

Corporate Governance Report

Section A

The Company has adopted the 3rd Revised Edition of the Corporate Governance Code, issued by the Cyprus Stock Exchange in September 2012. At the date of this report the principles of the Corporate Governance Code are partly implemented, given that the Principle regarding Board Balance as well as Provision B.1.2 regarding the members of the Remunerations Committee are not met.

Section B

The Board

The Company is headed by the Board of Directors which at 31 December 2013 comprised two Executive and nine non-Executive Directors and is responsible to the shareholders for the proper management of the company Tsimentopiia Vassilikou Dimosia Eteria Ltd (Vassiliko Cement Works Public Company Ltd) and its subsidiaries. The non-Executive Directors comprised two independent Directors and seven non-independent Directors. The members of the Board (excluding the Chairman) comprised two independent non-Executive Directors and eight non-independent Directors of which one Executive and seven non-Executive Directors. The independent non-Executive Directors of the Board are Mr L. Lazarou and Mrs Rena Rouvitha Panou.

The Board of Directors of the Company as at the date of this report comprises the following members:

Antonios Antoniou – Executive Chairman

Maurizio Caneppele – Executive Vice-Chairman

George St. Galatariotis – non-Executive Director

Costas St. Galatariotis – non-Executive Director

Stavros G. Galatariotis – non-Executive Director

Costas Koutsos – non-Executive Director

Charalambos Panayiotou – non-Executive Director

Leondios Lazarou – Independent non-Executive Director

Serge Schmidt – non-Executive Director

Rena Rouvitha Panou – Independent non-Executive Director

Maurizio Mansi Montenegro – non-Executive Director

The Company's shares are traded in the Parallel Market of the Cyprus Stock Exchange. Corporate governance provisions regarding Board Balance for Companies listed in the Parallel Market provide that the majority of the non-Executive Directors, or at least 2 Directors, have to be independent non-Executive Directors. The Company complies with the above Board Balance provision since two members of the Board are Independent non-Executive Directors. Based on the provisions of the

Corporate Governance Code, and given that the Board of Directors is comprised of two Independent non-Executive members and nine non-Independent members (executive and non-executive), Board Balance is not met according to Principle A.2 of the Corporate Governance Code.

Mr. Leondios Lazarou, independent non-Executive Director, was appointed on 31 July 2008 as Senior Independent Director. The Senior Independent Director of the Company is available to shareholders if they have concerns that have not been resolved through the normal channels of contact with the Executive Chairman, the Executive Vice-Chairman or the General Manager or for which such contact is inappropriate. The Senior Independent Director will attend sufficient meetings of major shareholders and financial analysts to develop a balanced understanding of the issues and concerns of such shareholders. The Senior Independent Director can be contacted initially via the Company Secretary at the Registered Office of the Company.

The Board has six scheduled meetings a year, setting and monitoring the Group's strategy, reviewing trading performance, ensuring adequate funding, examining major capital expenditure, formulating policy on key issues and reporting to shareholders where appropriate. The Board of Directors convened 7 times during 2013. In accordance with best practice, the Board has established the Audit Committee, the Remunerations Committee and the Nominations Committee as per the requirements of the Code. The Company Secretary is responsible to and appointed by the Board and all Directors have access to her advice and services. Directors may obtain independent professional advice if necessary, at the Company's expense. Formal agendas, papers and reports are supplied to Directors in a timely manner, prior to Board meetings. Briefings are also provided at other times, for example, through operational visits and business presentations.

Chairman and General Manager

There is a division of responsibility for the management of the Group between the Executive Chairman, and the General Manager.

The Executive Chairman, Mr. Antonios Antoniou, has, among others, the following duties & responsibilities:

- Determines the Agenda of the meeting of the Board of Directors.
- Chairs the Meetings of the Board of Directors and the General Meetings of the Shareholders of the Company.
- Reviews the information and documents and confirms their relevance in order to be submitted to the Members of the Board of Directors prior to the Board Meetings.
- Reviews the strategy of the Group with the Vice-Chairman and the General Manager of the Company.
- Represents the Company in all its major dealings.

- Meets with the major shareholders of the Company and conveys their suggestions to the Board of Directors.
- Cooperates with the Vice-Chairman and the General Manager of the Company to determine the strategic targets of the Group according to the developments of the sector within which the Group operates and secures the thorough appraisal of the Company's strategic or other development proposals and the presentation thereof to the Board of Directors for final approval.
- Evaluates and promotes together with the Vice-Chairman various other proposals of the General Manager.
- Represents together with the General Manager and /or selective members of the Management Team the Company at various meetings for the promotion of the strategic targets of the Company.
- Identifies the Company's major and other stakeholders and formulates a clear policy on communicating or relating with them through an effective investor relations program.
- Develops and maintains effective relationships with the stakeholders involved in the Company's life, ensuring the continuity and development of the business.
- Supervises the internal control system, secures the proper implementation of the Company's targets and updates the Board of Directors on the related progress.
- Holds periodic meetings with the management of the Company to discuss various specific subjects.

The General Manager of the Company, Mr. George Sideris, among others, has the following duties & responsibilities:

- Manages the Company in line with the strategy and the commercial targets determined by the Board of Directors and in compliance with all relevant laws, regulations, Corporate Governance codes as well as internal policies and procedures.
- Ensures the daily smooth operation of the Company in line with the policy, the targets and the budgets approved by the Board of Directors.
- Ensures timely and effective implementation of the strategic resolutions of the Board of Directors in agreement with the Executive Chairman and the Vice Chairman.
- In cooperation with the Executive Chairman manages the business development of the Company's activities, its subsidiaries and associates.
- Regularly informs the Executive Chairman and the Vice-Chairman regarding all the major issues of the Company, including the current status of the operations of the Company.
- Implements procedures to ensure existence of efficient internal control system.

- Defines and introduces appropriate rules, measures and procedures to govern operations at risk.
- Identifies the main business risks and approves the relevant action plans to mitigate them.

Appointments to the Board

The Nominations Committee is chaired by Mr. G. St. Galatariotis (non-Executive Director) and is composed of three other Directors, Messrs M. Caneppele (Executive Vice-Chairman), C. Koutsos (non-Executive Director) and L. Lazarou (Independent non-Executive Director). The majority of the members of the Committee are non-Executive Directors. The Nominations Committee is responsible for the selection and nomination of any new Director, for the Board's consideration. The Committee is responsible to carry out a selection process. Upon the appointment of a new Director, appropriate training is provided as required. In accordance with the Articles of Association of the Company and the Corporate Governance Code, four out of the eleven Directors of the Company retire by rotation every year (each Director retires every two or three years) and, if eligible, may offer themselves for re-election. The Board has set the 75th year of age as the year of retirement.

Relations with shareholders

Importance is attached to maintaining a dialogue with the Company's institutional shareholders. The Annual General Meeting is used as a forum for communicating with shareholders, providing briefings on the Company's performance during the year under review and current business activity. There will be an opportunity for shareholders to meet with and put questions to the Directors, including the chairmen of the Audit, Nominations and Remunerations Committees. At Annual General Meetings, separate resolutions are proposed on each substantially separate issue and the number of proxy votes received for and against each resolution is announced. Members with voting rights of 5% may place items on the agenda of Annual General Meetings by submitting such items, either in hard copies or soft copies (electronic), accompanied with relevant explanations, at least 42 days before the date of the Annual General Meeting. Notices of Annual General Meetings are sent to the shareholders at least 21 days before the meeting. The Board of Directors appointed Mr. George Savva as Investor Liaison Officer to facilitate better communication with shareholders and investors.

Financial reporting

The preparation and presentation of this report and financial statements and other price sensitive public reports, seek to ensure that reports are prepared in a way that represents a balanced and understandable assessment of the Group's position and prospects.

Internal control

Risk assessment and review is carried out by the executive management with details of significant risks being documented. Periodic reports relating to significant risks and associated controls are

prepared from this documentation and presented to the Board for its review. The Board has overall responsibility for the Group's systems of internal control and for reviewing their effectiveness on an annual basis, as well as of the procedures which confirm the accuracy, completeness and validity of the information that is provided to the investors. The review covers all systems of internal control, including financial and operational systems, as well as compliance systems and systems for the management of risks, which threaten the attainment of the Company's objectives. On the basis of the process described above during the year the Internal Auditors prepare Internal Audit Reports addressed to the Audit Committee which informs the Board through its Annual Internal Audit Report. According to the Internal Auditors Reports, the systems of internal control do not present any significant weaknesses. The Board has reviewed the key risks inherent in the Group, together with the operating, financial and compliance controls that have been implemented to mitigate those key risks. However, any system of internal control can provide only reasonable and not absolute assurance against material misstatement or loss. The Board has put in place an organisation structure with clearly defined lines of accountability and delegated authority. The principles have been designed to establish clear local operating autonomy within a framework of central leadership, stated aims and objectives. Procedures were established for business planning, budgeting, capital expenditure approval and treasury management. The Executive Directors regularly review the operating performance of each business and monitor progress against business plans.

Audit committee and auditors

The Audit Committee comprises of Messrs C. St. Galatariotis (Chairman of the Committee - non-Executive Director), L. Lazarou (Independent non-Executive Director) and R. Rouvitha Panou (Independent non-Executive Director). The majority of the members of the Audit Committee are Independent non-Executive Directors. The Committee meets at least twice a year and provides a forum for reporting by the Group's external and internal auditors who have access to the Committee for independent discussion, without the presence of the Executive Directors. The Audit Committee reviews a wide range of financial matters including the annual and quarterly results, statements and accompanying reports, before their submission to the Board and monitors the controls which are in force to ensure the integrity of the financial information reported to shareholders. The Audit Committee also advises the Board on the appointment of external auditors and on their remuneration both for audit and non-audit work. The Group's internal audit function is outsourced to PricewaterhouseCoopers Ltd, a professional Auditors Firm, which monitors the internal control systems and reports to the management and to the Audit Committee. The Internal Auditors of the Company perform their duties with the technical assistance of the Italcementi Group Internal Audit Department, whenever their expertise is required. Management is responsible for the implementation of the recommendations made by internal audit that carry out post-implementation reviews. The external auditors carry out independent and objective reviews and tests of the internal financial control processes, only to the extent that they consider necessary to form their judgement when expressing their audit opinion on the accounts.

Going concern

After making appropriate enquiries, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts and state that the Company intends to operate as a going concern for the next twelve months.

Remunerations Committee

The Remunerations Committee comprises of three non-Executive Directors. The members of the Remunerations Committee are Messrs Ch. Panayiotou (non-Executive Director), S. Schmidt (non-Executive Director) and St. Galatariotis (non-Executive Director). The Committee is chaired by Mr. Ch. Panayiotou who has knowledge and experience in remuneration policy. All the members of the Remunerations Committee, even though they are non-Executive Directors, are not independent directors according to the criteria of independency of a director as these are defined by the provision A.2.3. of the Corporate Governance Code. The Committee will usually meet at least once a year. The Group Executive Chairman and Vice-Chairman will normally be invited to attend its meetings in order to make recommendations regarding the remuneration of the Executive Directors (other than their self) and the General Manager. The Committee periodically reviews the remuneration policy for the Executive Directors and the General Manager. Independent external legal and consultancy advice is obtained when necessary. The Group Executive Chairman and Vice-Chairman are not present when their own remunerations are discussed. The Remuneration policy of the Directors of the Company is included in the Remunerations Report (page 8).

Directors seeking re-election

All the Directors are subject to election by the shareholders at the first Annual General Meeting that follows their appointment and thereafter retire every two to three years. According to the Articles of Association, one third of the eleven Company Directors retire from the Board at each Annual General Meeting. The Directors liable to retirement according to the above provisions are those who served as members of the Board for the longest period since their last election.

In accordance with the Company's Articles of Association (Article 92), at the next shareholders Annual General Meeting Messrs Costas St. Galatariotis (Non-Executive Director), Leondios Lazarou (Independent Non-Executive Director), Charalambos Panayiotou (Non-Executive Director) and Rena Rouvitha Panou (Independent Non-Executive Director) shall retire from office by rotation and, being eligible, shall offer themselves for re-election.

Loans and guarantees granted to Directors

No loans and/or guarantees were granted to the Directors of the Company or to Directors of any subsidiary or related company, either by the Company itself or by its subsidiary or related companies, and there are also no monies receivable from any company a Director and/or any person related to him, is involved with.

Compliance with the Code of Corporate Governance Officer

The Board of Directors appointed Mr. George Savva, Financial Manager of the Company, at the position of Compliance with the Code of Corporate Governance Officer.

Board of Directors Confirmation

The Board of Directors assures that to the best of its knowledge, there has been no violation of the Securities and Stock Exchange of Cyprus Law and Regulations.

Remuneration Report

The Remuneration Report of the Company for the year 2013 has been prepared according to Appendices 1 and 2 of the Corporate Governance Code.

Remunerations Committee

The Remunerations Committee of the Board is responsible for ensuring that the remuneration packages awarded to Executive Directors are appropriate to individual levels of responsibility and performance, are consistent with the Company's remuneration policy, and are in line with the principles of the Corporate Governance Code.

Remuneration policy

The Board's policy is to employ high calibre people for its key positions. It requires a corresponding level of performance from those people and seeks to reward accordingly. The Group may commission special reviews from time to time to assess the Directors' compensation levels. Account is taken of the salary and total remuneration levels prevailing in comparable jobs both inside and outside the Construction and Building Materials sector, together with the individual performance and contribution of each Executive Director.

The remuneration of the Executive Chairman and the Executive Vice-Chairman consists of base salary only.

The remuneration of the General Manager includes variable-pay components to ensure that the executive remuneration is linked to the Company's performance. A maximum limit of the variable-pay component is set. The non-variable component is sufficient remuneration when the variable remuneration is not earned on the basis of the targets set. The Board considers that packages of this nature are consistent with prevailing practice and are necessary to attract, retain and reward executives of the calibre the Group requires. In framing the policy, the Board has given full consideration to the provisions of the Corporate Governance Code. For 2013, given the uncertainty of the local economy and domestic market, targets were not set and therefore there was zero variable component in the remuneration of the General Manager.

The base salary of the Executive Board Members is considered sufficient to attract and retain high-calibre management needed to achieve the Company's business objectives and is determined based on level of responsibility and experience.

The annual incentive plan rewards for the performance of the previous year and is paid in cash. The maximum bonus payment is expressed as a percentage of base salary and is based on targets set by the Remunerations Committee at the beginning of the performance period. The targets relate to the Company's financial performance, costs containment measures and to the Group's long-term viability, include non-financial criteria relating to development and creating long term value for the Group.

In addition to the base salary and incentive plan participation, the General Manager enjoys the same benefits as other employees of the Company, which include provident fund and medical fund.

No significant changes were made to the remuneration policy of the Company for year 2013 compared to the previous year.

The total remunerations of the Executive Directors under their capacity as Executives for the year 2013 were €100.142.

Pension Scheme

All the Employees of the Company including the General Manager and the Executive Chairman are members of the Company's Provident Fund, which is a defined contribution scheme. No other additional pension schemes exist for any of the Executive Members of the Board.

Employment contracts

Employment of Executive Directors are for indefinite periods, however notice periods do not exceed one year as per the requirements of the Corporate Governance Code. In case of termination by the Company of the employment of Executive Directors, prior to their retirement, the Company has to compensate the Executive Directors according to the provisions of the Law.

Non-Executive Directors

The remuneration of the Directors, both Executives and non-Executives, for services rendered to the Company as Directors, is determined by the annual general meeting of the Company on the proposal of the Board. The non-Executive Directors have letters of appointment for a three-year term. They do not participate in any profit sharing, share option or other incentive scheme. The remunerations for each of the Directors for 2013 were €6.000 and €8.000 for the Chairman and €200 per meeting for attendance in person.

The remuneration of the Directors, Executives and non-Executives, under their capacity as Directors of the Company and as members of the Board of Directors' Committees as well as under their capacity as Executive Directors for 2013 was as follows:

Directors	Fees as Members of the Board and its Committees	Fees and emoluments as Executives	Other Benefits	Social Benefits	Provident Fund	Total Remuneration
	€	€	€	€	€	€
Executive Directors						
<i>Antonios Antoniou</i>	12.000	85.000	4.800	4.624	5.718	112.142
<i>Maurizio Caneppele</i>	3.874					3.874
<i>Fabrizio Donegà</i>	3.726	-	-	-	-	3.726
Non-Executive Directors						
<i>George St. Galatariotis</i>	10.200	-	-	-	-	10.200
<i>Costas St. Galatariotis</i>	8.400	-	-	-	-	8.400
<i>Stavros G. Galatariotis</i>	8.000	-	-	-	-	8.000
<i>Costas Koutsos</i>	7.800	-	-	-	-	7.800
<i>Charalambos Panayiotou</i>	10.400	-	-	-	-	10.400
<i>Leondios Lazarou</i>	11.200	-	-	-	-	11.200
<i>Serge Schmidt</i>	7.200	-	-	-	-	7.200
<i>Rena Rouvitha Panou</i>	7.200	-	-	-	-	7.200
<i>Maurizio Mansi Montenegro</i>	3.274					3.274
<i>Paolo Catani</i>	3.326	-	-	-	-	3.326
	96.600	85.000	4.800	4.624	5.718	196.742

Loans and guarantees granted to Directors

No loans and/or guarantees were granted to the Directors of the Company or to Directors of any subsidiary company or to their related parties by the Company and its subsidiary companies.