

## **RULES OF PROCEDURE OF THE BOARD OF DIRECTORS OF CIMENTS FRANÇAIS SEPTEMBER 2010**

### **RECITALS**

The Directors of CIMENTS FRANÇAIS (hereinafter the “Company”) have resolved to comply with the following operating rules which represent the Rules of Procedure of the Board of Directors.

In particular, the purpose of these Rules is to:

- specify the “**composition, role and powers**” of the Board of Directors vis-à-vis General Meetings by explaining or supplementing the existing legal and statutory provisions;
- optimise the effectiveness of the meetings and discussions (hereinafter “**Functioning**”), and to be used as a reference for the periodic appraisal of its Functioning carried-out by the Board;
- and, finally, enhance the Company’s management within the spirit of the “Corporate Governance” policy (hereinafter “**Transparency and Committees**”).

These Rules, which are simply internal provisions, are not intended to replace the Memorandum and Articles of Association, but to implement it from a practical viewpoint; as a result, they are not enforceable against third parties.

## **ARTICLE 1. COMPOSITION, ROLE AND POWERS OF THE BOARD**

### **a. Overview of Regulations:**

The Act of 15 May 2001 on the new economic regulations (called the “NRE Act”), as modified on 29 October 2002, provides, amongst other provisions, for a limitation on Directors holding several corporate offices (*cumul des mandats*):

- the same individual may not simultaneously hold more than five Directorships of French joint stock companies (*société anonyme*) having their registered office in France. This provision applies both to individuals holding Directorships in their own name and for individuals representing a legal-entity Director;
- as a departure from the foregoing, Directorships held in companies, controlled (within the meaning of Article L.233-16 of the French Commercial Code (*Code du Commerce*)) by each of the companies for which the individual is a Director, are not taken into account.

There are similar provisions for companies having a Management Board and a Supervisory Board, in which an individual may not simultaneously hold more than five corporate offices as Managing Director, Member of the Management Board, Sole Managing Director, Director or Member of the Supervisory Board, unless the abovementioned derogation were to apply.

### **a. Composition of the Board:**

The Board is composed of at least three Directors, with the maximum number being that set by legislation, who are appointed for a maximum six-year term, and who may be reappointed, to wit:

- at least 1/3 of independent Directors (a Director is independent when he/she has no relationship whatsoever with the Company, its Group or its Management, which could compromise his/her exercising their freedom of judgement<sup>1</sup>), and
- a maximum of 2/3 of non-independent Directors, including the Chairman and Managing Director (hereinafter the “Chairman”).

### **b. The Board undertakes to:**

- keep its autonomy of judgement,
- assure itself of the competence and experience of Directors,
- assess the independent status of [Directors],

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<sup>1</sup> Definition provided in the MEDEF / AFEP Report, “*Pour un meilleur gouvernement des entreprises cotées*” (23 Septembre 2002).

In accordance with AMF (French Stock Market Regulatory Body) recommendation no. 2002-01, the shares owned by Directors<sup>2</sup> or permanent representatives are registered (directly-registered shares or administered shares). The Directors, permanent representatives, and the individuals and legal entities bound to them, shall declare transactions on the Company's shares and the related financial instruments to the AMF and CIMENTS FRANÇAIS, within five trading days of having carried-out such.

**c. Role and powers of the Board:**

→ *In accordance with effective legal provisions:*

The Board of Directors is responsible for deciding upon the directions of the Company's business activity and for ensuring that such are implemented. Subject to the powers expressly bestowed on General Meetings and within the limit of the corporate purpose, it may assume responsibility for any questions relating to the Company's due and proper functioning and settle any matter concerning it.

Moreover, under legislation, the Board has several specific responsibilities:

- Convening General Meetings and setting the agenda;
- Drawing-up the corporate financial statements, the consolidated financial statements and the annual management report;
- Establishing provisional management documents and the corresponding reports;
- Authorising the related-party agreements executed between the Company and any of its Corporate Officers or Shareholders owning more than 10% of the share capital;
- Co-opting Directors;
- Appointing or removing the Chairman of the Board and, where applicable, the Managing Director and the Deputy Managing Directors and setting their compensation;
- Appointing the Members of the Board's Committees;
- Paying-out directors' fees;
- Deciding to increase the share capital under a delegation of authority granted by an Extraordinary General Meeting;
- Issuing bonds;
- Authorising guarantees, endorsements and sureties, subject to the annual allowance delegated to the Chairman;
- Choosing whether Senior Management should be assumed by one person or two people;
- Transferring the registered office under legal conditions.

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<sup>2</sup> Article 16 of the Company's Memorandum and Articles of Association provides that Directors shall own at least fifty shares.

→ *Over and above the legal, regulatory and statutory requirements, by these Rules of Procedure:*

1. The Board is kept regularly informed, either directly or through its Committees, of any significant event impacting on the Company's business affairs.
2. All Directors shall receive, in due time, all information enabling them to carry out their duties and, in particular, any significant information enabling the due and proper implementation of the strategy decided upon by the Board to be assessed.

Any request for additional information made by a Director in this respect, and the reply provided by CEMENTS FRANÇAIS, shall be sent to all the other Directors so as to ensure equality of information. This information is covered by the non-disclosure obligations set forth in Article 4.

The Directors may meet with the Group's managers after having duly informed Senior Management.

3. At least once every three years, the Board shall conduct an appraisal of its Functioning, to wit:
  - review its Functioning methods,
  - verify that the major issues are satisfactorily prepared and discussed.

The Board shall inform the Shareholders thereof in the Company's Annual Report.

4. The Board examines and discusses major transactions beforehand and, in particular:
  - the Group's strategic directions,
  - the strategic industrial partnership and cooperation agreements,
  - major internal and external investments.

At least twice a year, the Board of Directors shall be informed of the Company's financial and cash position and its commitments.

→ *Under Article 19 of the Memorandum and Articles of Association*

The Board may decide to set-up Board Committees (hereinafter the "Committees"), responsible for studying matters referred to them for examination by either the Board or its Chairman. It sets the composition (from amongst its Members) and the responsibilities of these Committees, without such responsibilities being intended to delegate the powers attributed to the Board itself, by legislation or the Memorandum and Articles of Association, to said Committees. The Committees carry-out their work under the responsibility of the Board.

The role and functioning of these Committees are set forth in Article 3 of these Rules of Procedure.

The Board's Committees have a solely internal role within the Company and have no powers vis-à-vis third parties.

## **ARTICLE 2. FUNCTIONING OF THE BOARD**

### **a. Meetings of the Board of Directors:**

#### **Preparation of Board Meetings:**

The Chairman is responsible for convening Board Meetings and for chairing discussions. In the event of the Chairman's unavailability, the Vice-Chairman or, otherwise, a Director designated by the other Board members in attendance shall assume the same duties and have the same prerogatives.

Invitations are sent by mail, the Internet or fax. They are sent by the Secretary of the Board. The Chairman sets the agenda of Board Meetings.

The Chairman, assisted by the Secretary of the Board, is responsible for sending appropriate information to the other Members of the Board.

#### **Holding Board Meetings:**

The Board of Directors meets at least once a quarter at the Company's registered office or at any and all other French or foreign site as stated in the invitation.

In order to calculate quorum and majority, Directors participating in Board Meetings using videoconferencing or telecommunications' equipment, the nature and conditions of application of which are determined by effective regulations, are deemed as being present, subject to the reservations provided for by said regulations; indeed, specific business (appointment / removal of the Chairman, Managing Director and Deputy Managing Directors; approval of the corporate and consolidated financial statements) still require the actual presence of the Directors in the same place.

An attendance register shall be kept at the registered office which shall be signed by all Board Members participating in Meetings of the Board of Directors and which shall mention the name of the Directors deemed as being present within the meaning of Article L.225-37 of the French Commercial Code (videoconferencing).

The Secretary of the Board of Directors shall sign the margin of the attendance register in lieu of the Directors who, attending Board Meetings using videoconferencing or telecommunications' equipment, shall be unable to sign said register (for themselves and for those for whom they are acting as proxy).

### **Minutes of Board Meetings:**

Minutes of the discussions are drawn-up by the Secretary of the Board for each Board Meeting and the former are filed in the register of minutes.

The minutes of the meeting shall state the name of the Directors in attendance, those deemed as being in attendance within the meaning of Article L.225-37 of the French Commercial Code, and those who were excused or absent. They shall mention the presence or absence of the persons invited to attend the Board Meeting under a legal provision, and the presence of any and all other person having attended all or part of the Meeting. The occurrence of a technical incident affecting the videoconferencing or telecommunications' equipment when such disrupted the progress of the Meeting shall also be noted.

The videoconferencing and telecommunications' equipment referred to in the third paragraph of the abovementioned Article shall have technical features enabling persons to be identified and shall guarantee effective participation in the Board Meeting, with the discussions being retransmitted without interruption.

### **b. Compensation of Members of the Board of Directors:**

The amount of directors' fees set by General Meetings under Article 20 of the Memorandum and Articles of Association is distributed by the Board of Directors amongst the Members of the Board and its various specialist Committees according to the following criteria:

- Board Members: a fixed part, and a variable part relating to their actual attendance at Board Meetings;
- Committee Members: a variable part relating to their actual attendance at Committee Meetings;
- Committee Chairmen: a fixed part in addition to the variable part.

## **ARTICLE 3. TRANSPARENCY AND COMMITTEES**

### **a. Setting-up Committees – common provisions:**

The following Committees have been established by the Board:

- an Appointment and Compensation Committee;
- an Audit Committee.

The role of these Committees is to study and prepare certain Board business. In their specialist field, they make proposals, recommendations and provide opinions, accordingly.

Established under Article R.223-29 of the French Commercial Code (*Code du Commerce*), the Committees only have consultative power and act under the Board's authority. They do not replace the latter and report to it whenever necessary and, in all cases, at least the same number of times as Committee Meetings are held during the year.

Committee Members are appointed by the Board, personally and they may not have themselves represented.

The term of office of Committee Members is the same as their term of office as Directors. The term of office of a Committee Member may be renewed at the same time as that of a Director.

The Board designates a Chairman within each Committee (and, where applicable, a Secretary) for an identical term as that of his/her duties.

All Committee Meetings are convened by the Committee Chairman (or, by the Secretary, if one has been appointed). The Committee decides upon the frequency of its Meetings which are held at the Company's registered office or at any and all other place as decided upon by the Committee Chairman. However, owing to the Committees' international composition, Committee Meetings may, if necessary, be held by audio or videoconferencing, or by any and all other appropriate means of remote transmission. Each committee meeting is valid only if at least half of its members are attending the meeting.

The Chairman of each Committee draws-up the agenda for each Meeting and chairs the discussions. The Secretary is responsible for establishing the minutes of each Meeting which shall be filed by the Secretary of the Board in a special register.

The Committee Chairman or a Committee Member shall report on the work of each Committee at the next Board Meeting; the work of the Committees is described in the Annual Report.

As and when required, any Committee may decide to invite the persons of its choice to its Meetings. The Committee may also request assistance from external specialists.

The compensation of the members of each Committee is subject to terms and conditions set by the Board, and taken from the annual global directors' fee allowance. From said annual global amount, the Board shall decide upon the amount to be distributed to each Committee.

In addition to the permanent specialist Committees which it has established, the Board may decide to set-up *ad hoc* Committees for projects which are exceptional in terms of their scope or specificity with their term being limited to the period required to conduct the study.

#### **b. Appointment and Compensation Committee:**

In particular, this Committee is responsible for preparing the Board's decisions and for making recommendations to it in the following areas:

##### **1. Appointments**

1.1. The selection of applicants for Directorships, suggestions for the appointment of the Chairman of the Board of Directors, the Managing Director and the Deputy Managing Directors and the Committee Chairmen.

1.2. Classifying Directors as independent.

## **2. Compensation**

2.1 The compensation of the Chairman of the Board of Directors, the Managing Director and the Deputy Managing Director(s): by referring to general compensation practices in equivalent French or foreign Groups, the Committee is responsible for:

- recommending fixed compensation levels to the Board on an annual basis;
- defining the criteria for the variable part of the compensation and applying such on an annual basis according to actual performance levels;
- examining the other forms of compensation and benefits in kind.

2.2. Where applicable, deciding upon a general compensation and benefit policy for senior executives (Executive Committee), including in respect of pensions and the examination of the individual circumstances of the members of Senior Management.

2.3. Any share subscription or purchase schemes ("stock-option" schemes) for the benefit of senior executives and employees, and the most-appropriate allocation categories in light of the practices applied by equivalent French or foreign Groups, by ensuring that the allocation periods are decided upon in advance.

2.4. Any capital increases reserved for employees.

The Committee meets whenever such is dictated by the Company's interest.

### **c. Audit Committee:**

The Audit Committee is composed of at least two thirds of independent Directors. Its mission, in conformity with Article L.823-19 of the French Commercial Code, is to review the:

- a) Elaboration process of the financial information ;
- b) Efficiency of the internal control and risk management systems;
- c) Legal auditing by the statutory auditors of the annual accounts and, when applicable, of the consolidated financial statements;
- d) Independence of the statutory auditors.

The Audit Committee makes a recommendation on the auditors proposed by the General Assembly.

In particular, it reviews:

- the relevance and consistency of the accounting methods used to draw-up the financial statements and the coherence of the internal audit systems introduced in liaison with the Statutory Auditors and the internal audit department;
- the risk-mapping, and the efficiency of the internal control and risk management systems;

- the major off-balance sheet risks and commitments, the Group's audit plan and the Statutory Auditors' work schedule;
- the implementation of the Statutory Auditors' recommendations;
- with the Administrations & Control Department and the Statutory Auditors, the draft yearly, half-yearly and quarterly financial statements of both the company and the consolidated Group in order to facilitate their approval or review by the Board;
- the interim financial and management reports of the Group;
- the draft reports of the Chairman to the General Meeting;
- the draft financial releases when such are referred to it.

On an annual basis, it reviews the agreements executed between CEMENTS FRANÇAIS and ITALCEMENTI, so as to ensure that said agreements are totally neutral and reports thereon to the Board.

Finally, it provides an opinion on the Group's major, significant financial transactions prior to such being referred to the Board by the Chairman.

It assesses the Statutory Auditors and advises the Board of its recommendations; it monitors their periodic reports and verifies their independence; it expresses an opinion on their fees.

The Committee shall regularly examine the scope of consolidated companies and, where applicable, the reasons why some Group companies are not included therein.

The reports on the work provided to the Board should enable the latter to be kept fully informed of the weaknesses, irregularities and dysfunctions the Committee may have heard about, and of its recommendations and conclusions of such work.

The Audit Committee meets at least four times per year and whenever such is dictated by the Company's interest.

#### **ARTICLE 4. CONFIDENTIALITY AND PRUDENTIAL RULES**

Each Director and each Committee Member undertakes to comply with the following obligations:

- compliance with legal and regulatory obligations, the Company's Memorandum and Articles of Association, these Rules of Procedure and their prudential rules;
- an undertaking to inform the Board of any one-off situation of conflict of interests, even if such is only potential, and not to vote on the corresponding resolution;
- an undertaking to participate in all Board Meetings or, where applicable, Meetings of the Committees to which they belong. Their presence at the Company's General Meetings is also recommended;
- as regards information which is not in the public domain acquired whilst carrying-out their duties, Directors or Committee members:
  - shall consider that they are bound by a strict non-disclosure obligation,

- shall consider that they are “permanent insiders” and, in this respect, refrain from trading the Company’s shares for fifteen calendar days prior to the date when the consolidated annual and half-yearly financial statements are published, and for eight days prior to the other Board of Directors’ Meetings and, more generally during the period between the date when they receive information which, if it was made public, could have a significant impact on the share price, and the date when said information is made public and, moreover, shall comply with the “*codice di comportamento*” (code of conduct) drawn-up by the ITALCEMENTI Group, a copy of which has been provided to all Directors.

The schedule of periods during which it is prohibited to trade CEMENTS FRANÇAIS shares shall be sent to the Directors in due time.

## **ARTICLE 5. NOTICES**

These Rules of Procedure, which were initially adopted by the Board, which duly noted such in a special resolution adopted at its Meeting of 3 April 2003, were modified for the last time on 15 September 2010; each incumbent Director has been provided with a copy hereof and they shall be subsequently sent to any and all newly-appointed Director or Committee Member, as well as when any further changes are made.