

Presentation	4
Italmobiliare Group	20
<b>Italmobiliare S.p.A. Directors' report on operations</b>	<b>190</b>
Separate financial statements as at and for the year ended December 31, 2013	265
Extraordinary session	325

## Report on Remuneration

This Report on Remuneration, drafted pursuant to Art. 123-ter of February 24, 1998 Legislative Decree No. 58 (Consolidated Law on Finance - TUF), illustrates the principles adopted by Italmobiliare S.p.A. with reference to the definition of the remuneration of its Directors vested with special powers and Officers with strategic responsibilities - identified as the Chairman/Chief Executive Officer, the Deputy Chairman, the Chief Operating Officer and the Joint Chief Operating Officer/Manager in charge of preparing the company's financial reports - as well as of the Head of Internal Audit and of the Officers directly reporting to the Chairman/Chief Executive Officer, the Chief Operating Officer and the Joint Chief Operating Officer/Manager in charge of preparing the company's financial reports, as reported hereunder.

The Report has been prepared in accordance with the schedule established by CONSOB (Italian stock exchange Authority) with resolution No. 18049 of December 23, 2011.

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### **SECTION I**

The term Company and/or Italmobiliare shall hereinafter mean Italmobiliare S.p.A., the term Group shall mean Italmobiliare Group, the term Policy shall mean the Remuneration policy for executive Directors, other directors vested with special powers, Officers with strategic responsibilities, and Officers directly reporting to the Chairman/Chief Executive Officer, the Chief Operating Officer and the Joint Chief Operating Officer/Manager in charge of preparing the company's financial reports

- a) *Bodies or individuals involved in the preparation and approval of the remuneration policy, specifying the respective roles, and bodies or individuals responsible for the proper implementation of such policy*

The bodies involved in preparing the remuneration policy are the following:

#### **Shareholders' Meeting**

The Company shareholders' meeting defines the remuneration of Directors not vested with special powers.

It is also required to express its advisory opinion upon this section of the Report on Remuneration prepared by the Board of Directors pursuant to Art. 123-ter of TUF.

Lastly, the shareholders' meeting, upon proposal of the Board of Directors, pursuant to Art. 114-bis of TUF, resolves upon the approval of any incentive plans based on financial instruments that the Company wishes to issue.

#### **Board of Directors**

The Board of Directors, upon proposal of the Remuneration Committee and based on the opinion of the Board of Statutory Auditors, resolves upon the remuneration to be assigned to i) the Chairman/Chief Executive Officer, the Chief Operating Officer and the Joint Chief Operating Officer/Manager in charge of preparing the company's financial reports and the Head of Internal Audit, broken down into a fixed and a variable amount to be granted in connection to the achievement of the annual targets assigned to each of them and ii) the Deputy Chairman, whose remuneration is only made up of the fixed amount.

The Board of Directors may also approve a *Long-Term Incentive* to be paid against the achievement of the three-year period targets assigned.

#### **Department of Human Resources and Organization**

The Human Resources and Organization Department supports the Remuneration Committee in performing its functions, both in defining and approving proposals concerning the remuneration to be submitted to the approval of the Board of Directors, at the time of both monitoring and verifying the full and proper implementation of the same.

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b) *Possible participation of a remuneration committee or other responsible committee, describing its composition (with the distinction between non-executive and independent directors), competence and functioning conditions*

The Remuneration Committee is established within the Board of Directors and it is made up of three non-executive members, mainly independent, as follows:

Italo Lucchini - chairman

Gabriele Galateri di Genola - member - independent

Giorgio Perolari - member - independent

The Committee carries out its consultative and advisory functions on matters delegated to it, in particular by ensuring the following, in the absence of people directly involved therein:

- submitting to the Board of Directors proposals for the remuneration of Directors vested with special powers and Officers with strategic responsibilities;
- periodically evaluating the criteria adopted for the remuneration of the Officers directly reporting to the Chairman/Chief Executive Officer, the Chief Operating Officer and the Joint Chief Operating Officer/Manager in charge of preparing the company's financial reports as well as of the Head of Internal Audit, supervising their application on the basis of information provided by the Chairman/Chief Executive Officer and by the corporate functions possibly involved in formulating general recommendations on the Board of Directors on this items;
- monitoring the implementation of the Board of Directors' decisions, in particular, by verifying the effective achievement of performance targets.

The Remuneration Committee, with the assistance of the Human Resources and Organization Department, analyzes the composition and the positioning of the remuneration packages of Directors vested with special powers, Officers with strategic responsibilities, the Head of Internal Audit and Officers directly reporting to the Chairman/Chief Executive Officer, the Chief Operating Officer and the Joint Chief Operating Officer/Manager in charge of preparing the company's financial reports.

In carrying out its duties, it can also request for the assistance of one or more independent consulting firms specialized in the field of *executive compensation*, and able to make the appropriate comparisons between competitiveness and consistency with respect to the reference markets and governance systems required by current best practices, having also regard for i) the weight of their offices within the corporate structure, ii) the powers granted to them and the related range of discretion; iii) the individual economic impact.

Afterwards, the Remuneration Committee submits the so-defined Policy to the Board of Directors for the formal approval of the same, or, if the current Policy (after its first application) is still considered consistent with the Company's needs, market trends and the regulatory environment, it confirms the latter.

Once it has examined and approved the Policy, the Board of Directors submits a report thereupon for the advisory opinion of the shareholders.

c) *Any independent experts involved in the remuneration policy definition*

Not applicable.

It is also pointed out that the sources of information for the analysis of the remuneration competitiveness covered by the Policy were in particular provided by the following companies: *Hay Consulting, Mercer Consulting* and *Towers Watson*.

d) *The remuneration policy aims, guiding principles and any amendments to the remuneration policy with respect to the previous financial year*

Presentation	4
Italmobiliare Group	20
<b>Italmobiliare S.p.A. Directors' report on operations</b>	<b>190</b>
Separate financial statements as at and for the year ended December 31, 2013	265
Extraordinary session	325

The Company believes that the definition and implementation of the Remuneration Policy represents a primary tool aimed at:

- attracting, retaining and motivating highly-qualified management personnel within the Company and, more generally, within the Group;
- aligning the interests of management and shareholders;
- promoting the creation of shareholder value in the medium-long term, establishing a direct relationship between remuneration and performance.

By executing the Policy, the Company pursues:

- the compliance with regulations of both legal and self-regulatory sources, as well as with the regulators' recommendations;
- the governance of the Policy's definition and implementation process, in line and consistent with current best practices;
- an ongoing benchmark with market practices;
- a strong link between remuneration and results and sound risk management as a guarantee of its sustainability.

The definition of the Policy is the result of a fully outlined process in which the Company's Remuneration Committee and Board of Directors play a central role.

The Company's Remuneration Committee held on March 22, 2011 examined and approved a Policy consistent with the provisions of the Code of Conduct issued by the Corporate Governance Committee; an explanatory memorandum of such Policy (the Remuneration Report) was subsequently submitted to the advisory opinion of the shareholders' meeting called to approve the 2010 financial statements held on May 25, 2011.

Following the new regulations introduced by CONSOB Resolution No. 18049 of December 23, 2011 in execution of the powers granted by Legislative Decree No. 259/2010, the Company has considered worthwhile preparing a new version of its Remuneration Policy which, while confirming the principles and guidelines already expressed in the previous version of the Policy itself, expresses them according to the new legal framework.

This new Policy was adopted by the Company's remuneration Committee at its meeting held on March 28, 2012; the subsequent Company's Board of Directors Meeting held on the same date has resolved to approve it and to submit an overall Remuneration Report concerning the Policy itself to the consultative vote of the Company's annual general shareholders' meeting held on May 29, 2012.

In 2013 the Company, while confirming the Policy in force, has anyway decided, with reference to the Policy's effective implementation and application in the same year, to adopt certain updates which could be summarized as follows:

1. To adopt a new approach of representing the relative % impact of the single components the pay-mix is made up of on the pay-mix itself, by introducing the reference to the achievement of the targets "forecasted in the budget" instead of the previous approach based on the "full targets achievement" to describe the above mentioned impact; this new approach, also with reference to the 2014 financial year, keep on being more consistent than the previous one with reference to the present difficult economic situation, when the targets' achievement is becoming increasingly challenging as, by avoiding the previous reference to the full targets achievement, allows a more realistic representation of the remunerations the Policy is focused on;
2. To foresee, for the financial year 2013, that one of the targets to be assigned on individual basis to each of the beneficiaries of the Short-Term Variable Component (MBO) of the remuneration should compulsorily be the target linked to the achievement of the profitability target of reference and that this target should have an adequate weight compared to the overall targets weight; also this guideline has been confirmed and even reinforced with reference to the Policy for the financial year 2014, also considering that the Company confirms not only that this target should compulsorily be assigned to each of the beneficiaries of the Short Term Variable Component (MBO) but also that it should basically be that with the highest % weight compared to the other targets.

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3. To provide even more details about non-monetary benefits the beneficiaries of the Policy are entitled to.

With specific reference to the medium-long term variable component (*Long Term Incentive*) it should be pointed out that at December 31, 2013 expired the first three years cycle of the “Long-term monetary incentive plan, linked to the performance of Italmobiliare shares, for directors and officers with strategic responsibilities” as well as the first three years cycle of the “Long-term monetary incentive plan, linked to the performance of Italmobiliare shares, for company officers”. As far as these two plans are concerned, the Company is now assessing if to activate their second three years cycle of the plans on the basis of the following guidelines: i) containment of the number of the beneficiaries; ii) confirmation of the amounts minimum and maximum of the individual incentive range previously applied.

e) *Description of the policies in terms of fixed and variable components of remuneration, with particular reference to the indication of the relative weight within the overall remuneration and distinguishing between short and medium/long-term variable components.*

## **A) VARIABLE COMPONENTS**

Under the Policy, the variable components of remuneration are the following:

### **1) Short-Term Variable Component (MBO)**

#### i) Directors vested with special powers and Officers with strategic responsibilities

The yearly variable remuneration for Directors vested with special powers and Officers with strategic responsibilities is established by the Board of Directors upon proposal of the Remuneration Committee and based on the opinion of the Board of Statutory Auditors, in relation to the achievement of the annual targets assigned. Such targets are predetermined and measurable, and are in any case linked to the value creation for the Company and the shareholders in the medium/long-term; by way of example, but not limited thereto, these targets may be linked to the Company's and/or the Group's financial position and results of operations, the adoption of governance best practices, sustainable development and implementation of strategic projects for the Company.

#### ii) Officers directly reporting to the Chairman/Chief Executive Officer, the Chief Operating Officer and the Joint Chief Operating Officer/Manager in charge of preparing the company's financial reports

The variable remuneration on an annual basis in favor of officers directly reporting to the Chairman/Chief Executive Officer, the Chief Operating Officer and the Joint Chief Operating Officer/Manager in charge of preparing the company's financial reports is defined by them with the support of the Human Resources and Organization Department, in relation to the achievement of annual targets assigned.

Such targets are predetermined and measurable, and are in any case linked to the value creation for the Company and the shareholders in the medium/long-term; by way of example, but not limited thereto, these targets may be linked to the Company's and/or the Group's financial position and results of operations, the adoption of governance best practices, sustainable development and implementation of strategic projects for the Company.

### **2) Medium-Long Term Variable Component (LTI)**

Two different long-term incentive plans are currently in place: one for Directors vested with special powers and Officers with strategic responsibilities and one for the other officers – Officers directly reporting to the Chairman/Chief Executive Officer, the Chief Operating Officer and the Joint Chief Operating Officer/Manager in charge of preparing the company's financial reports.

#### i) Directors vested with special powers and Officers with strategic responsibilities

Among the Directors entrusted with special powers, the Chairman/Chief Executive Officer was the recipient of a stock option plan for directors, approved by the Company's Board of Directors on May 14, 2002 in execution of the Meeting's resolution of May 3, 2002.

Presentation	4
Italmobiliare Group	20
<b>Italmobiliare S.p.A. Directors' report on operations</b>	<b>190</b>
Separate financial statements as at and for the year ended December 31, 2013	265
Extraordinary session	325

This plan provided for one-year cycles.

The Officers with strategic responsibilities were the recipients of a stock option plan for top management approved by the Company's Board of Directors on March 27, 2001.

Such plan provided for one-year cycles.

The Company's Shareholders Meeting held on May 25, 2011, on the proposal of the Board of Directors (which, in formulating its proposal, took into account the results of analyzes on executive compensation carried out on behalf of the Company by independent advisors having extensive experience and international standing), decided to replace such systems of incentives for Directors vested with special powers and Officers with strategic responsibilities, with respect to the portion not yet executed, with a new tool on a monetary basis ("Long-term monetary incentive plan, linked to the performance of Italmobiliare shares, for directors and officers with strategic responsibilities").

The new long-term monetary incentive plan is based on three-year cycles depending on the medium/long-term performance of the Company and/or the Group.

This plan aims at:

- tying the overall treatment of participants to the Company's performance in the medium/long-term by rewarding the achievement of certain strategic targets, and the consequent "value creation" for shareholders;
- ensuring maximum transparency and compliance with best governance criteria of the overall salary package of participants.

The corporate body responsible for decisions relating to the plan is the Board of Directors, which passes resolutions upon proposals of the Remuneration Committee with the technical and operational support of the Head of Human Resources and Organization Department.

The plan provides for awarding participants a number of rights, determined by dividing the MBO Payout by the normal value of shares at grant date and then proportioning the resulting value to the weight of each individual position, which, multiplied by the value of shares at payment date, will enable participants to obtain payment of an incentive.

The right to obtain the granting of premium linked to the long-term monetary incentive plan is indeed subject to:

- a) the achievement of annual targets assigned to each participant under the annual incentive tool (MBO) by the Board of Directors on proposal of the Remuneration Committee in each year making up each cycle. Such targets, defined consistently with the powers granted to each of them, are linked to the Company's financial position and results of operations and other targets specifically attributed such as, for example, targets regarding governance, risk management, sustainable development and related to the implementation of strategic projects. The control over the achievement of such targets is made by the Remuneration Committee and, where appropriate, by independent experts;
- b) the expiration of the entire three-year period of each of the plan's cycles and the uninterrupted holding of the office or employment relationship for each individual recipient. Before the expiration of such period no right accrues to partial or pro rata disbursements. The allocation of the amount actually accrued takes place in April of the year following the end of the three-year reference period.

The 1<sup>st</sup> cycle of this plan expired at December 31, 2013. The Company is now evaluating the possibility of implementing the second cycle of the plan.

- ii) Officers directly reporting to the Chairman/Chief Executive Officer, the Chief Operating Officer and the Joint Chief Operating Officer/Manager in charge of preparing the company's financial reports

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The Officers reporting directly to the Chairman/Chief Executive Officer, the Chief Operating Officer and the Joint Chief Operating Officer/Manager responsible for preparing the company's financial reports were the recipient of a stock option plan for officers, approved by the Company's Board of Directors on March 27, 2001.

Such plan provided for one-year cycles.

The Company's Shareholders Meeting held on May 25, 2011, acting on the proposal of the Board of Directors (which, in formulating its proposal, took into account the results of analyzes on executive compensation carried out on behalf of the Company by independent advisors having extensive experience and international standing), decided to replace such systems of incentives for Officers directly reporting to the Chairman/Chief Executive Officer, the Chief Operating Officer and the Joint Chief Operating Officer/Manager responsible for preparing the company's financial reports, with respect to the portion not yet executed, with a new tool on a monetary basis ("Long-term monetary incentive plan, linked to the performance of Italmobiliare shares, for company officers").

This plan aims at:

- tying the overall treatment of participants to the Company's performance in the medium-long term by rewarding the achievement of certain strategic targets, and the consequent "value creation" for shareholders;
- ensuring maximum transparency and compliance with best governance criteria of the overall salary package of participants.

The corporate body responsible for decisions relating to the plan is the Board of Directors, which passes resolutions upon proposals of the Remuneration Committee with the technical and operational support of the Head of Human Resources and Organization Department.

The Board of Directors delegates the operational management of the plan to the Chairman/Chief Executive Officer.

The Plan provides for awarding participants a number of rights, determined by dividing the MBO Payout by the normal value of shares at grant date and then proportioning the resulting value to the weight of each individual position, which, multiplied by the value of shares at payment date, will enable participants to obtain payment of an incentive.

The right to obtain the granting of premium linked to the long-term monetary incentive plan is indeed subject to:

- a) the achievement of annual targets assigned to each participant under the annual incentive tool (MBO) by the Board of Directors on proposal of the Remuneration Committee in each year making up each cycle. Such targets, defined consistently with the powers granted to each of them, are linked to the Company's financial position and results of operations and other targets specifically attributed such as, for example, targets regarding governance, risk management, sustainable development and related to the implementation of strategic projects. The control over the achievement of such targets is made by the Remuneration Committee and, where appropriate, by independent experts;
- b) the expiration of the entire three-year period of each of the plan's cycles and the uninterrupted holding of the office or employment relationship for each individual recipient. Before the expiration of such period no right accrues to partial or pro rata disbursements. The allocation of the amount actually accrued takes place in April of the year following the end of the three-year reference period.

The 1<sup>st</sup> cycle of this plan expired at December 31, 2013. The Company is now evaluating the possibility of implementing the second cycle of the plan.

		2013 Annual Report
Presentation		4
Italmobiliare Group		20
<b>Italmobiliare S.p.A.</b>	<b>Directors' report on operations</b>	<b>190</b>
	Separate financial statements as at and for the year ended December 31, 2013	265
	Extraordinary session	325

## B) FIXED COMPONENTS AND OVERALL REMUNERATION

As a result of the foregoing, the overall treatment approved according to the Policy, inclusive of the fixed component of remuneration, may be represented as follows for the different beneficiaries:

### a) Remuneration of Officers with Strategic Responsibilities

The Company's Board of Directors identified as Officers with strategic responsibilities, in addition to the Chief Operating Officer, whose remuneration is given ample representation under point 6) above, the Joint Chief Operating Officer/Manager responsible for preparing the company's financial reports: the following are principles that currently govern the remuneration of the latter.

The remuneration of Joint Chief Operating Officer/Manager in charge of preparing the company's financial reports is established by the Board of Directors upon proposal of the Remuneration Committee and based on the opinion of the Board of Statutory Auditors.

The components of the remuneration of the Joint Chief Operating Officer/Manager responsible for preparing the company's financial reports are:

- a) an annual fixed component;
- b) an annual variable component linked to the achievement of specific business targets (*Management By Targets*);
- c) a cash medium-long term variable component (*Long Term Incentive*) linked to the performance of Italmobiliare shares and to the achievement of the targets related to the previous point b).

Having defined the overall remuneration package as the sum of the three components listed above in the event of targets forecasted in the budget related to components b) and c) are achieved, it is pointed out that such targets and the related remuneration are referred to the position of Joint Chief Operating Officer/Manager in charge of preparing the company's financial reports within the Group, and the relative weight of the same can be approximately represented as follows:

- a) the weight of the yearly fixed component is approximately equal to 65% of total remuneration;
- b) the weight of the annual variable component (*MBO*) is approximately equal to 20% of total remuneration. Such variable component cannot in any case exceed 60% of the fixed component as per letter a) above;
- c) the medium-long term variable component (*LTI*), currently based on three-year cycles, in its annual amount, has a weight equal to about 15% of total remuneration.

Such variable component cannot in any case, over the entire three-year period of duration of each plan, exceed 100% of the fixed component referred to under letter a) above, as granted throughout the plan execution periods.

With reference to the variable components of remuneration for the Joint Chief Operating Officer/Manager in charge of preparing the company's financial reports referred to under letters b) and c) above, the Remuneration Committee:

- annually, makes proposals for the assignment of MBO targets to be submitted to the Board of Directors for approval;
- in the following financial year, monitors the degree of achievement of MBO targets and verifies the performance achieved;
- at the end of each three-year reference period, verifies the level of achievement of LTI.

For the Joint Chief Operating Officer/Manager responsible for preparing the company's financial reports, the company currently has in place a long-term incentive plan based on financial instruments referred to in e) A) 2) i) of this Report.

The Board of Directors may also grant special awards, exceptionally, upon occurrence of significant, specific and unforeseen, circumstances in order to remunerate the Joint Chief Operating Officer/Manager in charge of

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preparing the company's financial reports, i) if the overall remuneration components are considered to be objectively inappropriate to the performance achieved, within the limits of the upper limits set in the Policy, or ii) in relation to specific activities and/or extraordinary transactions in terms of strategic relevance and impact on the Company's and/or the Group's results of operations.

The Joint Chief Operating Officer/Manager responsible for preparing the company's financial reports is entitled to receive non-monetary benefits (for example company car for personal use also) as well as the other benefits described here below under point m), in line with market practice.

### **b) Remuneration of the Head of Internal Audit**

The remuneration of the Head of Internal Audit is established by the Board of Directors upon proposal of the Remuneration Committee based on the opinion of the Director in charge of Internal Control and Risk Management system.

The remuneration comprises a fixed annual component and a variable component on an annual basis.

The variable component is aligned to the Group's MBO and does not provide for any target related to the Company's results of operations, but only targets linked to the improvement of the Internal Control system's effectiveness and functionality.

The weight of the annual fixed and variable (MBO) components of the Head of Internal Audit, in the event of the achievement of the targets forecasted in the budget and related to the variable component of the remuneration package, is respectively 75% and 25% of his/her overall remuneration.

It's important to highlight that, in line with market best practices, the higher relative weight of the fixed component of the remuneration of the Head of Internal Audit and the setting of targets not related to business performance but instead linked to the full and effective implementation of own tasks are aimed at ensuring to this role, also from the point of view of the definition of the remuneration, the best possible conditions for duly accomplishment of own responsibilities.

The Head of Internal Audit is entitled to receive non-monetary benefits (for example company car for personal use also) as well as the other benefits described here below under point m), in line with market practice.

### **c) Remuneration of Officers directly reporting to the Chairman/Chief Executive Officer, the Chief Operating Officer and the Joint Chief Operating Officer/Manager in charge of preparing the company's financial reports**

The remuneration of Officers directly reporting to the Chairman/Chief Executive Officer, the Chief Operating Officer and the Joint Chief Operating Officer/Manager responsible for preparing the company's financial reports is defined by them with the support of Human Resources and Organization Department.

The components of the remuneration of Officers directly reporting to the Chairman/Chief Executive Officer, the Chief Operating Officer and the Joint Chief Operating Officer/Manager responsible for preparing the company's financial reports are the following:

- a) an annual fixed component;
- b) an annual variable component linked to the achievement of specific business targets (*Management By Targets*);
- c) a variable medium-long term component (*Long Term Incentive*), cash-based, linked to the performance of "Italmobiliare S.p.A. - Ordinary" shares and also to the achievement of the targets related to the previous point b).

Having defined the overall remuneration package as sum of the three components listed above in the event of targets forecasted in the budget related to components b) and c) are achieved, it is pointed out that such targets and the related remuneration are referred to the Officers directly reporting to the Chairman/Chief Executive



Presentation	4
Italmobiliare Group	20
<b>Italmobiliare S.p.A. Directors' report on operations</b>	<b>190</b>
Separate financial statements as at and for the year ended December 31, 2013	265
Extraordinary session	325

Officer, the Chief Operating Officer and the Joint Chief Operating Officer/Manager in charge of preparing the company's financial reports, and the relative weight of the same can be approximately represented as follows:

- a) the weight of the yearly fixed component is approximately equal to 70% of total remuneration;
- b) the weight of the annual variable component (*MBO*) is approximately equal to 20% of total remuneration. Such variable component cannot in any case exceed 70% of the fixed component as per letter a) above;
- c) the medium-long term variable component (*LTI*), currently based on three-year cycles, in its annual amount, has a weight equal to about 10% of total remuneration.

With reference to the variable components of the remuneration of Officers directly reporting to the Chairman/Chief Executive Officer, the Chief Operating Officer and the Joint Chief Operating Officer/Manager responsible for preparing the company's financial reports under letters b) e c) above, the Human Resources and Organization Department:

- defines, annually, proposals for the assignment of *MBO* targets to be submitted to the Chairman/Chief Executive Officer, the Chief Operating Officer and the Joint Chief Operating Officer/Manager in charge of preparing the company's financial reports, depending on the officer's position within the organizational structure;
- in the following financial year, monitors and submits to the Chairman/Chief Executive Officer, the Chief Operating Officer and the Joint Chief Operating Officer/Manager in charge of preparing the company's financial reports the degree of achievement of *MBO* targets and verifies the performance carried out;
- at the end of each three-year reference period, verifies the level of achievement of *LTI*, submitting the results to the approval of the Chairman/Chief Executive Officer, the Chief Operating Officer and the Joint Chief Operating Officer/Manager in charge of preparing the company's financial reports.

The Officers directly reporting to the Chairman/Chief Executive Officer, the Chief Operating Officer and the Joint Chief Operating Officer/Manager responsible for preparing the company's financial reports are entitled to receive non-monetary benefits (for example company car for personal use also) as well as the other benefits described here below under point m), in line with market practice.

*f) Policy followed with regard to non-monetary benefits*

Please refer to the description under points e) and n) for non-monetary benefits respectively granted to i) Officers with strategic responsibilities and Officers directly reporting to the Chairman/Chief Executive Officer, the Chief Operating Officer and the Joint Chief Operating Officer/Manager in charge of preparing the company's financial reports, and ii) Directors vested with special powers and other Directors.

*g) With reference to variable components, a description of performance targets based on which they are assigned, distinguishing between short and medium-long term variable components, and information on the link between variation of results and variation of remuneration*

Reference is made to that represented under points e) A) 1) i), e) A) 1) ii), e) A) 2) i) and e) A) 2) ii).

*h) Criteria applied for the evaluation of performance targets forming the basis for the allocation of shares, options, other financial instruments or other variable components of the remuneration*

Consistently with the information provided under points e) B) a), e) B) b) and e) B) c), the definition and verification of the correct implementation of the criteria used for the performance targets' evaluation are on each occasion carried out by of the Remuneration Committee with the support of the Human Resources and Organization Department.

*i) Information aimed at highlighting the consistency of the remuneration policy with the pursuit of the company's long-term objectives and its risk management policy, where formalized*

By applying the Policy, the Company pursues a strong link between remuneration and results of operations and a sound risk management as guarantee of its sustainability.

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According to the above, the Remuneration Committee periodically evaluates, among other things, the criteria adopted for the remuneration of Directors and Officers with strategic responsibilities, supervising their implementation based on information provided by the Chairman/Chief Executive Officer and any corporate functions involved and formulating general recommendations to the Board of Directors on the subject.

- j) Vesting period, any deferred payment system, with the indication of periods of deferment and of the criteria used for establishing such periods and, if applicable, ex-post correction mechanism*

Not applicable.

See also Section I - letter e) A) 2) for detailed information on the functioning of the Medium-Long term Variable Component (LTI) which make also reference to the related plans rules.

As far as the policy is concerned it should also be highlighted that, on the basis of these rules, a) any payment of the incentive amount is deferred to the first half of the fourth year following the year the beneficiary has been made eligible to participate in the plan, while no amounts could be paid to the beneficiary or anyway accrued by him/her during the three years of the plan cycle duration; b) in any case, the payment of any incentive accrued is subject to the further condition that the beneficiary has completed the three-years cycle duration and is still working for the Company at the date of the payment itself.

These additional conditions, having the effect of significantly deferring the moment of the effective payment, allow the adoption of possible corrective measures if needed.

- k) Information about the possibility of introducing provisions for maintaining financial instruments in the portfolio after acquisition thereof, indicating the periods of maintenance and the criteria used for establishing such periods*

Not applicable.

- l) Policy on treatment provided for termination of office or termination of employment agreement, specifying the circumstances which determine the onset of the right thereto and the possible link between such treatment and the company's performance*

The Company has not entered into specific agreements with the Directors vested with special powers and Officers with strategic responsibilities aimed at regulating, at the outset, the financial consequences resulting from a possible early termination of employment relationship caused by the Company or the individual employee.

With reference to the other offices, in the event of termination of the employment agreement with the Company for reasons other than just cause, it is considered appropriate to pursue out-of-court settlements on an equitable basis, to the extent allowed by the law, as well as the benchmarks and existing good practice for similar positions, except as may be required by rules and agreements in force, and in particular by the collective bargaining agreement for Executives of companies producing goods or providing services.

There is no provision for the granting of extraordinary remuneration to Directors not vested with special powers due to termination of the office.

The Company does not, in general, enter into specific non-competition agreements with its Officers with strategic responsibilities, designed to pay out financial consideration, during the employment relationship or subsequently to termination thereof, related to the respective fixed remuneration in relation to the term, the geographical and business scope and product sector of the constraints arising from such agreement.

- m) Information on the presence of any insurance, or pension or retirement, coverage other than the mandatory one*

Specific health and safety insurance policies consistent with what represented under letter n) below are provided for the Chairman/Chief Executive Officer and the Chief Operating Officer.

The Joint Chief Operating Officer/Manager responsible for preparing the company's financial reports and the Officers directly reporting to the Chairman/Chief Executive Officer, the Chief Operating Officer and the Joint Chief Operating Officer/Manager responsible for preparing the company's financial reports, in line with market practices,

Presentation	4
Italmobiliare Group	20
<b>Italmobiliare S.p.A. Directors' report on operations</b>	<b>190</b>
Separate financial statements as at and for the year ended December 31, 2013	265
Extraordinary session	325

are entitled to participate, in addition to what is specifically foreseen by the collective bargaining agreement for Executives of companies producing goods or providing services, to supplementary retirement schemes, healthcare insurance plans and life insurance plans.

- n) *Remuneration policy possibly applied in regard of: (i) independent directors, (ii) participation in committees and (iii) performance of particular tasks (Chairman, Deputy Chairman, etc.).*

The Company's Board of Directors consists of two categories of directors:

- a) Directors vested with special powers;
- b) Directors not vested with special powers.

As of December 31, 2013, the members of the Company's Board of Directors were divided in the two categories as shown below:

- a) Giampiero Pesenti Chairman/Chief Executive Officer • Italo Lucchini Deputy Chairman • Carlo Pesenti Chief Operating Officer;
- b) Mauro Bini • Giorgio Bonomi • Gabriele Galateri di Genola • Sebastiano Mazzoleni • Luca Minoli • Gianemilio Osculati • Giorgio Perolari • Clemente Rebecchini • Paolo Domenico Sfameni • Livio Strazzeria • Laura Zanetti.

The shareholders' meeting held on May, 25 2011 granted the Board of Directors' members an annual remuneration of € 45,000, increased to € 90,000 for those who are also members of the Executive Committee.

Such amount is increased for Directors who are members of Board's Committees, and for Chairmen of the latter.

However, considering the present difficult economic situation and the not positive results of the Company, the Board of Directors, in the meeting held on November 14, 2013, unanimously resolved to self-decrease the remuneration each Board member is entitled to as member of the Board itself and of the various Committees disregarding the shareholders' meeting resolution of May 25, 2011.

Therefore, the Board members resolved to self-reduce the remunerations they are entitled to for their offices during the financial year 2013 accordingly to the following percentages:

-20% for the offices of member of the Board of Directors, member of the Control and Risk Committee and member of the Supervising Body;

-50% for the offices of member of the Executive Committee, member of the Remuneration Committee and member of the Committee for Transactions with Related Parties.

In such occasion the Vice President, sharing the above mentioned resolution, expressed his own intention of self-reducing his own fixed remuneration for his particular office of about 25%.

In compliance with best practices in place for Directors not vested with special powers, no variable component of remuneration is provided for them, while they are reimbursed expenses incurred in performing their office.

Lastly, an insurance policy, in line with existing practices, has been taken out for civil liability to third parties of Directors for events related to the exercise of their functions, in compliance with the provisions set forth with regard to corporate offices, except in cases of willful misconduct and gross negligence.

The remuneration of Directors vested with special powers, is directly established at the time of appointment, or at a subsequent useful meeting, by the Board of Directors acting upon proposal of the Remuneration Committee and based on the opinion of the Board of Statutory Auditors.

The components of the remuneration of Directors vested with special powers are as follows:

**A) Chairman/Chief Executive Officer and Chief Operating Officer:**

- a) an annual fixed component;
- b) an annual variable component linked to the achievement of specific business targets (*Management By Objectives*);

- 
- c) a cash medium/long-term variable component (*Long Term Incentive*) linked to the performance of Italmobiliare shares and also to the achievement of the targets related to previous point b).

Having defined the overall remuneration package as the sum of the three components listed above in the event of targets forecasted in the budget related to components b) and c) are achieved, it is pointed out that such targets and the related remuneration are referred to the position of Director vested with special powers within the Company, and the relative weight of the same can be approximately represented as follows:

- a) the weight of the yearly fixed component is approximately equal to 60% of the Chairman/Chief Executive Officer's and 40% of the Chief Operating Officer's overall remuneration;
- b) the weight of the annual variable component (MBO) is approximately equal to 20% of the Chairman/Chief Executive Officer's and 30% of the Chief Operating Officer's overall remuneration;

Such variable component cannot exceed 60% of the fixed component referred to in letter a) above for the Chairman/Chief Executive Officer and 120% of said amount for the Chief Operating Officer;

- c) the medium/long-term variable component (LTI), currently based on three-year cycles, in its annual amount, represents about 20% of the Chairman/Chief Executive Officer's and 30% of the Chief Operating Officer's overall remuneration.

Such variable component cannot in any case, over the entire three-year period of duration of each plan, exceed 200% of the fixed component referred to under letter a) above, as granted throughout the plan execution periods for the Chairman/Chief Executive Officer and 400% of said amount for the Chief Operating Officer.

With reference to the variable components of remuneration of Directors vested with special powers referred to under letters b) and c) above, the Remuneration Committee:

- annually, makes proposals for the assignment of MBO targets to be submitted to the Board of Directors for approval;
- in the following financial year, monitors the degree of achievement of MBO targets and verifies the performance achieved;
- at the end of each three-year reference period, verifies the level of achievement of LTI.

For the Directors vested with special powers, the Company currently has in place a long-term incentive plan based on financial instruments referred to in letter e) A) 2) i) of this Report.

The Chairman/Chief Executive Officer is entitled to a "Severance pay", which will accrue at the end of each term of office.

Such bonus has been calculated so as not to exceed 3 years of remuneration and it will not be granted if termination of office is due to the attainment of objectively inadequate results.

In addition to benefits usually provided for similar positions, the Chairman/Chief Executive Officer is also entitled to an illness and injury policy, and reimbursement of expenses incurred to attend meetings and conferences, etc..

Total remuneration granted to the Chief Operating Officer includes fees paid to him by the Company as remuneration voted in favor of Mr. Carlo Pesenti, its Chief Executive Officer, by the subsidiary Italcementi S.p.A., which is charged the full cost including social security charges related to the contributions paid by the company and the legal severance indemnity.

Benefits are provided for the Chief Operating Officer in line with those of the Chairman/Chief Executive Officer.

The Board of Directors may also grant special awards, exceptionally, upon occurrence of significant, specific and unforeseen, circumstances in order to remunerate Directors vested with special powers, i) if the overall remuneration components are considered to be objectively inappropriate to the performance achieved, within the limits of the upper limits set in the Policy, or ii) in relation to specific activities and/or extraordinary transactions in terms of strategic relevance and impact on the Company's and / or the Group's results of operations.

		2013 Annual Report
Presentation		4
Italmobiliare Group		20
<b>Italmobiliare S.p.A.</b>	<b>Directors' report on operations</b>	<b>190</b>
	Separate financial statements as at and for the year ended December 31, 2013	265
	Extraordinary session	325

## B) Deputy Chairman:

The Deputy Chairman's remuneration consists of a fixed component defined in accordance with the rules under letter n) above.

\* \* \*

Given that the Board of Directors mandate will expire upon approval of the financial statements as at December 31, 2013, the general shareholders meeting which will appoint new directors will at the same time define the related annual remuneration.

Concerning the Directors vested with special powers who may be appointed, their remuneration will be defined, concurrently to their appointment or during a subsequent meeting, by the Board of Directors upon proposal of the Company's Remuneration Committee and having acquired the opinion of the Board of Statutory Auditors.

- o) *Whether the remuneration policy was defined using the remuneration policies of other companies as a reference and, if so, the criteria used for the selection of such companies*

Not applicable.

## **SECTION II**

### **I.1 – PART ONE**

- 1.1. Full representation of the remuneration components, including the treatment provided for termination of office or termination of the employment agreement, and their consistency with the reference Policy has already been given in Section I of this report.

With respect to incentive plans based on financial instruments, please find below information concerning the plans in place.

#### **Stock Option Plan for Directors - 2002**

In execution of the shareholders' resolution of May 3, 2002, the Company's Board of Directors meeting of May 14, 2002, approved the stock option plan for directors who are vested with special powers in accordance with the articles of association, or those who perform specific operating duties. The corresponding regulations later underwent non-significant changes.

Overall 442,500 options were granted.

The Board of Directors decided not to grant any further options related to the same plan, which, therefore, should be considered closed except for the terms provided to each beneficiary for the exercise of options already granted.

#### **Stock Option Plan for Officers 2001**

By resolution of the Board of Directors on March 27, 2001, the Company approved a stock option plan for company officers.

Overall 424,494 options were granted to Group officers, 201,500 of which to the Chief Operating Officer.

The Board of Directors decided not to grant any further options related to the same plan, which, therefore, should be considered closed except for the terms provided to each beneficiary for the exercise of options already granted.

During 2013, none of the Company Directors and Officers beneficiary of stock option plans exercised the respective rights already accrued.

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## **Long-term monetary incentive plan, linked to the performance of Italmobiliare shares, for directors and officers with strategic responsibilities - 2011**

The main features of the Plan are the following.

### **a) Reasons for the Adoption of the Plan**

These may be summarized as follows:

- to tie the overall treatment of participants' performance to the Company's medium-long term performance and to "value creation" for shareholders;
- to reward the achievement of targets of each participant, ensuring the highest involvement of the Company's top management on its performance and increasing the sense of belonging of participants, encouraging them to remain with the Company.

### **b) Plan Management**

The corporate body responsible for decisions relating to the plan is the Board of Directors, with the support of the Remuneration Committee and, where necessary, after consulting the Committee for transactions with related parties, including through the support of the Head of the Human Resources and Organization Department.

More specifically, the Board of Directors will be responsible for:

- identifying the individual participants for each cycle;
- determining attainable amounts;
- assessing the degree of achievement of the MBO Payout by each participant in each cycle;
- deciding the date of commencement of the availability period.

The Board of Directors will report periodically on the progress of the plan to shareholders at the ordinary meeting to approve the company's financial statements.

The assessment as to whether to revise the plan is left to the discretion of the Board of Directors, after consultation with the Remuneration Committee.

### **c) Beneficiaries of the Plan**

Beneficiaries of the plan are certain Directors and Officers with strategic responsibilities of Italmobiliare.

The plan is offered to participants considering the relevance of the functions attributed to them for the achievement of the Company's strategic targets.

Being a member of the Company's Board of Directors or having an office within the Company as Officer with strategic responsibilities are eligibility requirements to be admitted to the monetary incentive plan.

### **d) Term and Constraints of the Plan**

The plan term is 3 (three) three-year cycles from 2011 to 2019. The term of the first cycle will be in the period 2011-2013.

The Board of Directors, on the proposal of the Remuneration Committee and, where necessary, after consultation with the Committee for transactions with related parties, will establish, under the plan, amounts attainable as incentives for each participant, according to an overall assessment, which, taking into account the general trend of business and each participant's strategic position for the purpose of achieving the Company's long-term goals, will focus on:

- i) the weight of the participant's position in the Company's organizational structure,
- ii) the consistency with the principles of "overall remuneration" underlying the Company's remuneration policy.
- iii) the overall Payout of annual MBO plans during the relevant period of the plan.

Presentation	4
Italmobiliare Group	20
<b>Italmobiliare S.p.A. Directors' report on operations</b>	<b>190</b>
Separate financial statements as at and for the year ended December 31, 2013	265
Extraordinay session	325

Accrual of the incentive is conditional upon achieving at least one MBO Payout in any year within the period of performance monitoring. The amount of the incentive is proportional to the sum of the Payout for each year of the relevant three-year period.

It will be the responsibility of the Board of Directors, after hearing the Remuneration Committee and, where necessary, after consultation with the Committee for transactions with related parties, with the support of the Human Resources and Organization Department, to verify and assess the degree of achievement of the MBO Payout in the period of performance monitoring, thus determining the number of rights actually accrued by each participant.

#### **e) Plan Implementation Procedures and Terms**

The plan provides for the assignment of a number of rights to the participants, determined by dividing the MBO Payout by the normal value of the shares at grant date and then proportioning the resulting value to the weight of each individual's position in accordance with point d) above, which, multiplied by the value of the shares on the date of payment, will enable participants to obtain payment of an incentive.

Without limitation to the right of the Board of Directors to decide otherwise, participation in the plan is inherently and functionally related to, and conditioned by, the permanence of each participant in the position held at the time of assignment for the entire duration of the cycle.

Generally:

- i) in the case of expiry of term or changes in the office held as Director: Subject to any exceptions for specific cases established by the Board of Directors having heard the Remuneration Committee and, when applicable, the opinion of the Committee for Transactions with Related Parties, the following provisions will be applied to the cases mentioned below:
  - a) in the case of revocation of or change in the position held during the cycle, the Board of Directors may, at its discretion, based on the Remuneration Committee's opinion, and in consideration of the reasons motivating the revocation or change, evaluate on an equitable basis the possibility of paying out a compensatory lump sum bonus, commensurate with the portion of period and the transitional partial degree of achievement of the MBO Payout;
  - b) in the case of death of the participant during the cycle, the above will apply; if death occurs once the MBO Payout is obtained, the participant's heirs will be acknowledged the right to obtain payment of any bonus accrued.
- ii) in the case of termination of employment: except for the specific cases listed below in this paragraph and without limitation to the right of the Board of Directors to decide otherwise, the rights accruing to participants in relation to accrued rights are inherently and functionally related to, and conditioned by, the persistence of the participant's employment relationship with the Company at the time of the beginning of the availability period.

Subject to any exceptions for specific cases established by the Board of Directors, the following provisions will apply to the situations mentioned below:

- a) in the event of termination of employment due to dismissal or resignation, which occurred after the expiration of the period of performance monitoring, but before the availability period, the general principle will apply and thus the participant will permanently and automatically lose the right to obtain the incentive;
- b) in cases of consensual termination of employment or resignation for retirement, or after becoming an invalid, howsoever occurred after the end of the period of performance monitoring, or if the participant has reached the MBO Payout, he / she will retain the right to obtain the incentive if, after the date of termination, the accrual of rights actually occurs;
- c) in case of the participant's death occurring after the end of the period of performance monitoring, or if the participant has reached the MBO payout, the rights possibly accrued by the same under this plan will be awarded to the participant's heirs on production, by the latter, of the necessary documentation proving such qualification.

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If, during the period of performance monitoring, the transfer of the participant's employment relationship occurs between the Company and its subsidiaries, regardless of the manner by which such transfer occurred, or the participant's organizational position is changed with a consequent change in the latter's responsibilities, the relevant MBO Payout will also be updated in line with the new position.

In any case, the Board of Directors may define an equitable amount payable to the participant in relation to the activities carried out till then.

The provisions described above may be modified by the Board of Directors to ensure participants a treatment equivalent to the one offered initially.

**f) Other Powers Assigned to the Board of Directors**

The Board of Directors, having heard the Remuneration Committee, may temporarily suspend the effects deriving from the accrual of rights for participants in case of specific and particular needs such as, by way of example but not limited to, changes in legal and regulatory provisions, excluding tax provisions, applicable to the legal relationships arising from the Plan.

The suspension of the effects deriving from the accrual of rights for participants will also take place in any case in which such circumstances may occur as, by way of example but not limited to, corporate transactions, mergers and demergers having an effect on the Company's share capital, increase and reduction of the Company's share capital, changes to the Bylaws relating to the Shares such as to affect the conditions governing the implementation of the Plan, possibly altering the economic and financial conditions and jeopardizing its aims as defined under the preceding point a).

The Board of Directors may, in all cases mentioned above and having heard the Remuneration Committee's opinion, amend or integrate the plan, the cycle and the Regulation, or order the lapse of the same plan if it is no longer consistent with the Company's situation, subject to any rights acquired in the meantime as a result of the three-year period of reference having elapsed and the other requirements and conditions of the Regulation being met.

**g) Any support for the plan by the special Fund for the encouragement of employee participation in enterprises, pursuant to Art. 4, paragraph 112, of Law No. 350 dated December 24, 2003**

Not applicable

**Long-term monetary incentive plan linked to the performance of Italmobiliare shares, for company officers - 2011**

The main features of the Plan are the following.

**a) Reasons for the Adoption of the Plan**

These may be summarized as follows:

- to tie the overall treatment of participants' performance to the Company's medium-long term performance and to "value creation" for shareholders;
- to reward the achievement of targets of each participant, ensuring the highest involvement of the Company's top management in its performance and increasing the sense of belonging of participants, encouraging them to remain at the Company.

**b) Plan Management**

The corporate body responsible for decisions relating to the plan is the Board of Directors, which empowers the Chairman/Chief Executive Officer to manage the plan operationally, with the support of the Remuneration Committee and, where necessary, after consultation with the Committee for transactions with related parties, also through the technical support of the Head of Human Resources and Organization.



Presentation	4
Italmobiliare Group	20
<b>Italmobiliare S.p.A. Directors' report on operations</b>	<b>190</b>
Separate financial statements as at and for the year ended December 31, 2013	265
Extraordinary session	325

More specifically, the Chief Executive Officer will be responsible for:

- identifying the individual participants for each cycle;
- determine attainable amounts;
- assessing the degree of achievement of the MBO Payout by each participant for each cycle;
- deciding the date of commencement of the availability period.

The Chief Executive Officer will periodically report on the plan to shareholders at the time of the ordinary meeting to approve the financial statements.

The assessment as to whether to revise the plan is left to the discretion of the Chief Executive Officer who, after hearing the Remuneration Committee's opinion, reports to the Board of Directors.

### **c) Beneficiaries of the Plan**

Beneficiaries of the plan are certain Officers of Italmobiliare.

The plan is offered to participants considering the relevance of the functions attributed to them for the achievement of the Company's strategic targets.

Being an employee of the Company without being in the notice period for dismissal or resignation are eligibility requirements to be admitted to the monetary incentive plan.

### **d) Term and Constraints of the Plan**

The plan term is 3 (three) three-year cycles from 2011 to 2019. The term of the first cycle will be in the period 2011-2013.

The Chief Executive Officer will, under the plan, on proposal of the Remuneration Committee and, where necessary, after consultation with the Committee for transactions with related parties, establish amounts attainable as an incentive by each of the Participants, in accordance with a comprehensive assessment that, given the general trend of business and strategic position of each participant for the purpose of achieving the Company's long-term goals, will focus on:

- i) the weight of the participant's position within the Company's organizational structure;
- ii) the consistency with the principles of "overall remuneration" underlying the Company's remuneration policy;
- iii) the overall Payout of annual MBO plans in the relevant period of the plan.

Accrual of the incentive is conditional upon achieving at least one MBO Payout in any year within the period of performance monitoring. The amount of the incentive is proportional to the sum of the Payout for each year in the relevant three-year period.

It will be the responsibility of the Chief Executive Officer, after hearing the Remuneration Committee and, where necessary, after consultation with the Committee for transactions with related parties, with the support of the Human Resources and Organization Department, to verify and assess the degree of achievement of the MBO Payout in the period of performance monitoring, thus determining the number of rights actually accrued by each participant.

### **e) Plan Implementation Procedures and Terms**

The plan provides for the grant of a number of rights to the participants, determined by dividing the MBO Payout by the normal value of the shares at grant date and then proportioning the resulting value to the weight of each individual's position in accordance with point d) above, which, multiplied by the value of the shares on the date of payment, will enable participants to obtain payment of an incentive.

Without limitation to the right of the Chief Executive Officer to decide otherwise, and except for the specific cases listed below in this paragraph, the rights accruing to Participants in relation to vested rights are intrinsically and functionally related and conditioned to the persistence of the participant's employment relationship with the Company at the beginning of the availability period.

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Without prejudice to possible exemptions for specific cases as established by the Chief Executive Officer, the following rules will apply to the cases mentioned below:

- a) in the event of termination of employment due to dismissal or resignation, which occurred after the expiration of the period of performance monitoring, but before the availability period, the general principle will apply and thus the participant will permanently and automatically lose the right to obtain the incentive;
- b) in cases of consensual termination of employment or resignation for retirement, or after becoming an invalid, howsoever occurred after the end of the period of performance monitoring, or if the participant has reached the MBO Payout, he / she will retain the right to obtain the incentive if, after the date of termination, the accrual of rights actually occurs;
- c) in case of the participant's death occurring after the end of the period of performance monitoring, or if the participant has reached the MBO payout, the rights possibly accrued by the same under this plan will be awarded to the participant's heirs on production, by the latter, of the necessary documentation proving such qualification.

If, during the period of performance monitoring, the transfer of the participant's employment relationship occurs between the Company and its subsidiaries, regardless of the manner by which such transfer occurred, or the participant's organizational position is changed with a consequent change in the latter's responsibilities, the relevant MBO payout will also be updated in line with the new position.

In any case, the Chief Executive Officer may define an equitable amount payable to the participant in relation to the activities carried out till then.

The provisions described above may be modified by the Chief Executive Officer to ensure Participants a treatment equivalent to the one offered initially.

**f) Other Powers Assigned to the Chief Executive Officer**

The Chief Executive Officer, having heard the Remuneration Committee's opinion, may temporarily suspend the effects deriving from the accrual of rights for participants in the case of specific and particular needs such as, by way of example but not limited to, changes in legal and regulatory provisions, excluding tax provisions, applicable to the legal relationships arising from the Plan.

The suspension of the effects deriving from the accrual of rights for participants will also take place in any case in which such circumstances may occur as, by way of example but not limited to, corporate transactions, mergers and demergers having an effect on the Company's share capital, increase and reduction of the Company's share capital, changes to the Bylaws relating to the Shares such as to affect the conditions governing the implementation of the Plan, possibly altering the economic and financial conditions and jeopardizing its aims as defined in the preceding point a).

The Chief Executive Officer may, in all cases mentioned above and having heard the Remuneration Committee's opinion, amend or integrate the plan, the cycle and the Regulation, or order the lapse of the same plan if it is no longer consistent with the Company's situation, subject to any rights acquired in the meantime as a result of the three-year period of reference having elapsed and the other requirements and conditions of the Regulation being met.

**g) Any support for the plan by the special Fund for the encouragement of employee participation in enterprises, pursuant to Art. 4, paragraph 112, of Law No. 350 dated December 24, 2003**

Not applicable

1.2. Full representation in Section I of this Report was given of the agreements that provide for indemnity for early termination of contracts; the following information is also provided:

- the possible existence of such agreements, providing negative information if they are not present;  
See section I - letter I);
- the criteria for calculating the indemnity payable to each person. If the indemnity is expressed in connection

Presentation	4
Italmobiliare Group	20
<b>Italmobiliare S.p.A. Directors' report on operations</b>	<b>190</b>
Separate financial statements as at and for the year ended December 31, 2013	265
Extraordinary session	325

with the annual salary, indicate the components of such annual salary in detail;

See section I - letter I);

- the possible presence of performance criteria which the granting of remuneration is linked to;

Not applicable;

- the possible effects of the employment contract termination on rights granted under incentive plans based on financial instruments or to be disbursed on a cash basis;

See section II I.1 - PART ONE - 1.1; with respect to the long-term monetary incentive plan for directors and key management personnel - letter e); with respect to the long-term monetary incentives Plan linked to the appreciation of Italmobiliare shares for officers - letter e).

Furthermore:

- 1) With respect to the Stock option plan for directors - 2002: the exercise of stock option rights was subject to the condition that the director beneficiary of the Plan had regularly concluded his / her office during the term of which the options had been granted without early resignation being given and without a revocation measure being decided by the shareholders' meeting;
- 2) With respect to the Stock option plan for officers - 2001: as a general rule, stock option rights not yet exercised will not be recognized - except in the case of retirement - in the event of interruption of the employment relationship within the Group.

In the case of death of the holder of options, these may be exercised by successors within six months of his death provided that such term falls within the period of exercisability of the options.

- cases in which the right to indemnity accrues;

See section I - letter I);

- possible existence of agreements that provide for granting or maintaining non-monetary benefits in favor of persons who have ceased their assignment or for entering into consulting contracts for a period following termination of employment;

Not applicable;

- possible existence of agreements that provide for remuneration due to non-competition commitments;

The Company, in general, does not conclude specific non-competition agreements with its Officers with strategic responsibilities, designed to pay consideration in cash, during the employment or after the termination thereof, related to their respective fixed remuneration in relation to the geographical extent, term and kind of business of the constraints arising from the same agreement;

- with reference to the directors who have terminated their office during the financial year, any deviations in defining their indemnity with respect to the provisions of the reference agreement;

Not applicable;

- Where specific agreements are not provided, explain the criteria by which accrued indemnity was defined;

Not applicable.

\* \* \*

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Dear Shareholders,

We invite you to adopt the following resolution:

“The Shareholders’ Meeting of Italmobiliare S.p.A. held on May 27, 2014,

- having acknowledged the report prepared by the Directors,

hereby resolves

**In favor of / against**

the first section of the Report on Remuneration illustrated above.

Presentation	4
Italmobiliare Group	20
<b>Italmobiliare S.p.A. Directors' report on operations</b>	<b>190</b>
Separate financial statements as at and for the year ended December 31, 2013	265
Extraordinary session	325

## I.2 – PART TWO

### Remuneration paid to the Members of the Governing and Supervising Bodies, to the Chief Operating Officers and other officers with Strategic Responsibilities

Name, last name	Position	Period during which the office was held	End of office term	Fixed remuneration	Remuneration for taking part in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	End-of-service bonus and severance indemnity
						Bonuses and other incentives	Profit sharing					
<b>Giampiero Pesenti</b>	Chairman/Chief Executive Officer Executive Committee	1.1 – 31.12	2013									
(I) Remuneration in the company preparing the financial statements				658,500		262,500		360,837		1,281,837	720,899	
(II) Remuneration from subsidiaries and affiliated companies				1,090,543		529,000		211,520		1,831,063		3,839,875
			<b>Total</b>	1,749,043		791,500		572,357		3,112,900	720,899	3,839,875
<b>Italo Lucchini</b>	Deputy Chairman Remuneration Committee	1.1 – 31.12	2013									
(I) Remuneration in the company preparing the financial statements				108,500	7,500					116,000		
(II) Remuneration from subsidiaries and affiliated companies				57,802	4,375					62,177		
			<b>Total</b>	166,302	11,875					178,177		
<b>Carlo Pesenti</b>	Director Chief Operating Officer	1.1 – 31.12	2013									
(I) Remuneration in the company preparing the financial statements				321,857		172,065		109,812		603,734	656,778	
(II) Remuneration from subsidiaries and affiliated companies (*)				1,299,583		812,500				2,112,083		
			<b>Total</b>	1,621,440		984,565		109,812		2,715,817	656,778	
<b>Mauro Bini</b>	Director Control and Risk Committee Supervising Body Committee for Transactions with Related Parties	1.1 – 31.12	2013									
(I) Remuneration in the company preparing the financial statements				36,000	40,500					76,500		
(II) Remuneration from subsidiaries and affiliated companies												
			<b>Total</b>	36,000	40,500					76,500		
<b>Giorgio Bonomi</b>	Director Control and Risk Committee	1.1 – 31.12	2013									
(I) Remuneration in the company preparing the financial statements				36,000	28,000					64,000		
(II) Remuneration from subsidiaries and affiliated companies				41,458						41,458		
			<b>Total</b>	77,458	28,000					105,458		
<b>Gabriele Galateri di Genola</b>	Director Remuneration Committee	1.1 – 31.12	2013									
(I) Remuneration in the company preparing the financial statements				36,000	7,500					43,500		
(II) Remuneration from subsidiaries and affiliated companies												
			<b>Total</b>	36,000	7,500					43,500		
<b>Jonella Ligresti</b>	Director Committee for Transactions with Related Parties	1.1 – 25.07	2013									
(I) Remuneration in the company preparing the financial statements				26,250	14,583					40,833		
(II) Remuneration from subsidiaries and affiliated companies												
			<b>Total</b>	26,250	14,583					40,833		
<b>Sebastiano Mazzoleni</b>	Director	1.1 – 31.12	2013									
(I) Remuneration in the company preparing the financial statements				36,000						36,000		
(II) Remuneration from subsidiaries and affiliated companies				84,458						84,458		
			<b>Total</b>	120,458						120,458		
<b>Luca Minoli</b>	Director	1.1 – 31.12	2013									
(I) Remuneration in the company preparing the financial statements				36,000					3,137	39,137		
(II) Remuneration from subsidiaries and affiliated companies									55,286	55,286		
			<b>Total</b>	36,000					58,423	94,423		
<b>Gianemilio Osculati</b>	Director	1.1 – 31.12	2013									
(I) Remuneration in the company preparing the financial statements				36,000						36,000		
(II) Remuneration from subsidiaries and affiliated companies												
			<b>Total</b>	36,000						36,000		

\* The amounts under the line "Remuneration from subsidiaries and affiliated companies refer to the amounts Italcementi s.p.a. is in charge of which are paid to Italmobiliare s.p.a. and by this last one directly paid to its COO. These amounts are charged comprised the social contributions and the end of service pay the Company is in charge of.

# ITALMOBILIARE

Name, last name	Position	Period during which the office was held	End of office term	Fixed remuneration	Remuneration for taking part in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	End-of-service bonus and severance indemnity
						Bonuses and other incentives	Profit sharing					
<b>Giorgio Perolari</b>	Director Executive Committee Control and Risk Committee Remuneration Committee Committee for Transactions with Related Parties	1.1 – 31.12	2013									
	(I) Remuneration in the company preparing the financial statements			58,500	48,000					106,500		
	(II) Remuneration from subsidiaries and affiliated companies											
			<b>Total</b>	58,500	48,000					106,500		
<b>Clemente Rebecchini</b>	Director	1.1 – 31.12	2013									
	(I) Remuneration in the company preparing the financial statements			36,000						36,000		
	(II) Remuneration from subsidiaries and affiliated companies											
			<b>Total</b>	36,000						36,000		
<b>Paolo Sfameni</b>	Director Supervising Body	1.1 – 31.12	2013									
	(I) Remuneration in the company preparing the financial statements			36,000	37,208					73,208		
	(II) Remuneration from subsidiaries and affiliated companies											
			<b>Total</b>	36,000	37,208					73,208		
<b>Livio Strazzerà</b>	Director Executive Committee	1.1 – 31.12	2013									
	(I) Remuneration in the company preparing the financial statements			58,500						58,500		
	(II) Remuneration from subsidiaries and affiliated companies											
			<b>Total</b>	58,500						58,500		
<b>Laura Zanetti</b>	Director	14.11 – 31.12	2013									
	(I) Remuneration in the company preparing the financial statements			6,000						6,000		
	(II) Remuneration from subsidiaries and affiliated companies											
			<b>Total</b>	6,000						6,000		
<b>Francesco Di Carlo</b>	Chairman of the Board of Statutory Auditors	1.1 – 31.12	2013									
	(I) Remuneration in the company preparing the financial statements			102,000						102,000		
	(II) Remuneration from subsidiaries and affiliated companies											
			<b>Total</b>	102,000						102,000		
<b>Angelo Casò</b>	Standing Auditor	1.1 – 31.12	2013									
	(I) Remuneration in the company preparing the financial statements			68,000						68,000		
	(II) Remuneration from subsidiaries and affiliated companies											
			<b>Total</b>	68,000						68,000		
<b>Leonardo Cossu</b>	Standing Auditor	1.1 – 31.12	2013									
	(I) Remuneration in the company preparing the financial statements			68,000						68,000		
	(II) Remuneration from subsidiaries and affiliated companies											
			<b>Total</b>	68,000						68,000		
<b>Giorgio Moroni</b>	Manager in charge of preparing the company's financial statements	1.1 – 31.12	2013									
	(I) Remuneration in the company preparing the financial statements			470,000	213,760		7,298	30,000		721,058	305,034	
	(II) Remuneration from subsidiaries and affiliated companies											
			<b>Total</b>	470,000	213,760		7,298	30,000		721,058	305,034	

Presentation	4
Italmobiliare Group	20
<b>Italmobiliare S.p.A. Directors' report on operations</b>	<b>190</b>
Separate financial statements as at and for the year ended December 31, 2013	265
Extraordinary session	325

Remuneration for each office when the amount reported in the above table is in aggregate form

<b>Fixed remuneration</b>		
Giampiero Pesenti	<i>Italmobiliare S.p.A.:</i>	
	Remuneration as Director	36,000
	Remuneration as Executive Committee Member	22,500
	Fixed remuneration	600,000
	<b><u>Subsidiaries and affiliated companies:</u></b>	
	<i>Italcementi S.p.A.:</i>	
	Remuneration as Director	41,458
	Remuneration as Executive Committee Member	13,125
	Fixed remuneration	950,000
	<i>Ciments Français S.A.:</i>	
Remuneration as Director	51,000	
<i>Finter Bank Zürich:</i>		
Remuneration as Director	34,960	
Italo Lucchini	<i>Italmobiliare S.p.A.:</i>	
	Remuneration as Director	36,000
	Remuneration as Executive Committee Member	22,500
	Fixed remuneration	50,000
	<b><u>Subsidiaries and affiliated companies:</u></b>	
	<i>Italcementi S.p.A.:</i>	
	Remuneration as Director	41,458
	<i>Ciments Français S.A.:</i>	
	Remuneration as Director	10,144
	<i>Azienda Agricola Lodoletta S.p.A.:</i>	
Remuneration as Director	6,200	
Carlo Pesenti	<i>Italmobiliare S.p.A.:</i>	
	Remuneration as Director	36,000
	Remuneration as Executive Committee Member	22,500
	Fixed remuneration	263,357
Sebastiano Mazzoleni	<i>Italmobiliare S.p.A.:</i>	
	Remuneration as Director	36,000
	<b><u>Subsidiaries and affiliated companies:</u></b>	
	<i>Italcementi S.p.A.:</i>	
	Remuneration as Director	41,458
<i>Ciments Français S.A.:</i>		
Remuneration as Director	43,000	
Giorgio Perolari	Remuneration as Director	36,000
	Remuneration as Executive Committee Member	22,500
Livio Strazzerà	Remuneration as Director	36,000
	Remuneration as Executive Committee Member	22,500
<b>Remuneration for the Board committees' members</b>		
Mauro Bini	Control and Risk Committee	28,000
	Committee for Transactions with related parties	12,500
Giorgio Perolari	Control and Risk Committee	28,000
	Committee for Transactions with related parties	12,500
	Remuneration Committee	7,500

**Stock options granted to the members of the Governing and Supervising Bodies, to the Chief Operating Officers and other Officers with Strategic Responsibilities**

A	B	(1)	Options held at the beginning of the financial year			Options granted during the financial year						Options exercised during the financial year			(14)	(15) =(2)+(5).1 1.14	(16)
			(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)			
Name, last name	Position	Plan	Number of options	Exercise price	Period of possible exercise (from-to)	Number of options	Exercise price	Period of possible exercise (from-to)	Fair value as of the grant date	Grant date	Market price of shares underlying the granting of options	Number of options	Exercise price	Market price of underlying shares as of the date of exercise	Number of options	Number of options	Fair value
<b>Giampiero Pesenti</b>	Chairman/ Chief Executive Officer																
(I) Remuneration in the company preparing the financial statements	Stock option plan for directors (BoD resolution 27.03.2002)	45,000	35.199	30.03.2007 29.03.2014	-	-	-	-	-	-	-	-	-	-	-	45,000	-
		55,000	54.535	30.03.2008 29.03.2015	-	-	-	-	-	-	-	-	-	-	-	55,000	-
		55,000	65.701	21.03.2009 20.03.2016	-	-	-	-	-	-	-	-	-	-	-	55,000	-
		60,000	86.069	21.03.2010 20.03.2017	-	-	-	-	-	-	-	-	-	-	-	60,000	-
		60,000	59.908	28.03.2011 27.03.2018	-	-	-	-	-	-	-	-	-	-	-	60,000	-
		53,000	28.834	24.03.2013 23.03.2020	-	-	-	-	-	-	-	-	-	-	-	53,000	40,989
		48,000	27.469	30.03.2014 29.03.2021	-	-	-	-	-	-	-	-	-	-	-	48,000	141,000
(II) Remuneration from subsidiaries and affiliated companies	ITALCEMENTI S.P.A. Stock option plan for directors (BoD resolution 9.05.2001)	150,000	13.3871	17.03.2008 16.03.2015	-	-	-	-	-	-	-	-	-	-	150,000	-	
		150,000	16.89	07.03.2009 06.03.2016	-	-	-	-	-	-	-	-	-	-	150,000	-	
		150,000	23.049	07.03.2010 06.03.2017	-	-	-	-	-	-	-	-	-	-	150,000	-	
<b>Total</b>			826,000	-	-	-	-	-	-	-	-	-	-	-	826,000	181,989	
<b>Carlo Pesenti</b>	Operating Officer																
(I) Remuneration in the company preparing the financial statements	Stock option plan for directors (BoD resolution 27.03.2001)	24,500	35.199	30.03.2007 29.03.2014	-	-	-	-	-	-	-	-	-	-	-	24,500	-
		37,500	54.535	30.03.2008 29.03.2015	-	-	-	-	-	-	-	-	-	-	-	37,500	-
		37,500	65.701	21.03.2009 20.03.2016	-	-	-	-	-	-	-	-	-	-	-	37,500	-
		40,000	86.069	21.03.2010 20.03.2017	-	-	-	-	-	-	-	-	-	-	-	40,000	-
		35,500	59.908	28.03.2011 27.03.2018	-	-	-	-	-	-	-	-	-	-	-	35,500	-
		35,800	28.834	24.03.2013 23.03.2020	-	-	-	-	-	-	-	-	-	-	-	35,800	27,687
		30,700	27.469	30.03.2014 29.03.2021	-	-	-	-	-	-	-	-	-	-	-	30,700	90,181
(II) Remuneration from subsidiaries and affiliated companies	ITALCEMENTI S.P.A. Stock option plan for directors (BoD resolution 9.05.2001)	135,000	13.3871	17.03.2008 16.03.2015	-	-	-	-	-	-	-	-	-	-	135,000	-	
		85,000	16.89	07.03.2009 06.03.2016	-	-	-	-	-	-	-	-	-	-	85,000	-	
		200,000	23.049	07.03.2010 06.03.2017	-	-	-	-	-	-	-	-	-	-	200,000	-	
<b>Total</b>			661,500	-	-	-	-	-	-	-	-	-	-	-	661,500	117,868	
<b>Giorgio Moroni</b>	Manager in charge of preparing the company's financial statements																
(I) Remuneration in the company preparing the financial statements	Stock option plan for directors (BoD resolution 27.03.2001)	14,150	27.469	30.03.2014 29.03.2021	-	-	-	-	-	-	-	-	-	-	-	14,150	41,566
(II) Remuneration from subsidiaries and affiliated companies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>			14,150	27.469	-	-	-	-	-	-	-	-	-	-	-	14,150	41,566



Presentation	4
Italmobiliare Group	20
<b>Italmobiliare S.p.A. Directors' report on operations</b>	<b>190</b>
Separate financial statements as at and for the year ended December 31, 2013	265
Extraordinary session	325

## Incentive plans based on financial instruments, other than stock options, in favor of the members of the Governing and Supervising Bodies, of the Chief Operating Officer and other Officers with Strategic Responsibilities

A	B	(1)	Financial instruments granted in previous fiscal years not vested during the year		Financial instruments granted during the financial year					Financial instruments vested during the year and not attributed	Financial instruments vested during the year and attributable		Financial instruments for the year
			(2)	(3)	(4)	(5)	(6)	(7)	(8)		(9)	(10)	
Name, last name	Position	Plan	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value as of the grant date	Vesting period	Grant date	Market price as of grant date	Number and type of financial instruments	Numero e tipologia strumenti finanziari	Value as of vesting date	Fair value
<b>Giampiero Pesenti</b>	Chairman/Chief Executive Officer												
(I) Remuneration in the company preparing the financial statements	Shareholders' resolution 25.05.2011	Monetary incentive plan for directors and officers with strategic responsibilities	Range 23.000 - 35.000	25.05.2011 31.12.2013									538,910
(II) Remuneration from subsidiaries and affiliated companies	-												
<b>Total</b>													538,910
<b>Carlo Pesenti</b>	Director Chief Operating Officer												
(I) Remuneration in the company preparing the financial statements	Shareholders' resolution 25.05.2011	Monetary incentive plan for directors and officers with strategic responsibilities	Range 23.000 - 35.000	25.05.2011 31.12.2013									538,910
(II) Remuneration from subsidiaries and affiliated companies	-												
<b>Total</b>													538,910
<b>Giorgio Moroni</b>	Manager in charge of preparing the company's financial statements												
(I) Remuneration in the company preparing the financial statements	Shareholders' resolution 25.05.2011	Monetary incentive plan for directors and officers with strategic responsibilities	Range 10.000 - 15.000	25.05.2011 31.12.2013									263,468
(II) Remuneration from subsidiaries and affiliated companies	-												
<b>Total</b>													263,468

## Monetary incentive plans in favor of the members of the Governing and Supervising Bodies, of the Chief Operating Officer and other Officers with Strategic Responsibilities

Name, last name	Position	Plan	Bonus for the year			Bonus for previous years			Other bonuses
			Payable / disbursed	Deferred	Deferment period	Not payable any more	Payable / disbursed	Still deferred	
<b>Giampiero Pesenti</b>	Chairman - Chief Executive Officer								
(I) Remuneration in the company preparing the financial statements	May 14, 2013	Annual MBO	262,500						
(II) Remuneration from subsidiaries and affiliated companies	May 3, 2013	Annual MBO	529,000						
	May 3, 2013	Three-year LTI		Max. 1,092,500*					
<b>Total</b>			<b>791,500</b>	<b>Max. 1,092,500*</b>					
<b>Carlo Pesenti</b>	Director General Manager								
(I) Remuneration in the company preparing the financial statements	May 14, 2013	Annual MBO	168,750						
(II) Remuneration from subsidiaries and affiliated companies	May 3, 2013	Annual MBO	812,500						
	May 3, 2013	Three-year LTI		Max. 1,437,500*					
<b>Total</b>			<b>981,250</b>	<b>Max. 1,437,500*</b>					
<b>Giorgio Moroni</b>	Manager in charge of preparing the company's financial statements								
(I) Remuneration in the company preparing the financial statements	May 14, 2013	Annual MBO	212,500						
(II) Remuneration from subsidiaries and affiliated companies									
<b>Total</b>			<b>212,500</b>						

\* Theoretical portion of the 2013-2015 LTI plan accrued in financial year 2013

Presentation	4
Italmobiliare Group	20
<b>Italmobiliare S.p.A. Directors' report on operations</b>	<b>190</b>
Separate financial statements as at and for the year ended December 31, 2013	265
Extraordinary session	325

## Participations of the members of the Governing and Supervising Bodies, of the Chief Operating Officer and Manager in charge of preparing the company's financial reports

Name, last name	Position	Company held	Number of shares held at the end of the previous financial year	Number of shares purchased	Number of shares sold	Number of shares held at the end of the current financial year
Giampiero Pesenti	Chairman/ Chief Executive Officer	ITALMOBILIARE	ordinary shares: 27,623 <sup>1</sup> savings shares: 2,467 <sup>1</sup>	ordinary shares: - savings shares: -	ordinary shares: - savings shares: -	ordinary shares: 27,623 <sup>1</sup> savings shares: 2,467 <sup>1</sup>
		ITALCEMENTI	ordinary shares: 10,972 <sup>2</sup> savings shares: 22,698 <sup>1</sup>	ordinary shares: - savings shares: -	ordinary shares: - savings shares: -	ordinary shares: 10,972 <sup>2</sup> savings shares: 22,698 <sup>1</sup>
Italo Lucchini	Deputy Chairman	CIMENTS FRANÇAIS	ordinary shares: 50	ordinary shares: -	ordinary shares: -	ordinary shares: 50
Carlo Pesenti	Director Chief Operating Officer	ITALMOBILIARE	ordinary shares: 16,441	ordinary shares: -	ordinary shares: 16,441	ordinary shares: -
		ITALCEMENTI	ordinary shares: 1,500 <sup>2</sup> savings shares: 3,000 <sup>2</sup>	ordinary shares: - savings shares: -	ordinary shares: - savings shares: -	ordinary shares: 1,500 <sup>2</sup> savings shares: 3,000 <sup>2</sup>
		CIMENTS FRANÇAIS	ordinary shares: 50	ordinary shares: -	ordinary shares: -	ordinary shares: 50
Giorgio Bonomi	Director	ITALCEMENTI	ordinary shares: 2,500	ordinary shares: -	ordinary shares: -	ordinary shares: 2,500
Sebastiano Mazzoleni	Director	ITALMOBILIARE	ordinary shares: 2,100	ordinary shares: -	ordinary shares: 2,100	ordinary shares: -
		ITALCEMENTI	ordinary shares: 7,352 savings shares: 7,040	ordinary shares: - savings shares: -	ordinary shares: 6,000 savings shares: 6,000	ordinary shares: 1,352 savings shares: 1,040
Giorgio Perolari	Director	ITALMOBILIARE	ordinary shares: 16,735 savings shares: 8,800 <sup>1</sup>	ordinary shares: - savings shares: -	ordinary shares: - savings shares: -	ordinary shares: 16,735 savings shares: 8,800 <sup>1</sup>
		ITALCEMENTI	ordinary shares: 20,280 savings shares: 130,000 <sup>2</sup>	ordinary shares: - savings shares: -	ordinary shares: - savings shares: -	ordinary shares: 20,280 savings shares: 130,000 <sup>2</sup>
Livio Strazzera	Director	ITALMOBILIARE	ordinary shares: 100	ordinary shares: -	ordinary shares: -	ordinary shares: 100
Laura Zanetti	Director	ITALMOBILIARE	ordinary shares: 900 savings shares: 1,430	ordinary shares: - savings shares: -	ordinary shares: - savings shares: -	ordinary shares: 900 savings shares: 1,430
		ITALCEMENTI	ordinary shares: 11,000	ordinary shares: -	ordinary shares: -	ordinary shares: 11,000
Leonardo Cossu	Regular Auditor	ITALMOBILIARE	ordinary shares: 1,000	ordinary shares: -	ordinary shares: -	ordinary shares: 1,000
Giorgio Moroni	Manager in charge of preparing the company's financial statements	CREDIT MOBILIER DE MONACO	ordinary shares: 10	ordinary shares: -	ordinary shares: -	ordinary shares: 10

<sup>1</sup> Shares in part held directly and in part by spouse

<sup>2</sup> Shares held by the spouse