

Corporate governance

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

INTRODUCTION

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

Fulfilling applicable legal and regulatory provisions, this Report contains information on the ownership structure and compliance with the Code of Conduct for listed companies promoted by the Committee for Corporate Governance, as lastly published in December 2011 (the “Code”, available on the *website www.borsaitaliana.it*). This Report also illustrates the reasons underlying the non-implementation of certain, very limited recommendations of the Code, which the Board of Directors decided not to adopt, it describes the corporate governance practices actually applied and provides for a description of the main characteristics of the Internal Control and Risk Management System, also with reference to the financial reporting process.

This Report, approved by the Board of Directors on March 5, 2013, is published in the section “*Investor Relations / General Meetings*” on the Company’s website.

The information contained in this Report refers to fiscal year 2012 and, in regard of specific topics, was updated as of the meeting of the Board of Directors which approved it.

ITALCEMENTI S.p.A. PROFILE

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

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

- 1) Code of Conduct promoted by the Committee for Corporate Governance, as lastly published in December 2011;
- 2) The Group Code of Ethics;
- 3) Treatment of Confidential Information;
- 4) Internal Dealing Code of Conduct;
- 5) Procedure for Transactions with Related Parties;
- 6) “Insider register” Procedure;
- 7) Regulation for the manager in charge of preparing the company’s financial reports;
- 8) Organizational, Management and Control Model.

The above documents are available on the Company’s website *www.italcementigroup.com*, except for the Code (available on the website of the Italian Stock Exchange *www.borsaitaliana.it*), the Regulation for the manager in charge of preparing the company’s financial reports, available to all the Group companies on the company intranet and in respect of the special Part of the Organizational, Management and Control Model, also made available to all employees on the Company intranet.

The Company has always been actively committed in modernizing its business culture in order to respond to the challenges arising from developments in Corporate Governance rules. This process fostered and enhanced the sharing of values and the recognition that the adoption of good rules of corporate governance

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goes hand in hand with the dissemination of a business culture whose aims are transparency, adequate management and effective control.

As part of the broader process of integrating and sharing common principles and rules within the Group, the Company's Board of Directors, in 2010, resolved to adopt common rules of corporate governance (*Corporate Governance Framework*) representing the set of minimum corporate governance principles applicable to Group companies.

These principles were thought out on the basis of a comparative review of national and international best practices as well as taking into account the different local laws of the Countries where the Group operates.

The Corporate Governance Framework was initially distributed to 22 companies operating in 14 Countries, considered to be a sufficiently representative sample on the basis of pre-set relevance indicators (revenues, assets, EBIT and number of employees) and was then gradually extended to the other Group companies.

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

INFORMATION ON OWNERSHIP STRUCTURE

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

Italcementi share capital is equal to 282,548,942 euro, divided into 282,548,942 shares with a nominal value of 1 euro each, of which 177,117,564 are ordinary shares, equal to 62.69% of the entire share capital, and 105,431,378 are savings shares, equal to 37.31% of the entire share capital.

Ordinary shares carry voting rights at the Company's ordinary and extraordinary Shareholders' Meetings.

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

Savings shares do not carry voting rights.

In the event of an increase in share capital against consideration for which option rights have not been excluded or limited, the holders of savings shares have option rights on the newly issued savings shares or, in their absence or to cover the difference, on other categories of shares. Resolutions to issue new savings shares with the same characteristics as those already outstanding, either through a share capital increase or through the conversion of other categories of shares, do not require approval by the 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 by the Shareholders' Meeting.

When the net profit for the year is allocated, 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 nominal share value. If in a fiscal year a lower dividend is allocated to savings shares, the difference is calculated as an increase to the savings dividend paid in the following two years.

In the event of distribution of reserves, savings shares have the same rights as other shares. A reduction in share capital owing to losses does not cause a reduction in the nominal value of the savings shares, except for that part of the loss in excess of the overall nominal value of the other shares. In case of dissolution of the company, savings shares have priority in the repayment of the share capital for the full nominal value.

The Company does not have outstanding **stock option plans** either for directors or for officers. However, based on the assignments resolved in the last few years for the stock option plans in force from time to time, cancelled for the unexecuted portion, as at the date hereof 960,900 options on the stock option plan for directors – 2001, 2,269,316 options on the stock option plan for officers – 2000 and 1,564,750 options on the stock option plan for officers – 2008 are exercisable. Outstanding options granted to directors can only be exercised through assignment to the recipients of treasury shares, while those granted to officers can also be exercised through the execution of the power, recognized to directors, to increase the share capital.

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

b) Restrictions on share transfers

No restrictions exist on share transfers or on acceptance clauses.

c) Significant shareholders as disclosed pursuant to article 120 of the Italian TUF (i.e. consolidated law on finance)

Shareholder	Total	% of share capital	
	No. shares	overall	ordinary
EFIPARIND B.V. (indirectly through Italmobiliare S.p.A.)	106,734,000	37.78	60.26
This figure does not take into account the 3,793,029 treasury shares with voting rights held by the Company.			
FIRST EAGLE INVESTMENT MANAGEMENT LLC (as manager, among other things, of the “First Eagle Global Fund” which holds 2.188% of the ordinary share capital)	3,932,129	1.39	2.22
ITALCEMENTI S.p.A. (treasury shares)	3,793,029	1.34	2.14

d) Shares that confer special control rights

No shares conferring special control rights have been issued.

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

There is no specific system for employees to have shareholdings.

f) Restrictions on voting rights

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

g) Agreements among shareholders, pursuant to article 122 of the Italian TUF, of which the company is aware

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

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

Within the policy aimed at supporting its business and development, Italcementi and its subsidiaries have entered into loan agreements, some of which grant to the lender the right, in case of a change of control of the Company, to terminate the loan agreement in advance and have the consequent right to demand principal and the accrued interest or, lastly, in the case of derivative-based agreements, the right to terminate the outstanding derivative agreements.

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

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

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

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

For this information, please refer to section "Code of Conduct: corporate governance rules and their implementation".

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

Delegated powers for share capital increases

The Board of Directors has the right, once or more times within five years of the shareholders' resolution passed at the extraordinary Shareholders' Meeting of April 28, 2008:

- a) pursuant to art. 2443 of the Italian Civil Code, to increase the share capital up to a maximum nominal amount of 500,000,000 euro, free of charge and/or against consideration, through the issue of ordinary and/or savings shares and/or warrants for deferred subscription;
- b) pursuant to art. 2420-ter of the Italian Civil Code, to issue bonds convertible into ordinary and/or savings shares or with purchase or subscription rights, up to a maximum amount of 500,000,000 euro, within the limits allowed by law from time to time,

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

By resolution of April 19, 2011 at their extraordinary meeting, the shareholders granted to the Board of Directors:

- the power, pursuant to art. 2443 of the Italian Civil Code, to increase the share capital, free of charge and/or against consideration, once or more times within five years of the aforementioned resolution, for a maximum amount of 6,000,000 euro through the issue of a maximum 6,000,000 ordinary and/or savings shares, to be reserved, pursuant to art. 2441 of the Italian Civil Code, paragraph 8:

* for employees of Italcementi S.p.A. and its subsidiaries, in the case of a free allocation,

* for employees of Italcementi S.p.A. and its subsidiaries, as well as for employees of its parent companies and other subsidiaries of the latter, in the case of a subscription offer,

both in Italy and abroad and in compliance with the regulations in force in the Countries of the beneficiaries;

- the power, consequently, to establish the entitlement rights to the shares, to establish the timeframes, method, characteristics and conditions of the offer to employees and to set the issue price of the shares, including the related share premium.

Financial equity instruments

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

Authorizations for the purchase of treasury shares

At their ordinary meeting of April 18, 2012, the shareholders renewed the Company's authorization to purchase and dispose of treasury shares for a period of 18 months from the date of the resolution.

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

Therefore, on December 31, 2012, the Company held:

- 3,793,029 ordinary treasury shares, equal to 2.14% of the share capital represented by ordinary shares, to be used to serve the "Stock option plan for directors" and the "Stock option plan for officers";
- 105,500 savings treasury shares, equal to 0.1% of the share capital represented by savings shares.

MANAGEMENT AND COORDINATION ACTIVITY

The controlling shareholder of Italcementi, with a stake, excluding treasury shares held by the Company at the time of preparation of this report, equal to 60.36% of the ordinary shares, is Italmobiliare S.p.A., whose majority shareholder is Efiarind B.V.

Italmobiliare S.p.A. is also the company that exercises management and coordination activity over Italcementi pursuant to art. 2497 ff. of the Italian Civil Code.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

1. Introduction

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

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

The Internal Control and Risk Management System shall contribute to the management of the Company consistently with the corporate objectives set by the Board of Directors by facilitating the adoption of conscious decisions. It contributes to ensure the preservation of the Company's assets, the efficiency and effectiveness

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of business processes, the trustworthiness, accuracy, reliability and timeliness of financial information, the compliance with laws and regulations as well as with the By-laws and internal procedures.

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

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

2. **Enterprise Risk Management**

An essential part of the Internal Control and Risk Management System is represented by *Enterprise Risk Management* ("ERM"), understood as an integrated model, prepared in accordance with international best practices, to optimize the management of business risks and to define the resulting strategies for their mitigation, supporting the managers' decision-making process through analysis of "risks, expected returns, opportunities for growth in the business".

Within Enterprise Risk Management, Italcementi appointed a *Chief Risk Officer*, head of the Risk Management Dept. with the goal of improving the ability to create value for stakeholders also through a better management of business risk.

ERM uses the COSO methodology (*Committee of Sponsoring Organizations of the Treadway Commission*) and was divided into the following phases:

- identification of the main areas of risk in relation to the Group's strategic objectives and definition of methodologies and tools for the analysis and assessment of related risk events;
- assessment, both at country and Group level, of identified events of risk in terms of impact, chance of happening and time frame, in order to have an overall picture of the Group's risk portfolio;
- selection of priority risks and definition of relevant reaction strategies, governance rules within the Group as well as the actions needed to supplement and improve risk management systems; several risks are managed locally at the subsidiaries level, while the management of those requiring specific expertise or a cross coordination, is centralized;
- implementation of mitigation strategies/actions defined from time to time and development of the *Enterprise Risk Management* process;
- information to the top management and control bodies on the main risks and their management and evolution. The risk quantification and occurrence are integrated into the company's management system such as budgets, re-forecasts or analysis studies on the most important investment projects.

Italcementi puts in place continuous actions, detailed in paragraph 4.1 below, which represents the subject of a program of activities integrated into business processes for the purpose of ensuring trustworthiness, accuracy, reliability and timeliness of financial reporting.

The Company, in accordance with the ERM principles, has identified and categorized the risks considered significant (among which the one relating to financial reporting) and, for each significant risk, has developed appropriate containment actions, has attributed responsibilities to a main contact person ("*Primary Risk Owner*") with the task of coordinating and ensuring consistency in responses to risk, has defined guidelines,

actions and controls common to the different areas of risk (“*Risk Management Guidelines*”), and has defined and implemented strategies aimed at aligning the risk management systems to the desired standards.

3. Definition of the nature and level of risk consistent with strategic objectives

The Board of Directors establishes a multiannual strategic plan under which it approves a budget on an annual basis.

When approving the annual budget, usually occurring at the first Board meeting of each fiscal year, the Board of Directors examines and quantifies the risks, in terms of impact on gross operating profit or loss, which the Company and the Group as a whole are subject to, depending on the strategic objectives it sets for itself.

The analysis, prepared upon instruction of the Director in Charge of the Internal Control and Risk Management System and with the support of the *Chief Risk Officer*, details the level of expected risk in each Country where the Group operates, as well as the various kind of risk, dividing them into two main categories: those that are independent from the determination and the conduct of the Company (general economic situation, political risks, etc.) and those that may be mitigated as a result of appropriate measures undertaken by the Company itself.

In light of the quantification of expected risks, the Board of Directors determines the level of exposure to risk considered acceptable and consistent with the strategic objectives it has defined.

Risk exposure, as measured during the preparation of the budget, is constantly monitored both at Italcementi and Group level; for this purpose each *Primary Risk Owner* prepares a half-yearly report that ranks the most significant risks and, where appropriate, modifies the corresponding mitigation plan previously prepared. The Board of Directors and the Control and Risk Committee are kept informed by the *Chief Risk Officer* on the evolution of risks and their subsequent mitigation.

In addition to the risk analysis conducted in view of the approval of the annual budget, every strategic plan of the Company is preceded by a risk analysis that includes the definition of best and worst case scenarios, the chances of achieving a profit, given by an expected confidence level, and the expected impact of each type of risk, also in light of a series of measures to mitigate risks in regard of which the Company may take action with appropriate measures.

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

4.1 Phases of the risk management and internal control system

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

Italcementi has defined its own reference Model for the assessment of the Internal Control and Risk Management System related financial disclosure (hereinafter, in short, “Operational Model”), detailing the operational approach for the performance of activities. This Model is based on the principles contained in the CoSO framework and in the document “*Internal Control over Financial Reporting - Guidance for Smaller Public Companies*”, also developed by CoSO.

In this Model, the risk control system is considered together with the internal control system in relation to the financial reporting process.

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

a) **Preliminary analysis.** This activity, carried out on an annual basis and whenever deemed necessary, is

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aimed at identifying and assessing the risks related to the Internal Control and Risk Management System with regard to financial reporting, in order to determine priorities for action related to documentation, assessment and testing of administrative and accounting procedures and related controls. The identification of the relevant quantities and processes is based on quantitative (weight of revenue and assets of a single entity on consolidated amounts, the carrying amount of consolidated financial statement items related to a particular process) and qualitative (the Country in which an entity operates, specific risks, risk levels assigned to the various items) factors;

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

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

- the ongoing development of an integrated Corporate Governance system (Organization notices, job descriptions, delegated powers, corporate processes and procedures) whose operational tools are available in a *Knowledge Management Database*, BEST 2.0 (*Business Excellence Support Tool*), which allows easy access to information and facilitates its dissemination across the Group;
- a more detailed organization and planning in relation to the provisions of Law No. 262 of December 28, 2005, containing “Provisions for the protection of savings and the regulation of financial markets” and the subsequent corrective decrees (hereinafter, in short, the “Savings Law”), enacted by law-makers for the purpose of increasing the transparency of financial reporting and strengthening the internal control system of listed companies.

4.2. Positions and Functions involved

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

- 1) **Board of Directors**, to which the Code attributes, among other things, the following tasks:
- a) examining and approving the Strategic Plan, monitoring periodically the related implementation;

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- b) defining the risk profile, both as to nature and level of risks, in a manner consistent with the Company's strategic objectives, as determined by the same Board at the time of approval, amendment or revision of the Strategic Plan;
 - c) evaluating the adequacy of the organizational, administrative and accounting structure of the issuer as well as of its strategically significant subsidiaries in particular with regard to the internal control and risk management system;
 - d) upon opinion of the Control and Risk Committee:
 - 1) defining, in line with the Company's risk profile, the guidelines of the internal control and risk management system, also seeing to its updating, so that the main risks concerning the issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, determining, moreover, the level of compatibility of such risks with the management of the Company in a manner consistent with its strategic objectives;
 - 2) assessing, at least annually, the adequacy and effectiveness of the Internal Control and Risk Management System with respect to the Company's characteristics and the risk profile assumed, ensuring that:
 - duties and responsibilities are allocated in a clear and appropriate manner;
 - control functions, including the Head of Internal Audit, the Manager in charge and the Supervisory Board have been provided with the appropriate resources for the performance of their duties and are granted an appropriate degree of independence within the corporate structure.
 - 3) approving, at least annually, the plan (which should also address the reliability of information systems) drafted by the Head of Internal Audit, having heard the opinion of the director in charge of the Internal Control and Risk Management System and the Board of Statutory Auditors;
 - 4) upon proposal of the Director in charge of the Internal Control and Risk Management System, after also hearing the opinion of the Board of Statutory Auditors, appointing and dismissing the Head of Internal Audit, ensuring that the same is adequately provided with the resources to carry out their responsibilities and defining their remuneration in line with corporate policies;
 - e) examining and approving the financial statements for the period; assessing the company's operating structure.
- 2) **Director in charge of the Internal Control and Risk Management System**, identified by the Board of Directors at its meeting on April 16, 2010, in the person of the Chief Executive Officer. According to the Code, he has the task of:
- a) identifying the main business risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and submit them periodically to the review of the Board of Directors at least once a year;
 - b) implementing the guidelines defined by the Board of Directors, taking care of the planning, implementation and management of the internal control and risk system, constantly monitoring its adequacy and effectiveness;
 - c) proposing to the Board of Directors, after the favorable opinion of the Control and Risk Committee and after hearing the opinion of the Board of Statutory Auditors, the appointment, removal and remuneration of the Head of Internal Audit ensuring its operating independence and autonomy from each head of operating departments, verifying that the same is provided with adequate resources for the fulfillment of the tasks entrusted there to;
 - d) adjusting such system to the dynamics of the operating conditions and the legislative and regulatory framework;
 - e) possibly requesting to internal audit function to carry out reviews of specific operational areas and on the compliance of business operations with rules and internal procedures, giving simultaneous notice to the

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Chairman of the Board of Directors, the Chairman of Control and Risk committee and the Chairman of the Board of Statutory auditors;

- f) promptly reporting to the control and risk committee (or to the Board of Directors) issues and problems that resulted from his/her activity or of which he/she became aware in order for the committee (or the Board) to take the appropriate actions.

Under the powers granted to it, the Director in charge of the Internal Control and Risk Management System, at least once a year, and in any case when it deems it necessary or advisable, depending on the circumstances, in case there are any new material risks or there is significant increase in the possibility of a risk, submits major business risks to the examination and assessment of the Board of Directors, as well as the set of control processes implemented and designed to prevent them, reduce them and manage them effectively and efficiently in order to let the Board of Directors make an informed and conscious decision on the strategies and policies for the management of the Company's and the Group's principal risks, with a particular focus on companies that are strategically significant.

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

- 3) **Control and Risk Committee**, which, as a body supporting and assisting the Board of Directors, carries out advisory and proactive functions. In particular it:
- a) issues opinions to the Board of Directors whenever the Code provides so;
 - b) evaluates together with the Manager in charge, after hearing the external auditors and the Board of Statutory auditors, the correct application of the accounting principles, as well as their consistency for the purpose of preparing of the consolidated financial statements;
 - c) expresses opinions on specific aspects relating to the identification, measurement, management and monitoring of the Company's main risks and the definition of the nature and level of risk deemed compatible with the strategic objectives;
 - d) reviews the periodic reports of the internal audit function concerning the assessment of the internal control and risk management system, as well as the other reports of the Internal Audit function that are particularly significant;
 - e) monitors the independence, adequacy, efficiency and effectiveness of the Internal Audit Function;
 - f) whenever deemed necessary or desirable for a better management of business risks, requires the Head of Internal Audit to carry out reviews of specific operational areas, giving simultaneous notice to the Chairman of the Board of Statutory auditors;
 - g) reports to the Board of Directors at least half-yearly, on the occasion of the approval of the annual and half-year financial report, on the activity carried out, as well as on the adequacy and effectiveness of the Internal Control and Risk Management System;
 - h) promptly exchanges information with the Board of Statutory Auditors relevant to the performance of their respective tasks.
- 4) **Chief Operating Officer**, who, among other things, has the task of overseeing the activities of Italcementi and checking the activities of manufacturing companies directly or indirectly controlled by Italcementi and companies in which it, directly or indirectly, owns a stake that enables it to exercise significant influence. Moreover, the Chief Operating Officer and the Deputy Chief Operating Officer have the duty, together with the Heads of the company's departments directly reporting to the Board involved in the preparation of

financial reporting, of issuing specific statements on served data and information, both in relation to their proper representation, and in relation to the effective and efficient implementation of the administrative and accounting procedures in the areas under their responsibility;

- 5) **Chief Risk Officer**, a position established by the implementation of ERM by the Company. It has the task of providing an overview of the Company's and of the Group's principal risks, ensuring that all major risks whether associated with new businesses or existing ones are properly identified, assessed, measured and managed in accordance with the values, policies, guidelines and procedures of the Group. In particular, in the context of the Internal Control and Risk Management System, the Chief Risk Officer:
- a) defines and updates the appropriate ERM governance: process, positions and responsibilities related to the main risks;
 - b) supports the Company and the Group various functions in the integration of risk assessment into strategic planning and business processes;
 - c) ensures awareness of risk management and process efficiency through the development of an ERM community whose members engage both with the parent and at Country level;
 - d) oversees the continuous improvement of consistent process methods and tools throughout the Group to identify, assess, and measure key risks, in collaboration with the primary risk owners and the related operational contacts;
 - e) develops and disseminates the ERM reporting to top management and to the Board of Directors;
 - f) ensures a regular follow-up to action plans implemented to mitigate risk for all Country risks;
 - g) helps to spread ERM tools and methodologies such as risk assessment and quantification.
- 6) **Manager in charge of preparing the company's financial reports**, who, as provided for in the regulation approved by the Board of Directors, is responsible, among other things, for:
- a) planning adequate administrative and accounting procedures for the drafting of the financial statements, the limited interim financial statements and the consolidated financial statements, as well as any other financial communication, by updating such procedures and ensuring dissemination and compliance, as well as verifying their effective application;
 - b) assessing, together with the Control and Risk Committee and the external auditors, the correct application of accounting policies and their uniformity for the purposes of the consolidated financial statements;
 - c) handling the periodic reporting to top management and the Board of Directors on the activities undertaken;
 - d) managing the periodic review of the assessment activities and updating the risk map relating to financial disclosure;
 - e) taking part in the development of IT systems that have an impact on the company's financial positions and results of operations.

The Board of Directors meeting held on April 16, 2010, confirmed Mr. Carlo Giuseppe Bianchini, Director of Group Administration and Control dept., as the Manager in charge of preparing the company's financial reports, pursuant to Art. 154-bis of TUF and Art. 30 of the By-laws.

The appointment of Mr. Bianchini will expire upon completion of the term of office of the current Board of Directors, i.e. with the approval of the 2012 financial statements.

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

- 1) be qualified as a manager and meet the requirements of good reputation set forth by law for members of the Board of Directors;

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2) have a total of at least three years' experience in performing administrative/accounting and/or financial and/or control activities at the Company and/or its subsidiaries and/or at other joint-stock companies.

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

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

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

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

Following the deletion of any reference to the "Controller" in the current version of the Code, now uniquely identified as Head of Internal Audit, the Board of Directors at its meeting held on September 26, 2012, after hearing the opinion of the Board of Statutory Auditors, confirmed Mr. Mauro Maestrini as Head of Internal Audit, who had already been appointed Controller by the Board of Directors on May 6, 2010.

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

The Internal Audit Department in 2012 was subject to a Quality Assurance Review by an independent external entity with an outcome of general compliance with reference international standards.

The Board of Directors meeting of 5 February 2013, having heard the opinion of the Control and Risk Committee, the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System, approved the audit plan prepared by the Head of Internal Audit.

8) **Supervisory Body**, which is responsible for the ongoing monitoring of the effective operation and compliance with the Organization, Management and Control model pursuant to Legislative Decree 231/01.

As part of its duties, the Supervisory Body, by overseeing and promoting a rational and efficient cooperation between existing controlling bodies and functions within the Company, periodically meets with executives of the Company in charge of sensitive areas under Legislative Decree 231/01, the Board of Statutory Auditors, the Manager in charge and the representatives of the independent auditors in respect of any matters relevant to the prevention of offenses specified in the Model, including those relating to financial reporting.

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

In order to ensure an efficient and effective Internal Control and Risk Management System, it is provided that the Supervisory Body periodically, and at least every six months, prepares a written report on its activities sending it, together with a documented statement of expenses incurred, to the Chairman of the Board of Directors, the Chairman of the Board of Statutory Auditors, the Chairman of the Control and Risk

Committee and the Manager in charge. Such reports contain proposals, if any, for additions and amendments to the Model. The aforementioned periodic report must at least contain or highlight:

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

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

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

The auditing of the company's accounts, as required by the current applicable laws, was entrusted to independent auditors appointed at the Shareholders' Meeting, upon proposal of the Board of Statutory Auditors. The task of auditing the separate financial statements of Italcementi, the condensed interim consolidated financial statements of the Italcementi Group and performing a review of the consolidated financial statements of the Italcementi Group for the fiscal years 2011-2019 was assigned at the Shareholders' Meeting to KPMG S.p.A. on April 19, 2011.

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

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

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

The Board of Directors, however, is aware of the limitations of this assessment, since no risk control and mitigation process can, in absolute terms, protect the Company from the risks that, per se, pertains to any business activity, or the possibility that fraudulent violations of laws and regulations or internal procedures, human error, or extraordinary events cause damage to the Company and Italcementi Group.

CODE OF CONDUCT: CORPORATE GOVERNANCE RULES AND THEIR IMPLEMENTATION

Italcementi has complied with the Code of Conduct for listed companies approved by the Committee for Corporate Governance since its first adoption; the Company has complied with the final version of the Code as

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last amended by the Committee on December 5, 2011, under board resolution of September 26, 2012, but since the beginning of the year it has been committed to give full implementation to the new principles and recommendations contained therein, as well as to improve and/or formalize those already contained in previous editions.

Moreover, on such occasion, the Board of Directors decided, on one hand, not to adhere to two recommendations of the Code which relate to the establishment of the Appointment Committee and the Shareholders' Meeting Regulations and, on the other hand, to maintain some governance principles set out in its Code of Conduct drawn up in light of previous versions of the Code of Conduct promoted by the Italian Stock Exchange, now outdated. Further details in this regard will be provided in this Report, based on the various topics to be illustrated.

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

A) BOARD OF DIRECTORS

Role and Responsibilities

The Board of Directors is responsible for defining the strategic direction of the Company and the group to which it belongs and is in charge of its management. To this end, according to the By-laws, it is invested with the broadest powers of ordinary and extraordinary administration of the Company. It may thus carry out all acts, including disposal transactions, which it deems appropriate to achieve the corporate purpose, with the sole exception of those that the law expressly reserves to the Shareholders' Meeting.

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

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

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

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

- transactions with a significant strategic, economic, equity or financial relevance for Italcementi, put in place by the Company itself and by its subsidiaries;
- transactions with related parties, as governed by specific company procedures and in compliance with the conditions provided therein.

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

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

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

Composition

The By-laws provide that the Company shall be managed by a Board of Directors composed of eleven to twenty one members, appointed by the ordinary Shareholders' Meeting, which remains in office for the period decided at the time of appointment, but in no event for more than three fiscal years and it may be reappointed when their term of office expires.

The Board of Directors currently in office is made up of twenty members, whose term of office expires upon approval of the financial statements for the fiscal year 2012. Seventeen out of twenty members are non-executive and, among these, eleven directors are independent.

Among the twenty Board members, Mr. Giulio Antonello represents the minority shareholder First Eagle Investment Management LLC.

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

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

Appointment and replacement of Board members

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

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

Lists may be filed only by Shareholders who, alone or together with other shareholders, are able to provide evidence that they hold a percentage of the share capital with voting rights no lower than that determined by CONSOB pursuant to the regulations in force. For 2013, the threshold established for the presentation of candidates' lists for the election of the Board of Directors of Italcementi is 2.5% of the ordinary share capital.

No shareholder may file, or participate in filing, even through a third person or trust company, more than one list or vote for different lists. Shareholders belonging to the same group and shareholders who adhere to a shareholders' agreement relating to the Company's shares may not file or vote for more than one list, either through a third person or through a trust company.

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

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

Pursuant to the By-laws, as amended by the Shareholders' Meeting on April 18, 2012, in order to reflect the rules on gender balance, introduced by the July 12, 2011 Law No. 120, the lists that have a number of

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candidates equal to or greater than three must be composed of candidates belonging to both genders, so that one or the other of the genders may be represented by at least one third (rounded upwards) of the candidates. However, upon the first renewal of the management body following entry into force of the Law, the relevant transitional provisions provide that the quota of the less represented gender be at least one-fifth of the candidates.

At the time of their filing, lists must include:

a) statements whereby individual candidates:

- * accept their candidature;
- * under his/her own responsibility state:
 - the non-existence of causes for ineligibility
 - entitlement to the good reputation requirements established by the law
 - entitlement to the independence qualification required by the law and by the Code of Conduct, if any. The latter is a principle already contained in the Code of conduct originally adopted by the Company, now outmoded by the Code and which the Company has complied with. The Board of Directors considered appropriate to keep this principle to be aligned with the best practices governing the matter.

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

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

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

The Company By-laws do not provide for good reputation or independence qualification requirements additional to those required for the Statutory Auditors by TUF. Any elected directors whose requirements of good reputation, as set forth by law or the By-laws, become void during their term of office, will forfeit their office.

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

At least 21 days before the Shareholders' Meeting date, the Company makes available at the Company premises, at the stock exchange and on its website, the lists of candidates which have been filed by shareholders along with supporting documentation.

In the event of the filing of more than one list:

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

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

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

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

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

In the absence of lists, and whenever by means of the voting list mechanism, the number of candidates elected is lower than the minimum number envisaged by the By-laws for its composition, the Board of Directors is respectively appointed or supplemented by the Shareholders at their meeting with the legal majority, provided that the gender balance set forth by current legislation in force is ensured and at least the minimum number of directors holding the independence qualification required by the law is guaranteed.

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

Directors are replaced, in compliance with the above requirements of good reputation and independence, with the appointment of unelected candidates belonging to the same list as the directors who no longer serve, following the original order of presentation. Should this not be possible, the Board of Directors will act pursuant to the law. All of the above, in any case, in compliance with the current legislation in force regarding gender balance.

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

The Shareholders' Meeting resolves upon the replacement of directors, in compliance with the above principles, with a simple majority of the share capital represented at the Shareholders' Meeting.

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

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

Executive Directors

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

The Board of Directors may appoint one or more Chief Executive Officers. Moreover, the Board may delegate its powers to an Executive Committee, and determine its powers, the number of its members and its rules of operation. The Chairman of the Board of Directors, the Chief Executive Officer (if appointed) and the Chief Operating Officer, if the latter also covers the office of Director, are Members of the Executive Committee by

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operation of law; outside of these cases, the Chief Operating Officer will take part in Executive Committee meetings and vote on a purely advisory basis.

The legal representation of the Company in dealings with third parties and in court, pursuant to the By-laws, belongs to the Chairman and, if appointed, to the Deputy Chairman (or Deputy Chairmen) and to the Chief Executive Officer (or Chief Executive Officers).

The Board of Directors has appointed an executive Deputy Chairman, a Deputy Chairman, a Chief Executive Officer and a Chief Operating Officer. The Chief Executive Officer, to whom the Board of Directors, upon appointment, grants duties and powers identifying any quantitative limits, is considered an executive director. The Chairman and the Executive Deputy Chairman are also included among the executive directors in relation to the duties and powers granted thereto.

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

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

Division of responsibilities and delegation of powers

The granting of powers (including those to the Chief Operating Officer) is based on the principle of division of powers.

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

Among the 6 members of the Executive Committee, three are executive directors; as to the remaining, two of whom independent, they are considered, however, non-executive directors, as the Company's Executive Committee meets without any regularity and, in fact, exclusively to address the timely examination of certain transactions and for the adoption of the relevant resolutions. The Code also shares this interpretation provided that, as in this case, the director, a member of the Executive Board, is not given individual executive powers.

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

- to the **Executive Committee**, consisting of six members, all the powers of the Board of Directors, except for those which the Italian Civil Code and the By-laws do not allow to be delegated. As specified at the time of its appointment, the resolutions of the Executive Committee must be reported to the next Board of Directors' meeting;
- to the **Chairman**, Mr. Giampiero Pesenti, considering his role in the holding company and his consolidated experience in the Company industry, among other duties and in addition to the powers set out by the Company By-laws and by the other Corporate Governance Codes, the duties to oversee application of the Corporate Governance principles approved by the Board of Directors and to propose any amendment to them; indicate general strategic guidelines for Group business; specify the general policies for annual and interim financial statements as well as the general financial policies of the Group; approve the most important organizational changes (regarding both Italcementi and the main direct or indirect subsidiaries) upon proposals of the Chief Executive Officer or of the Chief Operating Officer; approve the significant changes to the Group's corporate structure; approve, for further submission to the Board of Directors or the Executive Committee, the most important transactions regarding acquisitions, disposals, capital expenditure, development in new initiatives and, generally, extraordinary transactions; indicate general policies for recruiting, training and managing staff and determine, also upon proposals of the Chief Executive Officer, the recruitment, remuneration (after consulting the Remuneration Committee and receiving the approval of the

Board of Directors where envisaged), promotions, transfers, suspensions, termination or contract review for senior managers of the Group in Italy and in the other Countries where the Group operates; deal with external communication.

In addition, besides the powers needed to carry out the assigned duties, the Chairman has been granted powers to undertake securities and real estate transactions, with a limit of 50 million euro for each individual operation with single signature and 75 million euro with joint signature with the Chief Executive Officer or the Chief Operating Officer;

- to the **Executive Deputy Chairman**, Mr. Pierfranco Barabani, the powers to undertake real estate transactions up to the limit of 15 million euro for each individual transaction;
- to the **Deputy Chairman**, Mr. Lorenzo Renato Guerini, the duty of supporting international development by coordinating activities within the scope of Strategic Planning, as well as of the Research center, and making proposals on potential partners and institutions able to contribute to the definition of the Group's international development projects;
- to the **Chief Executive Officer**, Mr. Carlo Pesenti, among other duties, the responsibility for supervising management policies, business development strategies and coordination of the Company's and of the main direct or indirect subsidiaries' operations, issuing the appropriate instructions to the Chief Operating Officer and the other corporate bodies; proposing organizational and corporate structure changes; drafting the separate and consolidated financial statements, including the half-yearly and quarterly reports as envisaged by the law; preparing, with the assistance of the Chief Operating Officer, the annual budgets for Italcementi S.p.A. and the Group and long-term strategic plans; overseeing the financial management of the Company and the Group; signing technical/administrative contracts with subsidiaries and associated companies; under the general policies indicated by the Chairman, defining policies relating to the choice of senior managers and staff management of Italcementi S.p.A. and of the main direct or indirect subsidiaries; recruiting staff at all levels; appointing every kind of consultant.

Moreover, the Chief Executive Officer has been granted the necessary powers to undertake actions regarding:

- industrial transactions (technical, manufacturing, commercial, administrative) up to a limit of 50 million euro for each individual transaction with single signature and 75 million euro with joint signature with the Executive Deputy Chairman or the Chief Operating Officer;
- securities and real estate transactions up to a limit of 50 million euro for each individual transaction with single signature and 75 million euro with joint signature with the Chairman or the Chief Operating Officer.

The Board of Directors meeting of April 16, 2010, assigned to the **Chief Operating Officer**, Mr. Giovanni Ferrario, the duties, among other things, of overseeing and directing the technical, manufacturing, and commercial activities of Italcementi; directing, coordinating and controlling the activities of the industrial subsidiaries; formulating and submitting proposals to the Chief Executive Officer for changes to the Company's organization; ensuring the best efficiency of the corporate production units and of the Italian subsidiaries and their compliance with the regulations and laws in force; determining and cooperating with the Chief Executive Officer in establishing staff management guidelines.

Moreover, the Chief Operating Officer has been granted powers to undertake actions pertaining to industrial transactions (technical, manufacturing, commercial, administrative and some financial) up to a limit of 20 million euro for each individual operation and real estate transactions up to a limit of 15 million euro for each individual operation.

The limits set for the powers granted respectively to the Executive Deputy Chairman and the Chief Operating Officer are doubled should their signature be combined with that of the other. Moreover, and solely for

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industrial activities, the limits set for the powers granted to the Chief Operating Officer are doubled should his signature be combined with that of one of the Deputy Chief Operating Officers, if appointed.

The Chief Executive Officer and the Chief Operating Officer have assigned specific and more limited powers to officers of the Company within their area of activities.

The Chief Executive Officer and the other executive directors have periodically reported to the Board of Directors and the Board of Statutory Auditors, as envisaged by the Code and by the Company By-laws, about activities undertaken within their assignments and powers. Moreover, the most important operations 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.

Group interdepartmental bodies

To implement the policies of the Board of Directors, a number of bodies not provided for by the By-laws have been established with duties of operational coordination and integration which do not, however, modify the responsibilities and powers of the functions represented in that bodies.

Moreover, a Committee of Officers operates at Group level, chaired by the Chief Operating Officer of Italcementi, who also holds the post of Chief Operating Officer of the main subsidiary Ciments Français S.A., under the supervision of the Chief Executive Officer of the Company. This Committee is made up of officers of some executive departments of both companies.

The Committee of Officers meets periodically to ensure operational consistency with the strategic choices and objectives set by the Boards of Directors of the various companies.

Finally, the Conference of Officers is organized to raise awareness of strategic and organizational guidelines and of the main group projects. Besides the members of the Committee of Officers, a small number of other senior Group managers take part in the Conference of Officers.

Independent Directors

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

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

In accordance with the specific rules applicable to listed companies subject to management and coordination of another listed company, one of the conditions to keep the listing is that the Board of Directors is composed of a majority of independent directors.

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

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

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

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

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

The Board of Directors shared the assessment made by the Directors Ettore Rossi, Attilio Rota and Emilio Zanetti, who considered themselves independent despite having held the directorship for more than nine years over the last twelve years.

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

Lead Independent Director

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

The Board of Directors meeting of April 16, 2010, appointed Mr. Alberto Clò, an independent director, as “*Lead independent director*”.

In the course of 2012, the “*Lead Independent Director*” met once with the other independent directors to conduct a thorough evaluation of the Company’s governance system and the activities carried out by the Board of Directors during the fiscal year and throughout the period of his term, which will end with the approval of the financial statements as at December 31, 2012.

Remuneration for Directors and Officers with strategic responsibilities

The remuneration for Directors was determined by the Shareholders’ Meeting held on April 19, 2011 that, until a new resolution, set such remuneration in the amount of 45,000 euro per year for each director, to be doubled in the event that the same is also a member of the Executive Committee.

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

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

For detailed information please see the Remuneration Report prepared pursuant to Art. 123-ter of TUF and approved by the Board of Directors on March 5, 2013.

Limitations on the number of offices

The Board of Directors meeting of September 26, 2012, in accordance with the Code, resolved that:

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

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is to be considered the maximum number of offices as director or statutory auditor held in other companies listed on regulated markets even abroad, in financial, banking, insurance or major companies that can be considered compatible with the effective performance of the office of Company director, with the exception of its subsidiaries, parent companies and companies subject to joint control.

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

Giampiero Pesenti	* Italmobiliare S.p.A.	- Chairman and Chief Executive Officer
	* Ciments Français S.A. (on behalf of Italcementi S.p.A.)	- Director
	* Compagnie Monegasque de Banque	- Director
	* Credit Mobilier de Monaco	- Director
	* Finter Bank Zürich	- Director
	* Mittel S.p.A.	- Director
Pierfranco Barabani	* SACBO S.p.A.	- Director
L. Renato Guerini	* 035 Investimenti S.p.A.	- Chairman
	* UBI Leasing S.p.A.	- Chairman
Carlo Pesenti	* Italmobiliare S.p.A.	- Director – Chief Operating Officer
	* Ciments Français S.A.	- Deputy Chairman
	* Mediobanca S.p.A.	- Director
	* RCS MediaGroup S.p.A.	- Director
Giulio Antonello	* Alerion Clean Power S.p.A.	- Chief Executive Officer
	* Industria e Innovazione S.p.A.	- Director
	* Reno de Medici S.p.A.	- Director
Alberto Bombassei	* Brembo S.p.A.	- Chairman – Chief Executive Officer
	* Atlantia S.p.A.	- Director
	* Nuovo Trasporto Viaggiatori S.p.A.	- Director
	* Pirelli & C. S.p.A.	- Director
	* Fiat Industrial S.p.A.	- Director
Giorgio Bonomi	* Italmobiliare S.p.A.	- Director
	* IGP - Decaux S.p.A.	- Director
Alberto Clò	* Atlantia S.p.A.	- Director
	* De Longhi S.p.A.	- Director
	* Iren S.p.A.	- Director
Federico Falck	* Falck S.p.A.	- Chairman
	* Falck Renewables S.p.A.	- Chairman
	* Banca Popolare di Sondrio S.c.r.l.	- Director
	* Avvenire Nuova Editoriale Italiana S.p.A.	- Director
	* Falk Renewables Wind Ltd.	- Director
Carlo Garavaglia	* Comitalia Compagnia Fiduciaria S.p.A.	- Chairman of the Board of Statutory Auditors
	* Cordifin S.p.A.	- Director
	* De Longhi S.p.A.	- Director
	* Eunomia S.p.A.	- Chairman
	* Habitat S.p.A.	- Statutory Auditor

	* Unione di Banche Italiane S.c.p.a.	- Supervisory Director
	* Del Clima S.p.A.	- Director
Italo Lucchini	* Italmobiliare S.p.A.	- Deputy Chairman
	* Unione di Banche Italiane S.c.p.a.	- Supervisory Director
	* Ciments Français S.A.	- Director
	* BMW Italia S.p.A.	- Chairman of the Board of Statutory Auditors
	* San Colombano S.p.A.	- Chairman of the Board of Statutory Auditors
	* Fedrigoni S.p.A.	- Chairman of the Board of Statutory Auditors
Sebastiano Mazzoleni	* Italmobiliare S.p.A.	- Director
	* Ciments Français S.A.	- Director
	<i>(on behalf of Italcementi Ingegneria S.r.l.)</i>	
Yves René Nanot	* Ciments Français S.A.	- Chairman
	* Asia Cement Public Co. Ltd	- Director
	* Ciments du Maroc	- Director
	* Essroc Corporation	- Director
	* Suez Cement Company	- Director
	* Zuari Cement Ltd	- Director
Marco Piccinini	* Ferrari S.p.A.	- Director
	* Finter Bank Zürich	- Director
	* Montezemolo & Partners S.p.A.	- Director
Attilio Rota	* Banca d'Italia - branch of Bergamo	- Director - Examiner
Carlo Secchi	* Mediolanum S.p.A.	- Chairman
	* Mediaset S.p.A.	- Director
	* Pirelli & C. S.p.A.	- Director
Elena Zambon	* Secofind S.I.M. S.p.A.	- Chairman
	* Zambon S.p.A.	- Chairman
	* Zambon Company S.p.A.	- Director
	* Fondo Strategico Italiano S.p.A.	- Director
Emilio Zanetti	* Unione di Banche Italiane S.c.p.a.	- Chairman of the Management Board
	* Banca Popolare di Bergamo S.p.A.	- Chairman
	* SACBO S.p.A.	- Deputy Chairman

Meetings of the Board of Directors

The Chairman coordinates the activities and conducts the meetings of the Board of Directors and ensures that the documentation relating to items on the agenda is disclosed to the directors and statutory auditors properly in advance. In particular, the Board of Directors meeting of September 26, 2012, set as at least *two working days* the prior notice period to be observed in order to submit the aforementioned documentation. Such prior notice period has been not only always met during fiscal year 2012, but on several occasions the documentation was sent to the interested parties before the deadline, often by sending it in two *tranche*, in order to allow the recipients to examine in advance the material so far prepared for the board meeting. When the material on certain items on the agenda is particularly complex, special explanatory notes prepared on each occasion by the competent corporate functions are also sent in order to facilitate the adoption of resolutions by board members on these issues. All documentation is sent by e-mail in files protected by

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passwords only known to the recipients in order to preserve confidentiality of the data and information provided.

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

The Board meets at least every quarter to approve the financial statements for the period. At such meeting, the delegated bodies must report on the activities performed by virtue of their respective powers. Moreover, pursuant to the By-laws, the Board meets anytime deemed necessary by the Chairman, or the Deputy, or when a written request is made by at least one third of its members.

The Board of Directors, during fiscal year 2012, held a total of 6 meetings in which 16 directors, 7 of which independent, were always present; 2 directors, both independent, attended 5 times; an independent director attended 4 times; an independent director attended 2 times. The meetings of the Board of Directors were always attended by all the members of the Board of Statutory Auditors.

All meetings of the Board of Directors were attended, by invitation, by the Company's Chief Operating Officer and by the Manager in charge of preparing the company's financial reports. The meetings were also attended by some executives of the Company and of its subsidiaries and individual heads of corporate functions to provide additional information on the topics put on the agenda from time to time.

The average duration of the meetings of the Board of Directors held during the year was about 3 hours and 30 minutes.

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

During 2013, the Board of Directors has so far met twice, the first time to examine the revenues of 2012 and forecasts for 2013 and the second time to approve - among other things - the 2012 draft financial statements. At least further 4 board meetings are scheduled for the current fiscal year, three for the approval of interim accounting reports and one after the Shareholders' Meeting for the appointment of corporate offices and the granting of related powers.

The corporate calendar is annually disclosed to the market and published on the Company's website in the section Investor Relations / Calendar of events. The 2013 calendar was published in November 2012.

The Executive Committee met once with the attendance of all its members in the course of 2012. The duration of the meeting was equal to one hour and 25 minutes. The Executive Committee has not met yet in 2013.

Succession plan for top management

Two Board of Directors meetings held in 2012, first examined and then approved a plan, developed with the assistance of a consultancy firm for the establishment of a solid *succession planning* and *business continuity* process in order to identify credible alternatives to the Company's and the Group's top management by making assumptions regarding possible succession in the short or medium term.

The succession plan has been developed in several stages: firstly, the definition of the expected profile for each position of top management, followed by the identification of internal candidates for succession, and after the performance of a risk assessment concerning each position, the scouting for potential external candidates, if any, is performed; thereafter, the preparation and development of the Plan takes place.

With particular reference to the risk assessment, the succession planning provides for the detection of risk associated with covering a top managerial position that must be carried out depending on different elements (current position covered, manager's seniority in the position, manager's attractiveness for the open market,

strength of internal candidates for succession, ease of finding external candidates on the market), on the basis of which the level - low, medium or high - of risk associated with the position is determined. The aggregation of risks relating to top management positions makes up the Managerial Risk Map for the Group.

However, with respect to the definition of the managers' expected profile, it is based on three essential elements:

- i) general management skills and skills specific to the industry where the Company operates;
- ii) performance and potential: the performance level reflects the individual's assessment in his/her current role, and his/her potential reflects the ability to expand the scope of action and complexity of responsibilities; potential is determined by agility in learning, ambition and skills, and is articulated on three different axes: functional usability, inter-functional usability and geographical usability;
- iii) conformity to the role, in comparison with the open market.

The combination between the expected managerial profile and the risk assessment for each position forms the basis for possible actions on the market: in particular, in case of high risk, a scouting of external candidates will be performed. The succession planning process for senior positions, as approved by the Board of Directors, is primarily focused on the business and expectations for the position in the future. It also provides a solid coverage for less urgent successions and a contingency plan for crisis situations.

There have been a total of 54 interviews so far, which began on September 29, 2012 and ended on February 18, 2013; feedback reports are currently being drafted, 10 of which have already been completed and delivered to the parties concerned.

Establishment of committees

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

Moreover, pursuant to the rules applicable to transactions with related parties, the Board has, upon adoption of the relevant procedure, established an internal Committee for Transactions with Related Parties, composed of independent directors only, and it is composed of the same members as the Control and Risk Committee.

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

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

However, in accordance with its shareholder structure characterized by the stable presence of one controlling shareholder with the absolute majority of shares entitled to vote, the Company decided not to proceed with the establishment of a "Appointment Committee".

a) Control and Risk Committee

In compliance with the provisions of the Code, the Control and Risk Committee has the task of supporting, through adequate preparatory work, the assessments and decisions of the Board of Directors relating to the Internal Control and Risk Management System, as well as those regarding the approval of interim financial statements.

The Control and Risk Committee consists of four members, all non-executive and independent. All of its members have an adequate expertise in accounting and finance, as required by the Code for at least one of them.

During 2012, the Control and Risk Committee met 7 times always with the attendance of all of its members. The average duration of its meetings was approximately two hours. 5 meetings were attended by all

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members of the Board of Statutory Auditors; one meeting was attended by two statutory auditors and the remaining meeting by one statutory auditor.

During fiscal year 2012, the Committee, among other things:

- a) examined and approved of the methodology used by the Company for the preparation of impairment tests;
- b) considered correct the implementation of accounting standards and their uniformity for the purposes of preparing the consolidated financial statements;
- c) reviewed and approved the 2012-2014 three-year Audit Plan;
- d) had been constantly informed on developments on the seizure and subsequent release of the Cement Plant in Colleferro and, in general, on all activities relevant to the Company and the Group in order to identify risks and identify measures for its mitigation;
- e) was informed about the conduct and outcome of the Quality Assurance Review which the Internal Audit Department was subjected to upon proposal of the Manager in charge of the Internal Control and Risk Management System and in accordance with international audit standards that require third-party assessments of Internal Audit should be repeated at least every 5 years by qualified and independent third-party Auditors (the previous assessment dated back to 2007);
- f) had been constantly informed by the Chief Risk Officer on the work performed for the identification, monitoring and mitigation of risks which the Company is exposed to;
- g) examined the reports prepared by the Head of Internal Audit to verify the adequacy, efficiency and effectiveness of the Internal Control and Risk Management System;
- h) reported to the Board of Directors, when approving the annual and semi-annual financial reports, on its activities and on the adequacy of the Internal Control and Risk Management System.

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

During 2013, the Control and Risk Committee has so far met twice to discuss, among other things, the methodology of the impairment test for fiscal year 2012, the accounting policies adopted for the preparation of the 2012 consolidated financial statements, the final report on 2012 Audit activities and the Audit Plan for 2013, the latter in turn submitted to the approval of the Board of Directors at its meeting on February 5, 2013.

On February 21, 2013, the Committee also examined the part of this Report regarding the description of the Internal Control and Risk Management System and it gave a positive opinion thereon.

b) Remuneration Committee

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

The Remuneration Committee currently in office is made up of three non-executive members, the majority of whom are independent. Pursuant to the Code, the chairperson Mr. Emilio Zanetti was chosen from among its independent members. All of its members are in possession of adequate experience in accounting and finance, as required by the Code for at least one of them.

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

During the fiscal year the Committee met twice; the average duration of its meetings was about one hour and a half. Two out of three members of the Committee attended both meetings. All Statutory Auditors attended the first meeting, while two Statutory Auditors attended the second one.

The Group's Head of Human Resources and Organizational Development is regularly invited to take part in Committee meetings.

In the course of 2013 the Remuneration Committee has so far met once to submit proposals to the Board of Directors regarding the remuneration of directors and executives.

c) *Committee for Transactions with Related Parties*

The Committee for Transactions with Related Parties is composed of four members, all non-executive and independent.

During 2012, the Committee met once with the attendance of all its members, in order to analyze a proposed transaction with related parties whose execution, in accordance with the relevant Procedure approved by the Company in November 2010, was subject to its prior non-binding opinion (as a "transaction of lesser importance") on the Company's interest in its conclusion. The Committee issued its favorable opinion on the transaction.

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

The Board of Directors, with the support of a firm specialized in the relevant industry, Heidrick & Struggles, having no other professional or commercial relationship with Italcementi or with other Group companies, performed in February 2013 an assessment on the size, composition and functioning of the Board itself and of the committees it is divided into, in compliance with the corporate governance rules set forth by the Code.

The outcome of said assessment conducted by the advisory firm is attached hereto under Attachment 1.

B) BOARD OF STATUTORY AUDITORS

Role and responsibilities

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

It has not been assigned the audit of the company's accounts, which, as required by law, was entrusted to an audit firm chosen from among those enrolled in the appropriate register, while it has the task, at the time of the appointment, to submit a reasoned proposal to the Shareholders' Meeting regarding the choice of such firm.

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

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Appointment and replacement of statutory auditors

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

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

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

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

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

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

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

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

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

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

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

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

In the event of filing of more than one list:

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

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

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

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

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

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

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

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

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

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

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

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

If it is not possible to proceed as above, the Shareholders' Meeting called to supplement the Board of Statutory Auditors passes a resolution with a simple majority of the share capital represented at the Shareholders' Meeting, without prejudice to the principle whereby one Acting Auditor and one Substitute Auditor must be appointed by minority shareholders. In any case, the Chairmanship of the Board of Statutory Auditors must be assigned to the auditor representing the minority shareholders. The procedures on replacements as indicated in the previous paragraphs must in any case ensure compliance with current legislation regulating gender balance.

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

Composition and activities

When renewing the Board of Statutory Auditors by the Shareholders' Meeting of April 18, 2012, the majority shareholder presented its own list of candidates. Minority shareholders did not present a list.

Therefore, among the Auditors currently in office, no one is representing the minority.

The current composition of the Board of Statutory Auditors already reflects the gender balance required by law, because it consists of two female statutory auditors and one male auditor.

C) SHAREHOLDERS' MEETING AND INVESTOR RELATIONS

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

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

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

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

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

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

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

With regard to relations with the market, the Chairman and the Chief Executive Officer, within their respective responsibilities, provide the general guidelines that the responsible structures should follow in dealing with institutional investors and other shareholders. To this end, an Investor Relations function whose responsibility has been entrusted to Mr. Giancarlo Berera was established as part of the Group's Finance Department.

In particular, upon disclosure of annual, semiannual or quarterly financial statements, the Company organizes special conference calls with institutional investors and financial analysts, allowing the specialized press to attend.

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

TABLE 1

STRUCTURE OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

BOARD OF DIRECTORS							Executive Committee		Internal Control Committee		Remuneration Committee		Related Parties Committee	
Position	Member	Executives	Non executives	Independent	Attendance	No. other posts	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance
Chairman	Giampiero Pesenti	•			6/6	6	•	1/1						
Executive Deputy Chairman	Pierfranco Barabani	•			6/6	1	•	1/1						
Deputy Chairman	L. Renato Guerini		•	•	6/6	2								
Chief Executive Officer	Carlo Pesenti	•			6/6	4	•	1/1						
Director	Giulio Antonello			•	6/6	3								
Director	Alberto Bombassei			•	5/6	5					•	2/2		
Director	Giorgio Bonomi		•		6/6	2								
Director	Alberto Clò			•	6/6	3			•	7/7			•	1/1
Director	Federico Falck			•	5/6	5	•	1/1	•	7/7			•	1/1
Director	Danilo Gambirasi		•		6/6	-								

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BOARD OF DIRECTORS							Executive Committee		Internal Control Committee		Remuneration Committee		Related Parties Committee	
Position	Member	Executives	Non executives	Independent	Attendance	No. other posts	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance
Director	Carlo Garavaglia			•	6/6	7								
Director	Italo Lucchini		•		6/6	6					•	2/2		
Director	Sebastiano Mazzoleni		•		6/6	2								
Director	Yves René Nanot		•		6/6	6	•	1/1						
Director	Marco Piccinini		•		2/6	3								
Director	Ettore Rossi			•	6/6	-								
Director	Attilio Rota			•	6/6	1	•	1/1	•	7/7			•	1/1
Director	Carlo Secchi			•	6/6	3			•	7/7			•	1/1
Director	Elena Zambon			•	3/6	4								
Director	Emilio Zanetti			•	6/6	3					•	2/2		

TABLE 2**BOARD OF STATUTORY AUDITORS**

Position	Member	Attendance at meetings
Chairman	Maria Martellini	19/20
Acting Auditor	Mario Comana	20/20
Acting Auditor	Luciana Gattinoni	19/20



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Dott. Ing.
Giampiero Peenti
President of the Board
Italcementi S.p.A.
Via Gabriele Camozzi, 124
24124 Bergamo

Milan, 27th February 2013

Italcementi S.p.A.: Performance evaluation of the Board and its Committees

Dear Mr. President,

In January 2013 Heidrick & Struggles was asked by Italcementi S.p.A. to lead and manage the performance evaluation of the Board and its Committees.

During the month of February 2013, Heidrick & Struggles conducted the Board review, assessing the activities of the Board - with specific regards to dimension, composition and functioning of the Board itself as well as its Committees - in compliance to Corporate Governance best practices embedded in the Italian Codice di Autodisciplina.

The review, managed through the compilation of an on-line questionnaire by each Board Member and some selected members of the Management team, is aimed at providing to Shareholders a report on Board performance and its compliance to Corporate Governance best practice, identifying possible actions to improve efficiency, effectiveness and overall value added.

Main objectives of the analysis have been the following:

- Review of the overall performance of the Board and conclusions over perspective structural and operational improvement needs;
- Review of strengths and weaknesses of the Board, through the answers of the Board members and selected Management team members;

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Azienda a partecipazione all'incirca di 7 persone - il numero e selezione del personale è tenuto all'Albo delle Agenzie per il Lavoro, Sez. IV, con Form. Min. Lav. 28/12/2008 Prot. N. 20750

Presente all'Albo delle Agenzie per il Lavoro in virtù dell'art. 1, comma 1, lett. a) del D.Lgs. n. 276 del 28/02/2008, modificato dal D.Lgs. n. 20750 del 28/12/2008, Prot. N. 20750

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- Identification of areas for improvement of Board processes, structures and behaviors;
- Recommendations for a tangible improvement action plan;
- Validation of the strategic alignment.

Heidrick & Struggles customized the questionnaire to focus on the most relevant components of the Board structure and activities: (i) Board Composition & Structure; (ii) Strategic Alignment & Engagement; (iii) Processes & Practices; (iv) Business understanding and Relationship with Management; (v) Board Culture & Dynamics, analyzing roles and quality of the interactions within the Board itself.

The Key Components of The Board Effectiveness Review



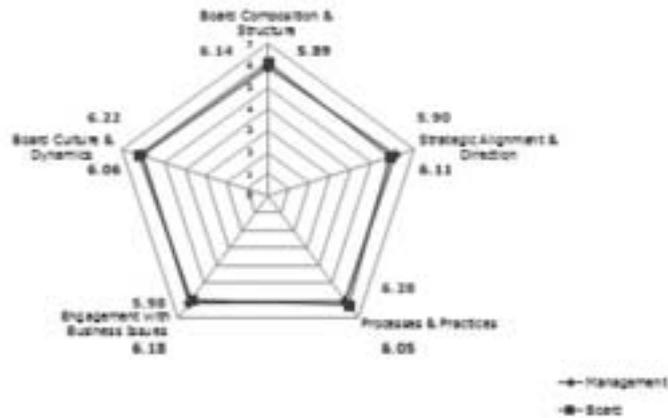
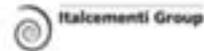
A questionnaire similar to the one submitted to the Board members has been sent to selected members of the Management team, holding regular interactions with the Board, to collect their opinion with regards to Board effectiveness.

All the Board Members (18) and three selected Managers (CEO included) took part to the survey.

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Overall Comparison 2012 (Board & Management)



Fonte: 2012 Italcementi questionnaire; Heidrick & Struggles analysis

Results have been satisfactory; major strengths stemming out the 2012 Board review are:

- the Corporate Governance appears evolved and complete;
- the Chairman shows a strong leadership on the Board;
- the structure of the Committees is exhaustive;
- the preparation of the Board members is accurate;
- there is broad acknowledgment about the quality of Board and Committees' processes;
- Italcementi appears as a best practice in managing Risks and their impacts on business strategies;
- there are alignment, clarity and transparency in the relationship between Board and Management.

Among the possible highlighted areas for improvement, we found that:

- the Board is overly sized and might need some restructuring in terms of new competencies;
- there is the opportunity to increase the Board involvement on the strategic design;
- though operational processes have reached a high qualitative level, they can be further improved, mainly in the definition of the agenda.

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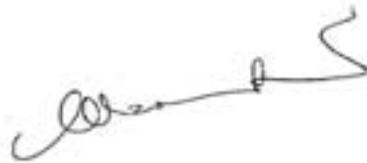
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Details of the assessment and recommendations are available in the attached document "Valutazione del Consiglio d'Amministrazione di Italcementi".

Best regards

On behalf of Heidrick & Struggles Italy



Maurizio Panetti
CEO

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GROUP CODE OF ETHICS

The Company adopted a Code of Ethics for the first time in 1993. The Code defined the principles of honesty, correctness, integrity, transparency, confidentiality and mutual respect, which should inspire all employees and all those who established relations with the Company or worked with it to achieve its objectives.

Such Code, pursuing the same purposes, was subsequently amended in February 2001 and lastly replaced by the Group Code of Ethics of September 26, 2012, prepared in accordance with the so-called “*Framework of Corporate Governance*”. This *Framework* is intended to be disseminated to all Italian and foreign subsidiaries, so that the principles contained in the Code of Ethics may be applied and complied with everywhere.

The Board of Directors of Ciments Français, which Italcementi controls the Group’s foreign activities through, has already resolved to share and comply with the principles of the Group Code of Ethics, the disclosure of which to all foreign branches is now underway.

The Code of Ethics is in line with the industry’s best practices and incorporates the principles of ethics and conduct underlying the Group’s governance model, highlighting elements that strengthen the culture and style of the same, as well as harmonizing and enhancing the elements that the Italcementi Group has developed in the field of ethics over time.

The Code of Ethics is divided into three chapters:

- “*Vision, Mission and Values*” are the elements that identify the ethical identity of the Group, to be understood as long-term aspirations, i.e. to be players in the creation of a better sustainable future for all stakeholders (*Vision*), the activity on which the *core business* is concentrated, namely the creation of value in the field of construction materials through the innovative and sustainable use of natural resources for the benefit of customers and communities (*Mission*) and the general rules that the group has given itself (*Values*) wherefrom the more specific rules of behavior described in the next section arise;
- “*Rules of Conduct*”: divided by stakeholder of reference, they identify the behaviors that the Group encourages and those that it penalizes, in addition to confirming compliance with the rules; among these there are the rules of honesty and loyalty, impartiality, protection of privacy and confidentiality of information, protection of people, the environment and company assets, the prohibition of corruption, abuse of office and unfair business practices; it provides for the rules that underpin the control and financial reporting processes, it introduces rules governing relations with customers, suppliers, public institutions, political organizations, trade unions and the media;
- “*Implementation of the Code*”: this explains who is responsible for the Code and how its contents should be applied, for example in case of breach thereof.

CONFIDENTIAL INFORMATION

Since February 2001, the Company’s Board of Directors has approved a specific procedure for the management and processing of confidential information, which also contains the procedures for the disclosure of documents and information concerning the Company and the Group, with particular reference to price sensitive information. This procedure requires strict compliance with the terms and conditions of disclosure of documents and information, while ensuring that disclosure to the market of corporate data is correct, complete, adequate, timely and objective.

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

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

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

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

The procedure identifies two different types of sensitive information:

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

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

CODE OF CONDUCT

The Company has adopted its own "Code of Conduct", originally in implementation of the provisions issued by Borsa Italiana S.p.A. with its own regulation and also to take account of the new regulatory provisions issued by CONSOB in execution of European provisions (the so-called *Market abuse directive*) introduced by the Law on Savings of 2005. It regulates the information to be provided to the Company, and by the latter to the market, on any transactions carried out for any reason on their own account by the 'Relevant persons' concerning Italcementi shares and other financial instruments linked to them. Pursuant to the 'Code of Conduct', 'Relevant persons' are the members of the Company's Board of Directors, Board of Statutory Auditors and the Chief Operating Officer and any person who holds a stake of at least 10% of the share capital of Italcementi represented by shares with the right to vote, and any other person who controls the Company.

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

Given the particular structure of the Group, the 'Code of Conduct' is associated with the Code adopted by Italmobiliare S.p.A., in the sense that market disclosures made by Italcementi regarding transactions on Italcementi shares by parties who are also 'Relevant persons' for both companies, are considered as made

also pursuant to the provisions contained in the Code of Conduct adopted by the parent company Italmobiliare S.p.A..

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

- * during the 30 calendar days preceding the meeting of the Company's Board of Directors called to approve the full-year and half-year financial statements, including the day on which the meeting is held;
- * during the 15 calendar days preceding the meeting of the Company's Board of Directors called to approve the quarterly reports, including the day on which the meeting is held.

INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

On November 5, 2010, based on the positive opinion of the specifically appointed Committee for Transactions with Related Parties, the Company's Board of Directors adopted a procedure for transactions with related parties envisaged by the CONSOB Regulation of March 12, 2010 (the "Procedure").

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

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

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

The Committee has:

- the duty to give and explain its opinion on both minor (non-binding opinion) and significant (binding opinion) transactions;
- the right, for significant transactions, to take part in the negotiations and in the preliminary investigation stage through the receipt of a complete and prompt information flow, and the right to ask for information and to submit its remarks to the delegated bodies and to those in charge of the negotiations or the preliminary investigation;
- the right to seek the assistance, at the Company's expense, of independent experts of its choosing.

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

Moreover, the Company By-laws provide that (i) significant transactions with related parties can be performed

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despite the negative opinion of the Committee for Transactions with Related Parties provided that the execution of such transactions is authorized by the Shareholders' Meeting on condition that the majority of non-related shareholders do not cast a vote contrary to performance of the transaction and the non-related shareholders present at the Shareholders' Meeting represent at least 10% of the share capital with voting rights (so called *whitewash*); and that (ii) the Company may apply the simplified rules in cases of urgency unless the transaction is under the prerogatives of the Shareholders' Meeting and requires its authorization. Finally, exercising the powers contained in the Regulations issued by CONSOB, the Company identified the following main grounds for exclusion:

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

The Procedure is available on the Company's website, in the section *Investor Relations / Governance / Documentation*.

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

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

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

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

As mentioned elsewhere in the Report, the Company, in connection with the provisions of Law no. 262/05, the so-called "Law on Savings", appointed a "Manager in charge of preparing the company's financial reports" and adopted a specific "Regulation" which, in compliance with legal provisions, the By-laws and following current best practices, as well as taking into consideration the arrangements for similar activities at the parent company Italmobiliare S.p.A., among other things:

- * defines the responsibilities of the "Manager in charge" of Italcementi and specifies his/her related powers;
- * identifies the responsibilities and method for the appointment, removal and termination of office of the "Manager in charge", the length of service and the requirements in terms of professional skills and good reputation;
- * reports on the principles of conduct which the Company "Manager in charge" must comply with in the event of conflicts of interest as well as the confidentiality obligations to be observed in carrying out his/her activities;
- * indicates the responsibilities, powers, and resources granted to the "Manager in charge" for the exercise of his/her duties, identifying the financial and human resources needed to carry out the mandate;
- * defines dealings with other Company bodies/functions, with the Corporate Bodies, the internal and external control Bodies and with subsidiaries, as well as, in compliance with the mutual areas for independent action,

- the procedures for interrelating with the parent company Italmobiliare, regulating information flows;
- * recalls the general principles of the Operational model used by the Italcementi Group, which has been established in order to fulfill the regulatory provisions on preparing financial reports;
 - * illustrates the internal and external attestation process in reference to: a) the statements of the “Manager in charge” regarding the correspondence of the Company’s acts and communications disclosed to the market with its documents and accounting books and entries; b) the attestations of the “Manager in charge” and of executive Delegated Bodies, in regard of the financial statements, the limited half-year financial statements and the consolidated financial statements.

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

ORGANIZATIONAL, MANAGEMENT AND CONTROL MODEL

In order to make the control and Corporate Governance systems more effective and prevent corporate offenses and offenses against the Public Administration, during fiscal year 2004, in application of Legislative Decree no. 231/01, the Company Board of Directors adopted an “Organizational, management and control model” (the “Model”) which was subsequently updated in 2006 in line with the law on market abuse and failure to disclose a conflict of interest by directors.

By adopting the “Model”, the Company intends to disseminate and establish a corporate culture based on legality, with the express censure of all conduct contrary to the law and the regulations contained in the “Model” itself.

There have been numerous amendments and updates in order to reflect legislative actions, which have gradually expanded the scope of Legislative Decree 231/01 to include further categories of offenses with respect to those included in its original version.

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

In particular, in 2008, the Model was extended to offenses relating to the violation of the legislation on health and safety in the workplace, cross-border offenses and offenses for receiving stolen goods and money laundering. On February 3, 2010 the Board also updated the special section on safety of the “Model”. In February 2012, the Model was extended to offenses related to organized crime, industry and commerce, copyright and computer crime. Finally, on September 26, 2012, the Board of Directors again amended the Model to also include environmental offenses.

The task of continuously monitoring the effectiveness and enforcement of the “Model”, as well as proposing updates, is entrusted to a body, the Supervisory Board, equipped with autonomy and independence in the exercise of its functions and adequate experience in the field of control of risks associated with the specific activities carried out by the Company or its legal aspects.

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

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

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

By resolution adopted on November 7, 2012, the Company's Board of Directors accepted the opt-out regime provided by the CONSOB Issuers' Regulation, exercising the right to derogate from the obligations to publish disclosure documents required in connection with significant merger transactions, spin-offs, acquisitions and disposals, capital increase by contribution in kind.

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

CONSOB REGULATION ON MARKETS

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

- A) that control companies incorporated in, and under the law of, Countries not belonging to the European Union ("non-EU") (art. 36)
- B) that are subject to management and coordination by another Company (art. 37).

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

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

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

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

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

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

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

mentioned subsidiaries and any subsequent amendment.

Therefore, all the By-laws of Subsidiaries located in Countries that do not belong to the European Union, which are relevant for the purposes of the regulation at issue, as well as the composition and powers of the corporate bodies have been acquired and are stored in the Company records.

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

- * provide the company's external auditor with the information needed to verify the annual and interim accounts of Italcementi;
- * have an administrative/accounting system suitable to providing the Company and the external auditor, on a regular basis, with the business, financial and equity information needed to draft the consolidated financial statements.

Furthermore, pursuant to art. 37 of the Market Regulation, Italcementi, a subsidiary subject to management and coordination by Italmobiliare S.p.A.:

- has fulfilled the disclosure obligations envisaged by art. 2497-*bis* of the Italian Civil Code;
- is free to negotiate in dealings with customers and suppliers;
- has not entered into a centralized treasury management agreement with Italmobiliare S.p.A.;
- has a Board of Directors which consists of a majority of independent directors and, with the exception of the Remuneration Committee, all the Committees set up within the Board of Directors consist solely of independent directors. CONSOB has also provided that Companies should comply with the new composition conditions within thirty days of the first Shareholders' Meeting called after October 1, 2010, to renew the Board of Directors.