italmobiliare, 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.

The Board of Directors, at the meeting of May 14, 2013, updated the Regulation so as to give full implementation of the new aspects introduced by the Code of conduct for listed companies (for example, the main amendments refer to the new definitions given to positions, bodies, committees and their tasks, regarding their respective relations with the Manager in charge).

At the same time, the relevant Operational Model was updated at the same time as the Regulation in order to ensure its optimization and simplification.

ORGANIZATIONAL, MANAGEMENT AND CONTROL MODEL

In order to make the control and Corporate Governance systems more effective and prevent corporate offenses and offenses against the Public Administration, during fiscal year 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 contained in the Model itself.

There have been numerous amendments and updates in order to reflect legislative actions, which have gradually expanded the scope of Legislative Decree no. 231/01 to include further categories of offenses with respect to those included in its original version.

All updates to the Model, except those of a purely formal nature, have been carried out on the basis of targeted risk assessment findings performed by consultants specialized in the matters taken into consideration on each occasion.

In particular, in 2008, the Model was extended to offenses relating to the violation of the legislation on health and safety in the workplace (section later revised in 2010), on cross-border offenses and offenses for receiving stolen goods and money laundering. On March 2011 several amendments were 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 any eventual violation of the Model. Finally, on October 2012, the Model was extended to offenses related to organized crime, copyright and computer crime. The task of continuously monitoring the effectiveness and enforcement of the Model, as well as proposing updates, is entrusted to a body, the Supervisory Board, equipped with autonomy, professionalism and independence in the exercise of its functions and adequate experience in the field of control of risks associated with the specific activities carried out by the Company or its legal aspects.

The Supervisory Board is, in compliance with the provisions of the Model, currently made up of an independent director (later appointed Chairman), a third-party advisor and the Company's Head of Internal Audit.

The General Part of the Model is available on the Company's website in the section *Governance/Documentation*.

COMPLIANCE WITH SIMPLIFIED RULES PURSUANT TO ARTICLES 70 AND 71 OF THE ISSUERS' REGULATION

By resolution adopted on November 14, 2012, the Company's Board of Directors accepted the opt-out regime provided by the CONSOB Issuers' Regulation, exercising the right to waive the obligations to publish disclosure documents required in connection with significant merger transactions, spin-offs, acquisitions and disposals, capital increase by contribution in kind.

On the same date, in accordance with the above-mentioned legislation, the Company provided adequate disclosures to the market.

CONSOB REGULATION ON MARKETS

The Consob Regulation on markets provides for specific rules regarding conditions for the listing of Companies:

- A) that control companies incorporated in, and under the law of, Countries not belonging to the 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, at least including the statement of financial position and the income statement;
- 2) obtain By-laws, composition and powers of the corporate bodies from the non-EU subsidiaries;
- 3) check that the non-EU subsidiaries:
 - * provide the parent company's external auditor with the information needed to audit the annual and interim accounts of the parent company,
 - * have an administrative/accounting system suitable to provide the parent company's management and external auditor, on a regular basis, with the statement of financial position and income statement figures needed to draft the consolidated financial statements.

The Companies set out in letter B), on the other hand, may be admitted for trading on an Italian regulated 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 a centralized treasury management agreement which is not in their corporate interest with the company that exercises administration and control activity or with any other company of the group to which they belong. The correspondence with the corporate interest is certified by the Board of Directors with a detailed reasoned statement verified by the Board of Statutory Auditors;
- d) have a Board of Directors composed of a majority of independent directors (pursuant to the Code) and a Control and Risk Committee consisting solely of independent directors. Where appointed, also the other committees, as recommended by corporate governance codes of conduct promoted by regulated market managers or by professional associations, will consist solely of independent directors.

With reference to the provisions set out in art. 36, the scope of application as of today involves 23 subsidiaries, located in 10 Countries not belonging to the European Union.

The information flow between the Company and its subsidiaries is suitable to guaranteeing:

- * the transmission of the accounts of the subsidiaries drawn up for the purposes of the consolidated financial statements, to enable such accounts to be disclosed;
- * the centralized collection and storage of the By-laws, composition and powers of the corporate bodies of the above mentioned subsidiaries and any subsequent amendment.

Therefore, 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, the findings thus obtained have revealed that the subsidiaries based in Countries outside the European Union, relevant with respect to the latest Audit plan:

- * provide the company's external auditor with the information needed to verify the annual and interim accounts of Italmobiliare,
- * have an administrative/accounting system suitable to providing the Company and the external auditor, on a regular basis, with the statement of financial position and income statement figures 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 is not subject to the obligations laid down therein.

Although Efiarind B.V., pursuant to Art. 2359 paragraph no.1, no.2 of the Italian Civil Code, has a sufficient number of voting rights to exercise a dominant influence in the ordinary Shareholders' 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, therefore, has always taken its decisions in full autonomy without any interference whatsoever by the relative majority shareholder.