

ITALMOBILIARE

Corporate Governance



Report on Corporate Governance and Ownership Structure

The *Corporate Governance* system adopted by Italmobiliare SpA is based on the following codes and/or policies, in addition to the Company's Bylaws:

- * Code of Conduct,
- * Code of Ethics,
- * Treatment of Confidential Information,
- * Code of Internal Dealing,
- * Procedure for Transactions with Related Parties,
- * "Insider Register" Procedure,
- * Regulation of the Manager in charge of preparing the company's financial reports,
- * Organizational, Management and Control Model.

The texts of the documents listed above are all available at the Company's website www.italmobiliare.it, with the exception of the Regulation of the Manager in charge of preparing the company's financial reports made available to all Group companies through the Company's *intranet*.

The Company, in its role as parent company, has been actively committed for years in the modernization of its business culture in order to respond to the challenges arising from developments on *Corporate Governance* rules. This process has encouraged and reinforced the distribution of shared values among all subsidiaries and is based on the recognition that the adoption of good *Governance* rules goes hand in hand with the spread of a business culture which has as its objectives transparency, appropriate management and effectiveness of controls.

A review of the corporate governance system, as set up in the mandatory provisions of the Company's Bylaws and in the provisions of the codes and policies mentioned above, confirms and demonstrates the commitment of Italmobiliare SpA to adhere to the rules of *best practice* generally shared, whose implementation is witnessed by the board resolutions adopted and several organization notices circulated.

Share Capital Structure and Ownership

This section includes the information required by Art.123-bis of the Consolidated law on finance (*TUF*).

a) Share capital Structure, identifying the various shares categories, related rights and obligations, and the percentage of share capital represented

Share capital is equal to €100,166,937, divided into 38,525,745 shares with a nominal value of €2.60 each, 22,182,583 of which are ordinary shares, representing 57.58% of the entire share capital, and 16,343,162 savings shares, representing 42.42% of the entire share capital.

Holders of **ordinary shares** are entitled to vote at the company's ordinary and the extraordinary shareholders' meetings.

Shareholders who, even jointly, hold at least one fortieth of the share capital represented by shares with voting rights, may, within the terms envisaged by the law currently in force, request an addition to the agenda of the General Meeting, stating the additional topics proposed by them in their application. Furthermore, shareholders who, separately or jointly with other shareholders, can prove that they hold an overall stake of the share capital with voting rights that is no lower than that established by law currently in force, are entitled to submit lists for the appointment of the Board of Directors and the Board of Statutory Auditors, in accordance with the provisions of the law and the Bylaws.

ITALMOBILIARE

Savings shares do not carry voting rights.

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

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

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

Reduction in the share capital to absorb losses does not reduce the nominal value of savings shares, if not for the portion of loss that exceeds the total nominal value of the other shares.

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

The Company has had two **Stock Option Plans** in place: one for directors and one for managers, analytically described in the paragraph "Incentive Plans for Directors and Managers."

b) Restrictions on Transfers of Shares

There are no restrictions on the transfer of shares or acceptance clauses.

c) Significant shareholders as disclosed pursuant to article 120 of the Consolidated Law on Finance.

Shareholder	No. of Shares	% of capital	
		overall	ordinary
Efiparind B.V. (indirectly and directly through <i>Compagnia Fiduciaria Nazionale S.p.A.</i>) This figure does not consider 871,411 treasury shares with voting rights held by the Company.	10,484,625	27.21	47.26
Serfis S.p.A.	2,228,200	5.78	10.04
Mediobanca S.p.A.	1,805,988	4.69	8.14
First Eagle Investment Management, LLC (as manager of, among others, the Fund «First Eagle Global Fund» of which it holds 3.99% of the share capital with voting rights)	1,109,930	2.88	5.04

ITALMOBILIARE

d) Shares which confer special control rights

No shares have been issued that confer special control rights.

e) Employee share ownership: exercise of voting rights

There is no specific system of employee shareholding.

f) Restrictions on voting rights

There are no restrictions laid down by the Bylaws on the exercise of voting rights.

g) Shareholders' agreements under Article 122 of the Consolidated law on Finance, of which the company is aware

To the knowledge of the Company, there are no agreements, of any kind, related to the exercise of voting rights connected with shares and the transfer thereof, or any of the cases described in Art.122 of the Consolidated law on Finance.

h) Significant agreements to which the Company or its subsidiaries are parties and which take effect, are amended or terminate upon a change of control of the company, and their effects

As part of the measures aiming at supporting business development, the Company signed loan agreements which, except in one case, do not explicitly provide for the withdrawal right of the counterparty when reducing the stake directly or indirectly held by reference shareholders. However, the Lending Institution has a right to early termination of the agreement if, as a result of incorporation or merger, the commitments agreed upon cannot be met in the same terms and under the same conditions as defined at the signing of the agreement.

i) Agreements between the company and the directors providing for benefits in case of resignation, unfair dismissal or if the office terminates due to a takeover bid

No agreements have been signed between the company and the directors providing for compensation in case of resignation, unfair dismissal or if the office should terminate following a takeover bid.

In addition, as required by CONSOB in its communication of February 24, 2011, it should be noted that, in the case of early termination of the office, there are no agreements to assign nor maintain non-monetary benefits, or envisaging consultancy contracts for a period following the termination of the office; in addition, non-competition agreements have been signed.

l) Rules applicable to the appointment and replacement of directors and to the amendment of the Bylaws

Appointment of Directors

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

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

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

ITALMOBILIARE

Lists may be presented only by shareholders who, alone or together with other shareholders, can prove they hold a percentage of the share capital with voting rights no lower than that determined by CONSOB pursuant to the regulations in force. For 2011, the threshold established for the presentation of candidate lists for the election of the Board of Directors of Italmobiliare SpA is 2.5% of ordinary share capital.

No shareholder may present or participate in the presentation of more than one list, directly or through trustees or nominees, or vote for different lists.

Shareholders belonging to the same group and shareholders who join a shareholders' agreement on the company shares may not present or vote for more than one list, neither through trustees or nominees.

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

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

The lists presented must include:

- a) statements by which individual candidates:
 - * accept their candidature
 - * under his/her own responsibility state:
 - the non-existence of causes for inelegibility
 - entitlement of the good reputation requirements established by the law
 - entitlement of the independence qualification required by the law and by the Code of Conduct;
- b) a short curriculum on the personal and professional skills of each candidate with indication of their position as director and statutory auditor in other companies;
- c) information on the identity of shareholders who have presented lists. The intermediary certification or statement proving ownership of the shareholding prescribed by the law in force when the list is presented may also be produced after the filing of the list provided that it reaches the company within the term envisaged by the regulation in force for the publication of lists by the company;
- d) a statement of the shareholders who do not hold, even jointly, a controlling or majority stake, bearing witness to the absence of any connection with the majority shareholder, as defined by the law in force.

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

At least 21 days before the Shareholders' Meeting date, the company shall make available at the company offices, at the stock market and on its website, the lists of candidates which have been filed by shareholders along with supporting documentation.

In the event of presentation of more than one list:

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

For the purposes of the apportioning of the directors to be elected, the lists that have not achieved a

ITALMOBILIARE

percentage of votes at least equal to half of the percentage required for the presentation of lists will not be considered.

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

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

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

Any director elected who during their office loses the good reputation requirements requested by the law or the by-laws ceases to serve.

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

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

The directors so appointed will hold office until the next Shareholders' Meeting.

The General Meeting will decide on the replacement of directors, in compliance with the principles outlined above, by simple majority of shares represented at the Meeting.

The term of the Directors thus appointed will expire together with those in office at the time of their appointment.

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

Changes to the Bylaws

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

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

ITALMOBILIARE

m) Delegated powers for share capital increases pursuant to Art. 2443 in the Italian Civil Code, i.e. power given to the directors to issue equity financial instruments and to authorize the purchase of treasury shares

Delegated Powers for Share Capital Increases

The Board of Directors has the power to provide for, once or more times, within a period of five years starting from the resolution of June 18, 2007 of the Extraordinary Shareholders' Meeting:

a) pursuant to Art.2443 in the Italian Civil Code, the increase of the share capital, once or more times, for a maximum total amount of €260 million, free-of-charge and/or against consideration, by issuing ordinary shares and/or savings shares, even for the service of bonds issued by other entities with the power to convert them into the company's ordinary shares and/or savings shares or which bear warrants valid for the subscription of the company's ordinary shares and/or savings shares;

b) pursuant to Art. 2420-ter in the Italian Civil Code, the issuance of bonds convertible into ordinary shares and/or savings shares or warrants to purchase ordinary shares and/or savings shares, once or more times, for a maximum total of €260 million, to the extent permitted from time to time by law, with consequent increase in share capital to serve the conversion or exercise of warrants,

all of the above, with the broadest powers in this regard, including the powers to offer shares and convertible bonds or warrants in the form set out in the penultimate paragraph of Art. 2441 in the Italian Civil Code, to reserve the same up to a quarter in accordance with Art.2441 in the Italian Civil Code, last paragraph; to identify the funds and reserves to be allocated to equity in the event of free capital increase; to set the issue price, conversion ratios, terms and conditions under which such operations will be executed.

By resolution of April 28, 2006, the Extraordinary shareholders' Meeting granted to the Board of Directors:

- the right, pursuant to Art. 2443 in the Italian Civil Code to increase the share capital against consideration, once or more times, within five years of the above resolution, up to a maximum amount of €910,000 through the issuance of a maximum of 350,000 Italmobiliare ordinary shares and/or savings shares, €2.60 nominal value each, to be reserved under Article 2441 in the Italian Civil Code, paragraph 8, to employees of Italmobiliare SpA and its subsidiaries both in Italy and abroad in compliance with the laws of the Countries the beneficiaries belong to;

- the power, therefore, to regulate entitlement rights of shares, set the time, modes, features and conditions of the offer to employees and to set the price of shares, all of the above in accordance with the provisions in the "Stock Option Plan for Managers", including any premium.

Moreover, by resolution of June 18, 2007, the Extraordinary General Meeting granted to the Board of Directors:

- the right, pursuant to Art. 2443 in the Italian Civil Code to increase the share capital against consideration, once or more times, within five years from the above resolution, up to a maximum of €910,000 through the issuance of a maximum of 350,000 Italmobiliare ordinary shares and/or savings shares, €2.60 nominal value each, with the exclusion of option rights pursuant to Art. 2441 in the Italian Civil Code, paragraph 5, to serve the incentive plan reserved to the company's and its subsidiaries' directors vested with special powers in accordance with the articles of association or those who have specific operational duties;

- the power, therefore, to regulate entitlement rights of the shares, set the time, modes, features and conditions of the offer and set the price of the shares, all of the above in accordance with the provisions of the "Stock Option Plan for Directors", including any premium.

ITALMOBILIARE

Equity Financial Instruments

To date, the Company has not issued any equity financial instruments of any kind, nor do the Bylaws give directors any power to issue them.

Authorizations for the Purchase of Treasury Shares

The ordinary Shareholders' Meeting of April 29, 2010 renewed the Company's authorization to purchase and dispose of treasury shares for a period of 18 months from the date of the resolution.

Under the aforementioned Shareholders' Meeting resolution, since that date the Company has not purchased any ordinary or savings treasury shares, or used those in the portfolio to sell them to the beneficiaries of stock options, since there has been no exercise of the rights accrued by directors and managers.

Therefore, as of December 31, 2010, the Company held:

- 871,411 ordinary treasury shares, equal to 3.93% of the share capital represented by ordinary shares, a part of which is needed to serve of the "Stock Option Plan for Directors" and the "Stock Option Plan for Managers";
- 28,500 saving treasury shares equal to 0.17% of the share capital represented by savings shares.

Management and Coordination

As stated in the letter 'C' above, Efiparind B.V. is the majority shareholder of Italmobiliare SpA: according to the latest reports received, as well as other information held by the Company, net of treasury shares held by the same Italmobiliare, the former indirectly owns 47.26% of Italmobiliare SpA ordinary shares representing share capital with voting rights.

Under the combined provisions of Articles 2497-*sexies* and 2359 in the Italian Civil Code, no company or institution exercises management and coordination with respect to Italmobiliare SpA

Risk Management and Internal Control System regarding the Financial Reporting Process

1. Foreword

Risk management is integrated into the development strategy of the Italmobiliare Group and is a key element of its governance system.

As mentioned in the section on "Risks and Uncertainties" in the construction materials industry, in 2010 Italcementi SpA established a Risk Management Department with the aim of improving the creation of value for *stakeholders* through the optimal management of enterprise risk (*Enterprise Risk Management, ERM*). This initiative supplements the Group program "Risk & Compliance", which started in 2008 and ranked the risks associated with the financial reporting process among the relevant ones.

A similar assessment was extended to Italmobiliare Group, considering the significant impact of the Italcementi Group in the context of consolidated financial reporting.

The system of risk management and internal control on the financial reporting process also benefited from:

- the continuous development of an integrated organizational governance system (organization notice, job descriptions, corporate powers, company processes and procedures) whose operational tools are
-

ITALMOBILIARE

available in a Knowledge Management Database, B.E.S.T. (*Business Excellence Support Tool*) that allows easy access to information and facilitates the dissemination process within the Group;

- a more precise organization and planning in relation to the provisions of Law no. 262 dated December 28, 2005, containing "Provisions for the protection of savings and regulation of financial markets" and the subsequent remedial decrees (hereinafter, briefly, the "Savings Law"), enacted by lawmakers with the aim of increasing transparency in corporate reporting and strengthening the system of internal controls of listed companies.

In relation to this law, Italmobiliare SpA has long implemented a series of actions, detailed in paragraph 2 below, included in a program of activities integrated into business processes.

2. Description of the Main Features of the System

2.1 Stages of the Risk Management and Internal Control Systems

Italmobiliare defined its reference Model for the assessment of the Internal Control System on financial reporting (hereinafter, briefly, the "Operating Model"), detailing an operational approach for undertaking these activities. This Model is based on the CoSO Framework, issued by the *Committee of Sponsoring Organizations of the Tradeway Commission (CoSO)*, and also takes into account the document "*Internal Control over Financial Reporting - Guidance for Smaller Public Companies*," also prepared by CoSO. The evaluation process of Italmobiliare requires as a precondition the adoption of a similar system by the subsidiary Italcementi - as also subject to the provisions of the "Savings Law"- with respect to companies directly controlled by the latter.

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

a) Preliminary Analysis.

This activity, carried out annually and whenever deemed necessary, is directed towards the identification and assessment of risks related to the internal Control System with respect to financial reporting, in order to determine action priorities for activities related to the documentation, evaluation and *testing* of the administrative and accounting procedures and corresponding controls.

The identification of entities and relevant processes is based on quantitative and qualitative elements. In particular, the Company identified the relevant entries in the consolidated financial statements and the significant processes that underlie them; thereafter it identified the relevant companies based on the weight of revenue and total assets of the individual entity over the aggregate values and based on further qualitative considerations (e.g. country in which the entity operates, complexity and/or changes in the rules, type of business, specific risks); finally, the two levels of analysis were crossed, defining the association between relevant processes and companies included in the scope of work;

b) Operational Planning.

Annual activities are planned based on action priorities identified through the preliminary analysis and on any additional assumptions;

c) Analysis of Entity Controls Level.

Individual entities in the scope identified in the preliminary analysis are responsible for activities related to evaluating the effectiveness of the internal control system operating on the principles of governance at company level (**Entity Level Controls**), and related to the overall management of information systems used in the processes relevant to *financial reporting* and the underlying IT infrastructure (**Information Technology General Controls**), to be carried out according to schedules established in the operational planning phase and based on the guidelines, instructions and templates provided;

ITALMOBILIARE

d) Analysis of Process Level Controls.

Individual entities in the scope, identified in the preliminary analysis, are responsible for activities related to: a) documentation, with different levels of detail depending on the risk assigned, of the administrative and accounting processes identified, b) verification, by means of testing activities, of the effective operation of key controls to be carried out according to schedules established in the operational planning phase and based on the guidelines, instructions and templates provided by the Manager in Charge;

e) **Evaluation of the Adequacy and Effective Operation of Administrative and Accounting Procedures and Corresponding Controls:** In order to ensure compliance with the relevant requirements for the drafting of financial reports ("financial statements"), based on the results of the activities carried out and the documentation obtained, the Manager in Charge will evaluate the overall adequacy and effective operation of the procedures related to administrative and accounting issues and corresponding controls, and more generally, the internal Control System relating to these areas.

2.2. Roles and Functions involved

The risk management system related to financial reporting is supervised by various company bodies/corporate functions each with specific and well defined roles and responsibilities. In particular, as also reported in other parts of this Report on corporate governance, we point out the tasks of the following Bodies/Functions in relation to the issues covered in this section:

1) **Board of Directors**, to which the Code of Conduct, among other duties, assigns the following:

a) to consider and approve the Company's strategic, business and financial plans;

b) to assess forecasts on operations and the adequacy of the organizational, administrative and general accounting structure of the Company and its subsidiaries;

c) to evaluate and approve the financial statements for the year; to assess the company's operational structure;

d) to establish guidelines for the internal control system so that the main risks for the Company and its subsidiaries are correctly identified and properly measured, managed and monitored, determining criteria for compatibility of said risks with a safe and appropriate management of the company;

e) to assess the adequacy, efficiency and effective functioning of the internal control system with respect to the Company's characteristics at least annually.

2) **Chief Executive Officer**, who, in his capacity as Executive Director responsible for overseeing the functioning of the internal control system, is responsible for:

a) identifying the main corporate risks, taking into account the characteristics of the Company's and its subsidiaries' business, periodically submitting them to the attention of the Board of Directors;

b) implementing the guidelines defined by the Board of Directors, taking care of the planning, achievement and management of the internal control system, constantly verifying its overall adequacy, effectiveness and efficiency; also adapting the said system to changes in operating conditions and in the legal and regulatory framework;

c) issuing, with the manager in charge, certificates on the adequacy and effective application of the administrative and accounting procedures, the compliance of documents with applicable IFRS, the correspondence of documents to entries in the accounting books and records, the suitability of documents in providing a true and fair representation of financial position and results of operations of the company and Group, etc

ITALMOBILIARE

3) **Internal Control Committee**, to which the Code of Conduct gives, among others, the following tasks:

a) to assess the correct application of accounting principles and their consistency for the purposes of the consolidated financial statements, together with the Manager in charge of preparing the company's financial reports and the external auditors;

b) to review the audit plan and the periodic reports prepared by the Controller;

c) to report to the Board of Directors at least every six months, upon approval of the budget and interim financial reports, on its activity and the adequacy of the internal Control system;

4) **Chief Operating Officer**, who is assigned, among other tasks, the task to coordinate and control the activities of Italmobiliare SpA and its direct and indirect subsidiaries, to track the performance in general of companies in which Italmobiliare SpA holds shares, as well as to formulate and submit to the Chief executive officer proposals related to corporate organization in order to improve the Company's efficiency. He is also involved in overseeing the preparation process of the Company's financial reporting;

5) **Manager in charge of preparing the company's financial reports**, who, as envisaged in the Regulations approved by the Board of Directors, has among his tasks to:

a) develop adequate administrative and accounting procedures for the drafting of the annual financial statements, the interim financial statements and the consolidated financial statements, and of any other disclosure of financial information, taking care to update and promote its dissemination, understanding and compliance, and to verify its actual implementation;

b) assess the correct application of accounting standards and their consistency with the consolidated financial statements, jointly with the Internal Control Committee and the external auditors;

c) ensure regular reporting to the governing bodies and the Board of Directors concerning the activities carried out;

d) manage the periodic review of the activities regarding evaluation and updating of the risk map related to financial reporting;

e) participate in the development of information systems that have an impact on the company's financial position and results of operations.

6) **The Controller**, who is in charge of verifying that the internal control system is always adequate, fully operational and functional. The Controller has direct access to all information required to perform this task. He is not responsible for any operational area and does not report hierarchically to any head of operational areas, including the administration and finance department. The Controller reports on the modalities with which risk management is conducted, on compliance with defined plans for their containment and expresses his own assessment on the suitability of the internal control system to achieve an acceptable overall risk profile to the Internal Control Committee, to the executive director responsible for overseeing the functioning of the internal control system and to the Board of Statutory Auditors in compliance with the terms and the manner required by law.

7) **Compliance Committee**, which has the task of continuously monitoring the effective operation and compliance with the Organizational, Management and Control Model as pursuant to Legislative Decree 231/01, engaging, among others, with the Manager in Charge with reference to issues relevant to financial reporting;

8) the **Corporate Functions** involved in the preparation process of the financial disclosure, which must issue specific statements on the data and the information given therein, ensuring both their proper representation and the effective and efficient implementation of administrative and accounting procedures in the areas they are responsible for.

ITALMOBILIARE

In this context, finally, the **Board of Statutory Auditors**, with respect to the tasks assigned to it by law, supervises, among other things, the financial disclosure process and the adequacy of the internal control system, the internal audit and risk management system.

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

The Code of Conduct and the corporate governance rules

The Code of Conduct (the «Code»), as last amended by the Company's Board of Directors in February 2007, is a self-regulatory system, including legal and regulatory framework provisions, to which Italmobiliare SpA and its corporate bodies voluntarily comply with. Its aim is to highlight the corporate governance model of the company established to achieve its primary goal of maximizing value for shareholders.

The «Code» is based on the Code of Conduct for listed companies lastly approved in March 2006 by the Corporate Governance Committee of the Italian Stock exchange (Borsa Italiana S.p.A).

The «Code» provides for the establishment of corporate bodies and offices and the adoption of specific procedures and conduct, with the only exceptions which will be discussed hereunder and the adjustments related to the peculiarities of Italmobiliare SpA.

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

A) THE ORGANIZATIONAL STRUCTURE

Board of Directors

The Bylaws provide for the company to be managed by a Board of Directors consisting of 5 up to 15 directors, whose term of office lasts for the period specified at the time of appointment. Even though it must not exceed three years, it expires as of the date of the Shareholders' Meeting convened to approve the financial statements relating to the last fiscal year of their office. Incumbent directors may be reelected.

Appointments are based on lists in accordance with the above mentioned procedure.

Pursuant to the current regulations, at least one of the members of the Board of Directors, or two if the Board of Directors consists of more than seven members, must be vested with the independence qualification established by the law for the members of the Board of Statutory Auditors, while the law requires all directors to meet the good reputation requirements established by the Minister of Justice for statutory auditors' regulation.

The «Code», as required by the text approved by the Committee for *Corporate Governance*, requires that an adequate number of non-executive directors are independent in the sense that they do not, directly or indirectly, maintain, nor have recently maintained, relationships with the Company or with individuals associated with it that would influence their independence of judgement.

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

ITALMOBILIARE

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

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

Under the company Bylaws, the Board of Directors is vested with full powers for the day-to-day activities and the extraordinary management of the company. It can then perform all acts, including provisions, that it considers appropriate for the achievement of corporate goals, with the only exception of those expressly reserved to the Shareholders' Meeting by law.

The Board of Directors, in accordance with the provisions of the Bylaws, meets at least once during each calendar quarter. On this occasion, the delegated bodies report to the Board and to the Board of Statutory Auditors on the significant transactions entered into in the exercise of the powers delegated to them.

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

The Board of Directors also has the task to evaluate and approve the following in advance:

- transactions with related parties undertaken by the company itself and by its subsidiaries when such transactions are of strategic or financial importance for Italmobiliare SpA;
- other transactions with related parties, as regulated by specific company procedures and in compliance with the modalities provided for therein.

The Board of Directors, finally, must, at least once a year, make an assessment of the size, composition and functioning of the same Board and its Committees.

The Board of Directors is mainly composed of non-executive members and among them a sufficient number are independent directors. In the event that the Chairman of the Board of Directors is primarily responsible for corporate management, and in case the office of Chairman is held by the person managing the Company, the «Code» provides that the Board appoint an independent director as "*Lead Independent Director*," to be a reference and coordinate the needs and contributions of non-executive directors and, in particular, of independent ones.

The Chairman coordinates the activities and chairs meetings of the Board of Directors and ensures that its members are provided, well in advance, with the elements regarding issues of particular importance, needed to successfully take part in the meeting, without prejudice for requirements of necessity, urgency or confidentiality. The Chairman, moreover, by means of the responsible corporate functions, ensures that directors participate in initiatives aimed at increasing their knowledge of the company's reality and its dynamics and are informed on key legislative and regulatory framework amendment affecting the Company and its governing bodies.

ITALMOBILIARE

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

- 5 offices as executive director,

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

in companies listed on regulated markets even abroad, in financial, banking, insurance or large companies with the exception of Italmobiliare SpA subsidiaries, of parents and companies under joint control.

A list of the positions of director, statutory auditor and general director covered by each director in other companies listed on regulated markets even abroad, in financial, banking, insurance or major companies is set out below:

Giampiero Pesenti	Italcementi S.p.A.	- Chairman
	Ciments Français S.A.	- Director
	<i>(on behalf of Italcementi S.p.A.)</i>	
	Fincomind AG	- Deputy Chairman
	Allianz S.p.A.	- Director
	Compagnie Monegasque de Banque	- Director
	Credit Mobilier de Monaco	- Director
	Finter Bank Zürich	- Director
	Mittel S.p.A.	- Director
	Pirelli & C. S.p.A.	- Director
Rcs Quotidiani S.p.A.	- Director	
Italo Lucchini	Italcementi S.p.A.	- Director
	Unione di Banche Italiane S.c.p.A.	- Supervising Director
	Ciments Français S.A.	- Director
	BMW Italia S.p.A.	- Chairman of the Board of Statutory Auditors
	BMW Financial Services Italia S.p.A.	- Chairman of the Board of Statutory Auditors
Carlo Pesenti	Italcementi S.p.A.	- Chief Executive Officer
	Ciments Français S.A.	- Vice Chairman
	Mediobanca S.p.A.	- Director

ITALMOBILIARE

	RCS MediaGroup S.p.A.	- Director
	Unicredit S.p.A.	- Director
	Ambienta Sgr	- Director
Pier Giorgio		
Barlassina	Cemital S.p.A.	- Director
	Finanziaria Aureliana S.p.A.	- Director
	Fincomind AG	- Director
	Finter Bank Zürich SA	- Director
	FinterLife S.A.	- Director
	Privital S.p.A.	- Director
Mauro Bini	Arca S.g.r.	- Director
Giorgio Bonomi	Italcementi S.p.A.	- Director
	IGP-Decaux S.p.A.	- Director
Gabriele Galateri		
di Genola	Telecom Italia S.p.A.	- Chairman
	TIM Brasil Serviços e Participações S.A.	- Chairman
	Tim Participações S.A.	- Director
	Banca CARIGE	- Director
	Banca Esperia S.p.A.	- Director
	Edenred	- Director
	Cassa di Risparmio di Savigliano	- Director
Jonella Ligresti	Fondiarria-Sai S.p.A.	- Chairman
	Sai Holding Italia S.p.A.	- Chairman
	Gilli S.r.l.	- Vice Chairman
	Premafin HP S.p.A.	- Vice Chairman
	Finadin S.p.A..	- Director
	Mediobanca S.p.A.	- Director

ITALMOBILIARE

	Milano Assicurazioni S.p.A.	- Director
	RCS MediaGroup S.p.A.	- Director
Luca Minoli	Cemital S.p.A.	- Chairman
	Finanziaria Aureliana S.p.A.	- Chairman
	Privital S.p.A.	- Chairman
Giorgio Perolari	Unione di Banche Italiane S.c.p.a.	- Supervising Director
Livio Strazzera	Serfis S.p.A.	- Sole Director
	Banca Regionale Europea	- Director – Deputy Chairman
Francesco Saverio Vinci	Mediobanca S.p.A.	- Director – Chief operating Officer
	Mediobanca Securities USA LCC.	- Deputy Chairman
	Assicurazioni Generali S.p.A.	- Director
	Compagnie Monegasque de Banque	- Director
	Banca Esperia S.p.A.	- Director
	Perseo S.p.A.	- Director
	Selmabipiemme Leasing S.p.A.	- Director

In the report on the financial statements prepared by the Board of Statutory Auditors a list was made of offices held by each of its members, as of the date of issuance thereof, in joint stock companies, limited liability companies and unlimited liability companies.

Legal Representation – Executives

The company's legal representation before third parties and in court belongs in accordance with the bylaws, severally, to the Chairman and, if appointed, to the Deputy Chairman (or Deputy Chairmen) and to the Chief executive officer.

The Board of Directors granted to the Executive Committee all its powers except those that the Italian Civil Code and the Bylaws do not allow to be delegated.

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

The Board of Directors also granted to the Chairman the office of Chief executive officer, and appointed a Deputy Chairman and Chief operating officer. Upon appointment, each of them was entrusted with the powers which will be discussed hereunder.

According to the «Code», the Board of Directors at its first meeting and at least quarterly, is informed on activities undertaken by the Chief executive officer and by the other executive directors, and, in particular, on the most important transactions with an impact on the financial statements undertaken by the company or by the subsidiaries, on the main transactions with related parties and those with a potential conflict of interest which have not been submitted for its prior approval.

ITALMOBILIARE

Upon proposal of the Remuneration Committee, the Board of Directors, in the absence of those directly concerned, establishes the remuneration, any stock option grants or other monetary benefits for directors vested with special powers in compliance with the articles of association, based on the opinion of the Board of Statutory Auditors and and, when required, upon further evaluation of the Committee for Transactions with Related Parties. A significant part of the compensation. A significant part of the remuneration of the Chairman - Chief executive Officer and of the Director-Chief operating officer is linked to the company's performance and the achievement of specific targets.

A consistent approach and coordination of activities are ensured by the presence of the Chairman-Chief executive officer, of the Deputy Chairman, of the Director-Chief operating officer, of directors and department managers of Italmobiliare SpA on the Boards of Directors of the principal subsidiaries.

Transactions with Related Parties

Without prejudice to the provisions of the Procedure for Transactions with Related Parties recently approved by the Board of Directors in its session of November 2010, transactions with related parties must be carried transparently and in compliance with the criteria of formal and substantial accuracy. Therefore, directors who have an interest, even if only potential or indirect, in a transaction are required to:

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

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

Appointment of Committees

Italmobiliare SpA, in its «Code», provided that the Board of Directors appoints, within itself, a Remuneration Committee and an Internal Control Committee whose resolutions have an advisory nature without being binding to the Board.

The Committees must consist of no fewer than three members and, in the performance of their duties, are entitled to access the necessary information and company functions, and to hire third-party consultants.

Each Committee elects its Chairman and a Secretary (who is not required to be a member of the Committee) and is convened by its Chairman or his/her representative. The meeting may be convened without formalities (including by unwritten means).

The meetings of each Committee are considered to be validly constituted with the participation, whether by audio or video conferencing means, of the majority of its members. Each Committee passes resolutions by an absolute majority vote of members attending the meeting.

The *Remuneration Committee*, consisting of non-executive directors, the majority of whom are independent, is responsible for submitting to the Board, in the absence of the persons directly involved, proposals for the remuneration of directors vested with special powers and of the Chief operating officer and key management personnel, monitoring their implementation based on information provided by the chief executive officers. The Remuneration Committee also carries out additional advisory functions the Board of Directors considers to take from time to time on this subject or any other matter.

The *Internal Control Committee*, made of non-executive directors, the majority of whom are independent, in addition to what already mentioned above, has, among other tasks, the duty, together with the Manager in charge of preparing the company's financial reports and the external auditors, of assessing the correct application of accounting principles and their consistency for the purpose of preparing the consolidated financial statements; of expressing opinions, upon request of the Chief executive officer, on specific issues concerning the identification of the company's main risks and the design, implementation

ITALMOBILIARE

and management of the internal control System; of examining the activities plan and the periodic reports prepared by the Controller. Furthermore, the Internal Control Committee must perform other duties assigned to it by the Board of Directors and report at least on a half-yearly basis, upon approval of the budget and interim financial statements, on its activities and the adequacy of the internal Control system.

The Internal Control Committee also supports the Board of Directors in activities related to the functioning of the internal control System.

The «Code» states that the Internal Control Committee, besides being composed of non-executive directors, the majority of whom are independent, makes sure that there is at least one director with appropriate experience in accounting and finance, to be assessed by the Board of Directors at the time of appointment.

The Chairman of the Board of Statutory Auditors, or another auditor appointed by him, takes part in the meetings of the Committee, as well as the Chairman and the Chief executive officer and, upon invitation, the Chief operating officer, the persons responsible for internal control and the managers of other business functions may also take part.

Among the committees indicated by the "Corporate Governance Committee", the «Code» of Italmobiliare SpA has not provided for an "Appointments Committee". This is consistent with the Company's shareholding structure, in which there is the permanent presence of shareholders who can exercise a dominant influence at the General Meeting. Moreover, the appointment of the Board of Directors is now governed by the Bylaws, which provides, *inter alia*, that at the time of submitting the lists a brief *curriculum vitae* of each candidate is attached containing information on their personal and professional skills. Said *curricula*, in accordance with the rules and regulations of the «Code», must be promptly published on the Company's website; moreover, it is now common practice that during the General Meeting the Chairman provides data and information on the candidates' professional experience and possibly their suitability to qualify as independent.

Actually, in inviting issuers to evaluate the setting-up of an Appointments Committee within the Board of Directors, the *Corporate Governance Committee* stated that "... *this solution has its origin in systems with a widespread shareholdings, to ensure an adequate level of independence of the directors in relation to management ...*".

Finally, the Board of Directors, pursuant to the rules applicable to transactions with related parties, in adopting the corresponding procedures, established, among its members, the Committee for Transactions with Related Parties composed of three independent directors, two of which are also members of the Internal Control Committee.

The Committee for Transactions with Related Parties has the task of assessing the procedural and substantive correctness of transactions entered into by the Company directly, or through its subsidiaries, with other related parties.

The same members of the Committee were called earlier, to give their favorable opinion on the procedure prior to its adoption.

The Committee elects its Chairman and, at the latter's proposal, a secretary, also chosen from outside its members, who is tasked with drawing up the minutes of meetings. The members of the Committee for Transactions with Related Parties are obliged to immediately report the existence of any relationships connected to the specific Transaction with Related Parties being undertaken, in order to allow the application of equivalent safeguards. For the validity of the Committee's meetings the presence of a majority of members in office is required. Committee meetings may also be held by means of telecommunication technology. The Committee passes resolutions by a majority of its members.

Lead Independent Director

ITALMOBILIARE

The «Code» provides, with reference to independent directors, that if the Chairman of the Board of Directors is primarily responsible for the management of the company, as well as in case the office of Chairman is held by the person controlling the Company, the Board appoints an independent director as "*Lead Independent Director*, who represents a point of reference and coordination for the needs and contributions of non-executive directors and, in particular, of those who are independent.

At its meeting of April 30, 2008, the Board of Directors appointed Mr. Mauro Bini, an independent director, as "*Lead Independent Director*."

Controls' System

The Board of Directors identifies an executive director (usually the Chief executive officer) to oversee the functioning of the internal control System which, as already mentioned in the paragraph "Risk Management and Internal Control System regarding the Financial Reporting Process", is responsible, among other things, for:

- a) identifying the principal corporate risks, taking into account the characteristics of the activities run by the Company and its subsidiaries and submitting them periodically to the Board of Directors;
- b) implementing the guidelines established by the Board of Directors, providing for the planning, implementation and management of the internal control System, constantly verifying its overall adequacy, effectiveness and efficiency; he is also responsible for adapting the system to changes in operating conditions and in the legal and regulatory framework.

The Board of Directors, upon recommendation of the executive director in charge of overseeing the functioning of the internal control System and based on the opinion of the Internal Control Committee, appoints and dismisses the Controller, sets his/her remuneration in line with company's policies and also provides him/her with adequate resources and organizational structures.

The Controller is responsible for ensuring that the internal control System is always adequate, and fully operating and functioning. He/She is not responsible for any operational area and does not hierarchically reports to any head of operational areas, including the administration and finance department.

The Controller reports on risk management, on compliance with the drawn up to limit risks and presents an assessment of the internal control system's ability to achieve an acceptable overall risk profile, to the Internal Control Committee, the executive director responsible for overseeing the internal control system and the Board of Statutory Auditors, as required by law.

Executive director responsible for overseeing the functioning of the Internal Control System

With reference to the control system, the Board of Directors, at its meeting of April 30, 2008, as pursuant to the «Code» and with the assistance of the Internal Control Committee, identified the Chairman-Chief executive officer, Mr. Giampiero Pesenti, as executive director responsible for overseeing the functioning of the internal control System.

Manager in Charge of Preparing the Company's Financial Reports

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

At its meeting on November 13 2009, the Board of Directors appointed Mr. Giorgio Moroni, Co-Chief operating officer of Administration and Finance, as Manager in charge of preparing the company's financial reports, pursuant to Art. 154-bis in the TUF and Art. 29 of the company Bylaws. The appointment

ITALMOBILIARE

of Mr. Giorgio Moroni will expire with the conclusion of the mandate of the current Board of Directors, i.e. with the approval of the financial statements as of December 31 2010.

Under the Bylaws, the Manager in charge of preparing the company's financial reports must:

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

The Board of Directors, upon appointment, confers powers and resources to the Manager in charge of preparing the company's financial reports for the performance of the duties conferred to him/her by law and determines his remuneration.

Board of Statutory Auditors

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

The appointment of the Board of Statutory Auditors is based on lists so as to ensure that the minority obtain the appointment of one acting Auditor and one substitute Auditor.

The lists must be submitted at the Company's head offices at least 25 days before the date set for the Shareholders' Meeting in first call; this, together with the means and minimum stake required to file the lists, must be mentioned in the call notice.

Lists may be presented only by shareholders who, alone or together with other shareholders, can prove they hold a percentage of the voting capital no lower than that determined by CONSOB pursuant to the regulations in force for the appointment of the Board of Directors. For 2011, the established threshold is 2% of the ordinary share capital.

No shareholder may present or participate in the presentation of more than one list, directly or through trustees or nominees, or vote for different lists.

Shareholders belonging to the same group and shareholders who join a shareholders' agreement regarding the company shares may not present or vote for more than one list, directly or through trustees or nominees.

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

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

The lists presented must include:

a) statements by which individual candidates:

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

ITALMOBILIARE

- entitlement of the independence criteria required by the law and by the Code of Conduct;
- b) a short curriculum on the personal and professional skills of each candidate with an indication of their position as director and statutory auditor in other companies;
- c) information on the identity of the shareholders who have presented lists. The certification or statement proving ownership of the shareholding prescribed by the law in force when the list is presented may also be produced further to the file of the list provided that it reaches the company within the term envisaged by the regulation in force for the publication of lists by the company;
- d) a statement by the shareholders who do not hold, even jointly, a controlling or majority stake, bearing witness to the absence of any connection, as defined by the law in force.

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

In the event that, within the limit of 25 days preceding the date of the Shareholders' Meeting, a single list has been filed, or only lists presented by shareholders who are inter-connected pursuant to current laws, within the terms indicated in the law additional lists may be presented and the participation threshold indicated in the notice of call will be halved.

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

In the event of presentation of more than one list:

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

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

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

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

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

ITALMOBILIARE

Under the company Bylaws of Italmobiliare SpA people who find themselves in situations of incompatibility as laid down by law or who have exceeded the limit on the number of offices established by current regulations may not be elected, and if elected cease to serve.

Elected auditors who, during their mandate, fail to meet the regulatory requirements and requirements laid down by the company's Bylaws, will forfeit the office.

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

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

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

Should replacement regard the Chairman of the Board of Statutory Auditors, said office will be taken by the Auditor of the minority shareholders.

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

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

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

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

The Statutory Auditors accept the office if they feel they can devote the necessary time to the diligent performance of their duties.

The «Code» recommends the statutory auditors to be chosen among those who qualify as independent on the basis of the criteria provided for directors and, as mentioned above, upon filing of the list they submit a statement to confirm that they meet the independence criteria. The Board of Statutory Auditors shall verify the proper application of and compliance with these criteria upon appointment and then annually; the outcome of this assessment and of that performed by the Board of Directors to assess the independence criteria of directors so defined will be disclosed in the corporate governance report or in the auditors' report to the Shareholders' Meeting.

ITALMOBILIARE

The «Code» also refers to the auditors' duty of confidentiality and the prohibition, required by law, to use confidential information in order to gain direct or indirect personal or property benefits, whether immediate or future.

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

a) to ensure the independence of the external auditors, verifying both compliance with legal provisions on the subject and the nature and extent of non-auditing services provided to the Company and to companies controlled by the same auditing firm and by entities belonging to its network;

b) to evaluate proposals made by external auditors to obtain appointment for the audit, the work plan prepared for their auditing activity and the results presented in their report or in any advisory letter;

c) to monitor the effectiveness of the auditing process.

The latter two, according to the Code of Conduct adopted by the *Corporate Governance* Committee, could have been entrusted to the Internal Control Committee rather than the Board of Statutory Auditors. The Company considered it more consistent to attribute such power to the latter, which already carries out the task of evaluating the external auditors' proposals and corresponding work plan and, in accordance with current law as recently confirmed by legislative Decree 39/2010, the task of proposing to the General Meeting to appoint, or revoke, the auditing firm.

Shareholders' Meetings

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

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

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

No regulations have been envisaged for the proceedings of Shareholders' Meeting since the broad powers assigned to the Chairman by law and current practices, as well as the by-law (art. 13) that expressly grants to the Chairman the power to lead the discussions, keep order and establish the voting's method, as long as pursuant to disclosed proceeds, are considered adequate tools for the orderly running of Shareholders' Meetings.

Relations with Institutional Investors and Shareholders

The Company strives to establish a continuous dialogue with shareholders based on a mutual understanding of their respective roles. To this end, the Chairman-Chief executive officer provides general guidelines on behavior that the responsible structures must take in dealing with institutional investors and other shareholders.

Furthermore, in order to grant timely and easy access to information concerning the Company and thus allow informed shareholders to exercise their rights, a specific section of the Internet website, easily

ITALMOBILIARE

identifiable and accessible, was set up, in which the above information are made available with special reference to the rules set out for attendance and exercise of voting rights at the meeting, the documentation relating to items on the agenda, including the lists of candidates for the Board of directors and board of Statutory auditors, with the indication of their personal and professional qualifications, the periodic reports, press releases issued by the Company pursuant to the *T.U.F.* (i.e. the consolidated law on finance), the *corporate calendar*, etc..

B) IMPLEMENTATION OF CORPORATE GOVERNANCE RULES

The Bylaws provide for the company to be governed by a Board of Directors consisting of a minimum of 5 and a maximum of 15 directors whose term of office lasts for the period specified at the time of appointment, in any case never exceeding three fiscal years, and that they may be reelected.

The Shareholders' Meeting of April 30, 2008 appointed the Board of Directors for the period 2008-2010. The relative majority shareholder submitted its own list of candidates and two minority shareholders - Serfis SpA and Hermes Focus Asset Management Europe Ltd - each submitted their own list.

The Board of Directors, based on the provisions of current legislation in force and the Bylaws, is now made of 12 directors, 11 of whom were taken from the list submitted by the relative majority shareholder and one - Mr. Livio Strazzerà - from the minority list submitted by Serfis SpA.

Assignment of duties and granting of powers

The Bylaws lay down the central role of the Board of Directors as described above.

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

The **legal representation** of the Company is entrusted, according to the Bylaws, severally between them, to the Chairman and, if appointed, the Deputy Chairman (or Deputy Chairmen) and the Chief executive officer, if appointed.

Within the Board of Directors, powers were assigned as follows:

- the **Executive Committee**, made of five members, was granted all the powers and responsibilities of the Board of Directors, except the ones that the law and the Bylaws do not allow to be delegated. As specified at the time of appointment, the Executive Committee will have to report to the Board of Directors on the resolutions adopted at the next meeting;
 - the **Chairman - Chief Executive Officer**, Mr. Giampiero Pesenti, was granted, among others, the duties of ensuring the enforcement of corporate governance principles set out by the Company and to propose any amendments for approval by the Board of Directors, taking advantage of the Corporate Affairs Group department, which reports to him; of looking after company management policies, development strategies of Italmobiliare Spa and of the main subsidiaries, whether direct or indirect; of supervising and directing the activities of Italmobiliare Spa and the main subsidiaries, whether direct or indirect, by issuing appropriate directives to the Chief operating officer and the other corporate bodies; of defining the guidelines for the management of major companies in which Italmobiliare Spa, directly or indirectly, holds a stake which allows it to exercise significant influence; of setting guidelines concerning the choice of the most important executives of Italmobiliare Spa and of major companies directly or indirectly controlled, and, limited to Italmobiliare Spa only, concerning the management of personnel. The Chairman - Chief executive officer was assigned, among other tasks, in addition to the powers provided for in the Bylaws and the Code of Conduct, the powers to perform any act of administration and disposal, including buying and selling shares, carrying out security investments and credit transactions, accepting guarantees, giving collateral securities and
-

ITALMOBILIARE

guarantees to third parties provided they are companies directly or indirectly controlled by, or associated to, Italmobiliare SpA, with a maximum limit of €150 million per transaction; to buy or sell real estate, exchange and divide real estate, settle easements or property rights in general, with a maximum limit of €25 million per transaction; to recruit staff of all categories and qualifications, to set their salaries and compensation, suspending, terminating and modifying employment relationships; to appoint consultants in general, to determine their salaries, remuneration, and any securities suspending, terminating and modifying relationships with the power to confer such special powers to other persons;

- the **Deputy Chairman**, Mr. Italo Lucchini, was only granted the powers of corporate representation, in accordance with the Bylaws, to be exercised separately with respect to the Chairman - Chief executive officer;
- the **Chief Operating Officer**, Mr. Carlo Pesenti, was granted, among others, the duties of monitoring the performance of companies in which a stake is held and of formulating proposals to the Chief executive officer relating to corporate organization. He was also assigned, among others, the powers to perform any act regarding the management of the company including transactions in securities and credit, accepting bonds in the name of the company also assisted by any collateral to be provided to third parties provided they are direct or indirect subsidiaries of Italmobiliare SpA, buying and selling government securities, bonds, land, stocks, shares of companies, performing sale or purchase carry-over and forward transactions on securities with a maximum limit of €75 million per transaction; to negotiate credit facilities with the banks with a maximum limit of €75 million, for amounts over said limit and up to a maximum of €100 million with joint signature with the Co-Chief operating officer of Administration and Finance.

Other powers were granted to the Co-Chief operating officer of Finance and Administration and to the Secretary of the Board within their respective competencies.

Specific and limited powers were granted, for the current operations, to employees of the company by the Chief executive officer and the Chief operating officer.

Given the quantitative limits of all the powers granted by the Board of Directors and because of the explicit and particular obligation, pursuant to the «Code», to provide adequate information to the Board of Directors "on the major transactions carried out by the company, or its subsidiaries, on the main transactions with related parties and on transactions with potential conflicts of interest", no limit was set on prior approval by the Board of Directors on significant transactions with related parties (see, however, the limitations set out in the Procedure for Transactions with Related Parties" referred to hereunder).

The Chairman-Chief executive officer and the Director-Chief operating officer have periodically informed the Board of Directors and the Board of Statutory Auditors, as envisaged by the «Code» and by the company by-laws, about activities undertaken within their assignments and powers. In addition, the most important transactions with an impact on the financial statements undertaken by the company, the main transactions with related parties as well as transactions leading to potential conflicts of interests, have been submitted to the Board of Directors, even when within the limits of their powers.

Composition of the Board of Directors and its Meetings

The Board of Directors of Italmobiliare SpA has 10 non-executive directors out of a total of 12. Among the non-executive, 5 of them are independent pursuant to the independence requirements for auditors laid down by the Consolidated law on finance and 4 of these are also independent pursuant to the Company's Code of Conduct.

The Chairman - Chief executive officer is included among the executive directors. The Board of Directors, upon appointment, determines their duties and powers and sets any possible quantitative limits to their exercise.

ITALMOBILIARE

The assignment of powers (including those relating to Director-Chief operating officer) is based on the principle of segregation of powers.

The Directors Italo Lucchini, Giorgio Perolari and Livio Strazzera, while being members of the Executive Committee, are still considered non-executive directors. This is because the Company's Executive Committee meets without any regularity and, in fact, only in case the timely adoption of specific resolutions is required. The Code of Conduct promoted by *Borsa Italiana SpA* (i.e. the Italian stock exchange), however, agrees with this interpretation if, as in this case, the directors have not been granted individual management powers.

During examination of the draft financial statements for the year and taking into account the information supplied by each director, the Board of Directors assessed the good reputation and independence of its members: the results of this assessment are shown on the first page of this Annual Report, as well as in the table attached to this Corporate Governance report.

As required by the «Code», on March 30, 2011, the Board of Directors assessed the size, composition and functioning of the Board and its Committees.

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

The outcome of this assessment and the comments made showed a clearly positive judgment on the functioning of the Board of Directors and its Committees.

It was found, in particular, that (i) directors are allowed to act and pass resolutions autonomously, (ii) the Chairman of the Board of Directors ensures the proper management of the discussions and (iii) the Committees are appropriate with respect to the rules of *Corporate Governance* and work effectively.

During the 2010, the Board of Directors met a total of 9 times; 5 members attended all the meetings, three directors, including one independent director, participated 8 times, two directors, including one independent director, participated 7 times, one director 5 times and still another, an independent one, 4 times.

The average duration of the meetings of the Board of Directors held during the year was about two hours and forty minutes. Moreover, if one only takes into account the meetings at which, among other data, the accounting data were approved, the average rises to about three hours and ten minutes.

The full Board of Statutory Auditors attended three meetings, two members of the Board of Statutory Auditors attended four meetings, while only one member attended two meetings.

During 2010 the Executive Board met only once, in the presence of all its members.

During 2011 the Board of Directors has met twice so far, the first time to examine the forecasts for 2011, the second time to consider and approve - among other things - the draft budget for 2010. During the financial year so far, at least three more meetings of the Board have been planned for the approval of quarterly and half-year accounts and one for the appointment of company officers and the allocation of powers following the appointment of the Board of Directors which will be carried out by the Shareholders' Meeting.

The Executive Board has not met in the course of 2011 yet.

Remuneration of Directors, Chief Operating Officer and Key Management Personnel.

The amount allocated, pursuant to the company by-laws, to the Board of Directors during the distribution of the net profit for the year, is apportioned among all the directors, granting double portions to the

ITALMOBILIARE

Chairman a share and a half for the Deputy Chairman and half of an additional portion to the members of the Executive Committee.

The Board of Directors, upon proposal of the Remuneration Committee and based on a positive opinion of the Board of Statutory Auditors, has also established the amounts to be allocated to the Chief executive officer, the Chief operating officer and the Manager in charge of preparing the company's financial reports, the amount of which, to be determined each year, is divided into a fixed and a variable part, in relation to the achievement of the targets assigned.

The Vice Chairman was allocated a fixed annual remuneration at the beginning of term.

A "Severance Pay", which will accrue until the conclusion of the assignment, was allocated in favor of the Chief executive officer at the time of the appointment.

Moreover, the Chairman-Chief executive officer, the Chief operating officer and the Manager in charge of preparing the company's financial reports are annually granted, by proposal of the Remuneration Committee, *stock options* in variable number in relation to the achievement of the targets set by the Board of Directors in accordance with the Rules for *stock option* plans for directors and executives.

Composition and activities of the Committees

At its meeting of April 30, 2008 the Board of Directors appointed the Remuneration Committee and the Internal Control Committee, which will hold office for the entire three-year period of appointment of the Board of Directors.

The *Remuneration Committee* comprises three non-executive members, including two independent members. During the year 2010 it met 3 times, to make proposals concerning the remuneration and *stock option* grants to directors and executives.

The *Internal Control Committee* is composed of 3 members, all non-executive directors, including two independent members.

During 2010 the Internal Control Committee met 4 times, with the presence of all its members. More specifically, they examined the reports prepared by the Head of Internal Control and the independent Auditors to verify the adequacy of the internal control System and the proper application of accounting principles, and a report was made to the Board of Directors, upon approval of the financial statements and the limited half-year report, on its activities and on the adequacy of internal Control system.

The Committee for Transactions with Related Parties is made of three members, all non-executive and independent members. During 2010 the Committee met 3 times with the participation of all its members, except on one occasion when there were only two members.

The meetings of the Remuneration Committee, the Internal Control Committee and the Committee for Transactions with Related Party were duly minuted.

Internal Control System

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

The Board of Directors exercises its functions relating to the internal control System by taking into due consideration the reference models and *best practices* existing in the national and international context

ITALMOBILIARE

and it also pays special attention to the organizational management and control Model adopted in compliance with the Legislative Decree no.231/2001.

Because of its structure, the internal controls' system of Italmobiliare can be defined as a "group of groups." More specifically, the internal control activities relating to the activities in the field of "building materials" are monitored by the Internal Control Committee of Italcementi, from which the Internal Control Committee of Italmobiliare periodically receives a half-year report on its activity.

The Board of Directors, with the assistance of the Internal Control Committee sets out the guidelines for the internal control system so that the main risks the Company and its subsidiaries face are correctly identified and properly measured, managed and monitored, by also setting the criteria for the compatibility of said risks with the sound and proper management of the enterprise and, at least annually, it evaluates the adequacy, efficiency and effective functioning of the internal control system with respect to the company's characteristics.

As required by the «Code», the Executive Director responsible for overseeing the functioning of the internal control system activated the identification of key business risks and the assessment of the overall adequacy, effectiveness and efficiency of said internal control system, in particular, by requesting the internal control Manager to make special checks on the procedures concerning both Italmobiliare SpA and its subsidiaries.

The Company has long established an internal control function. The Controller is identified as the head of said business function.

During the course of 2010, the Controller, besides implementing the audit Plan, as outlined to the Internal Control Committee, fulfilled the tasks assigned from time to time to the same by the Chief executive officer in his capacity as executive director responsible for the functionality of the internal control System.

The Board of Directors, to which the Internal Control Committee reports twice a year, deems the internal control system adequate for the structure and kind of company and Group's.

Board of Statutory Auditors

During the renewal of the Board of Statutory Auditors at the Shareholders' Meeting of April 30, 2008, the relative majority shareholder submitted a list of candidates and two minority shareholders - Serfis SpA and Hermes Focus Management Europe Ltd - each submitted their own list.

Consequently, the post of Chairman of the Board of Statutory Auditors, based on the provisions of current legislation and the Bylaws, is now held by Mr. Mario Cera, chosen from the list submitted by Serfis SpA, while the remaining two acting Auditors have been chosen from the list presented by the relative majority shareholder.

During the fiscal year, the acting Auditor, Mr. Eugenio Mercorio, passed away and, according to the provisions of the Bylaws, he was replaced by the substitute Auditor from the same list, Mr. Leonardo Cossu.

As required by the «Code», in 2010 the Board of Statutory Auditors, among other things, oversaw the independence of the company's external auditors, verifying both its compliance with legal provisions on the subject, and the nature and extent of services other than auditing provided to the Company and its subsidiaries by the same or by entities belonging to its network.

During the year, the head of internal audit repeatedly participated in the meetings of the Board of Statutory Auditors as the Board of Statutory Auditors always attended those of the Internal Control Committee and those of the Remuneration Committee. This allowed a continuous flow of information between the various corporate bodies aimed at monitoring the entire system of controls.

ITALMOBILIARE

TABLE 2

BOARD OF STATUTORY AUDITORS

Office	Member	Attendance at Board Meetings
Chairman	Mario Cera	12/12
Acting Auditor	Luigi Guatri	5/12
Acting Auditor	Eugenio Mercorio (up to 24/9/2010)	7/9
Acting / substitute Auditor	Leonardo Cossu (from 29/9/2010)	2/2
Substitute Auditor	Marco Confalonieri	-
Substitute Auditor	Enrico Locatelli	-

ITALMOBILIARE

TABLE 3

OTHER PROVISIONS IN THE CODE OF CONDUCT

The following shows the degree, in schematic form, of commitment of the «Code» with respect to other provisions of the Code of Conduct contained in the text approved by the “Committee for *Corporate Governance*.”

	YES	NO	Summary of reasons for any departure from the Code's recommendations
<i>System of delegated powers and transactions with related parties</i>			
Has the Board of Directors granted the delegated powers establishing their:	•		
a) limits	•		
b) manner of exercise	•		
c) and frequency of reporting?			
Has the Board of Directors reserved the right to review and approve transactions with a significant impact on the financial statement (including transactions with related parties)?	•		
Has the Board of Directors established guidelines and criteria to identify “significant” transactions?	•		
Are these guidelines and criteria described in the report?	•		
Has the Board of Directors defined specific procedures for the examination and approval of transactions with related parties?	•		
Are the procedures for the approval of transactions with related parties described in the report?	•		
<i>Procedures for the most recent appointment of directors and statutory auditors</i>			
Were candidatures for the position of director filed within the deadlines envisaged by the law in force at the time?	•		
Were candidatures for the position of director supported by adequate information?	•		
Were candidatures for the position of director supported by an indication of suitability to be considered as independent?	•		

ITALMOBILIARE

Were candidatures for the position of statutory auditor filed within the deadlines envisaged by the law in force at the time?	•		
Were candidatures for the position of statutory auditor supported by adequate information??	•		
Shareholders' meetings			
Has the company approved a Procedure for Shareholders' meetings?		•	The broad powers granted to the Chairman by law and current practices, as well as the provision of the by-laws that expressly empowers the Chairman to lead the discussion, keep order and establish the voting's method (on disclosed proceeds), are considered adequate tools for the orderly running of Shareholders' meetings.
Is the Procedure attached to the report (or is there an indication of where it can be obtained/downloaded)?		-	
Internal control			
Has the company appointed controllers?	•		
Are these managers hierarchically not subordinate to the managers of the operating areas?	•		
Unit responsible for internal control (pursuant to art. 9.3 of the «Code»)			Internal control function
Investor relations			
Has the company appointed an investor relations manager?	•		
Organizational unit and references for the investor relations manager			Italmobiliare SpA - Via Borgonuovo, 20 20121 Milan Ph. no. 02 290241 - fax 02 6595515 e.benaglio@italmobiliare.it

Code of Ethics

First approved in 1993 and subsequently amended, the Code of Ethics requires all employees and those who establish relationships with the group, or work to pursue its objectives, engage in behaviors and rule their relationships in accordance with principles of honesty, fairness, integrity, transparency, confidentiality and mutual respect.

To this effect, the Board of Directors of Italmobiliare, at its meeting on February 9, 2001, approved the current version of the Code of Ethics, which defines the rules of honesty and loyalty, impartiality,

ITALMOBILIARE

protection of *privacy* and confidentiality of information, protection of individuals, environmental protection and protection of the company's assets, provides for the rules underlying the control processes and the managerial and accounting disclosures, and introduces rules governing relations with customers, suppliers, public institutions, political organizations and trade unions, and public media.

Confidential Information

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

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

As for relations with institutional investors and other shareholders, which the «Code» requires to be inspired by constant attention, administrative orders adopted by the Chief executive officer set the general guidelines and identified corporate structures dedicated to it.

Code of Internal Dealing

The Company adopted a 'Code of internal dealing', originally in compliance with the provisions laid down by *Borsa Italiana SpA* (i.e. the Italian stock exchange), with its own rules, and subsequently updated to the new regulations adopted by Consob (i.e. the Italian stock exchange regulator) pursuant to the provisions (the so-called *Market abuse*) introduced by the 2005 Savings Act. It regulates disclosures to be made to the Company, and by the latter to the market, during operations carried out in any capacity on their own behalf by the '*relevant Persons*' on Italmobiliare, Italcementi shares and other financial instruments linked to them.

Pursuant to the 'Code of internal dealing', '*relevant Persons*' are the members of the Board of Directors, of the Board of Statutory Auditors and the Chief operating officer of Italmobiliare SpA and anyone holding a stake of at least 10% of Italmobiliare SpA share capital represented by shares with voting rights and any other person controlling Italmobiliare SpA.

More specifically, the persons involved will have to disclose to Italmobiliare SpA, which will then inform the market, the performance of those operations whose total amount reaches €5,000 by the end of the year.

Given the peculiar structure of the Group, the 'Code of internal dealing' coordinates with the similar Code adopted by Italcementi SpA, in the sense that the reporting requirements to the market of operations only carried out on Italcementi SpA securities by persons who are both "*relevant Persons*" for Italmobiliare SpA and for the same Italcementi SpA will be deemed as met, even under the provisions of the Code of internal dealing adopted by the Company, provided the disclosure requirements were met by the subsidiary, which will arrange for the disclosure to the market also on behalf of the parent.

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

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

ITALMOBILIARE

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

Procedure for Transactions with Related Parties

On November 12, 2010, the Company's Board of Directors, upon the favorable opinion of the Committee for Transactions with Related Parties, specially appointed, adopted the procedure for transactions with related parties required by the Consob Regulation dated March 12 2010.

The procedure, also compliant with the Art.2391-*bis* in the Italian Civil Code, illustrates the measures taken by the Company to ensure that the transactions with related parties, whether directly or through subsidiaries, are executed in a transparent way and meet criteria of substantial and procedural fairness.

More specifically, except for some exemption described below, the Procedure governs the authorization process and the disclosure regime of transactions that will be concluded between i) a party related to Italmobiliare, on the one hand, and ii) Italmobiliare, on the other, or a subsidiary when, before closing the transaction, prior authorization, or examination, by a governing body or a representative of Italmobiliare itself, granted with the related powers, is required. The Procedure is also applied to transactions undertaken by Italmobiliare with a subsidiary or associate, as well as among its subsidiaries, when the transaction involves significant interests of a party related to Italmobiliare.

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

The latter Committee has:

- the duty to express a reasoned opinion on both minor (non-binding opinion) and significant (binding opinion) transactions;
- the right, in transactions of significant relevance, to participate in the negotiation phase and in the inquiry phase by receiving a full and timely flow of information and the right to request information and make comments to the executive bodies and to the persons in charge of the negotiations or the inquiry;
- the right to be assisted, at the expense of the Company, by independent third-party experts of its choice.

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

For significant transactions, on the other hand, should the Committee express a negative opinion, the Board of Directors may approve the transaction only with the prior authorization of the Shareholders' Meeting. In this case, the Shareholders' Meeting will give its approval on the basis of an enhanced quorum (the majority of shareholders who are not related parties must not vote against the transaction)

ITALMOBILIARE

and a vote against will be valid only if the unrelated shareholders present at the meeting represent at least 10% of the share capital, with voting rights (the so-called "whitewash").

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

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

The Procedure is available on the company website www.italmobiliare.it.

Regulation of the Manager in Charge of Preparing the Company's Financial Reports

As reported elsewhere in this Report, the Company, under the provisions of Law no. 262/05, the so-called "Savings Law", appointed a "Manager in charge of preparing the company's accounting reports," and prepared a specific "Regulation" which, in accordance with provisions of law, the Bylaws and based on *best practices*, among other things:

- * defines the responsibilities of the "Manager in charge" of Italmobiliare, specifying his/her powers;
- * identifies the responsibilities and procedures for the appointment, dismissal, termination of the "Manager in charge", the term of office and the requirements of professionalism and good reputation of the same;
- * contains the principles of behavior which the Company's "Manager in charge" must follow in case of conflicts of interest, and the obligations of confidentiality to be complied with in executing his/her work;
- * indicates the responsibilities, powers and resources granted to the "Manager in charge" for carrying out his/her activities, identifying the financial and human resources to carry out his/her mandate;
- * defines relationships with other institutions/corporate functions, with the Governing Bodies, the internal and external control Bodies and with its subsidiaries, regulating the corresponding flow of information;
- * illustrates the internal and external certification process with reference to: a) statements of the "Manager in charge" on the correspondence of the Company's acts and communications disclosed to the market with its accounting documentation, ledger and records; b) certificates of the "Manager in charge" and of the Empowered Administrative Bodies, with respect to the Company's financial statements, limited interim reports and the consolidated financial statements.

The 'Regulation' was approved by the Board of Directors and is meant for all the entities, functions, Governing Bodies of Italmobiliare SpA, and for all the companies directly or indirectly controlled by it.

It was circulated to staff of the Company and of its subsidiaries, as well as to all persons deemed interested in the content thereof.

Organization, Management and Control Model

In order to make the control system and *Corporate Governance* model more effective, with the objective of preventing the commission of corporate crime and crimes against the Public Administration, the

ITALMOBILIARE

Company's Board of Directors adopted the "organization, management and control Model" (the "Model") during the course of fiscal year 2004, in application of Legislative Decree 231/01.

By adopting the "Model", the Company decided to promote and affirm a corporate culture geared to legality with the express disapproval of any conduct contrary to the law and the provisions contained in the "Model" itself.

The "Model" was updated in 2006 for the first time, in order to adapt it to the rules on market abuse and failure to disclose conflicts of interests by directors. In 2008, it was also extended to crimes regarding violations of legal provisions on safety and hygiene at the workplace (a section later updated in 2010), to cross-border crimes and crimes relating to receiving stolen property and money laundering. Finally, in March 2011, changes were made to better redesign the system of information flows between the various Compliance Committees of the Group, both when adopting and changing the Models of subsidiaries and with respect to new information flows to the Compliance Committee of Italmobiliare.

The task of continuously monitoring the effective operation and compliance with the 'Model', and to propose its update, is entrusted to a body, the Compliance Committee, which operates on an autonomous, professional and independent basis

The Compliance Committee, in compliance with the provisions of the "Model" itself, is currently composed of an independent director (later appointed Chairman), an external qualified advisor and the Director of the Company's Internal Auditing function.

ITALMOBILIARE

SHAREHOLDINGS OF DIRECTORS, STATUTORY AUDITORS AND CHIEF OPERATING OFFICERS

NAME, LAST NAME	SHARES HELD IN	NUMBER OF SHARES HELD AT THE END OF THE PREVIOUS FISCAL YEAR	NUMBER OF SHARES PURCHASED	NUMBER OF SHARES SOLD	NUMBER OF SHARES HELD AT THE END OF THE CURRENT FISCAL YEAR
Giampiero Pesenti	ITALMOBILIARE S,p,A,	common stock: 27,623 ¹ savings shares: 2,467 ¹	common stock: - savings shares: -	common stock: - savings shares: -	common stock: 27,623 ¹ savings shares: 2,467 ¹
	ITALCEMENTI S,p,A,	common stock: 10,972 ² savings shares: 22,698 ¹	common stock: - savings shares: -	common stock: - savings shares: -	common stock: 10,972 ² savings shares: 22,698 ¹
Italo Lucchini	CIMENTS FRANÇAIS S,A,	common stock: -	common stock: 50	common stock: -	common stock: 50
Carlo Pesenti	ITALMOBILIARE S,p,A,	common stock: 16,441	common stock: -	common stock: -	common stock: 16,441
	ITALCEMENTI S,p,A,	common stock: 1,500 ² savings shares: 3,000 ²	common stock: - savings shares: -	common stock: - savings shares: -	common stock: 1,500 ² savings shares: 3,000 ²
	CIMENTS FRANÇAIS S,A,	common stock: 50	common stock: -	common stock: -	common stock: 50
Pier Giorgio Barlassina	ITALMOBILIARE S,p,A,	common stock: 1,500	common stock: -	common stock: -	common stock: 1,500
Giorgio Bonomi	ITALCEMENTI S,p,A,	common stock: 2,500	common stock: -	common stock: -	common stock: 2,500
Giorgio Perolari	ITALMOBILIARE S,p,A,	common stock: 16,735 savings shares: 8,800 ¹	common stock: - savings shares: -	common stock: - savings shares: -	common stock: 16,735 savings shares: 8,800 ¹
	ITALCEMENTI S,p,A,	common stock: 20,280 savings shares: 130,000 ²	common stock: - savings shares: -	common stock: - savings shares: -	common stock: 20,280 savings shares: 130,000 ²
Livio Strazzera	ITALMOBILIARE S,p,A,	common stock: 100	common stock: -	common stock: -	common stock: 100
Luigi Guatri	ITALCEMENTI S,p,A,	savings shares: 10,000 ²	savings shares: -	savings shares: -	savings shares: 10,000
Leonardo Cossu	ITALMOBILIARE S,p,A,	common stock: 1,000	common stock: -	common stock: -	common stock: 1,000

¹ shares partly held directly and partly by spouse

² shares held by spouse