



REPORT ON REMUNERATION

pursuant to art. 123-ter of Legislative Decree 58/1998 and art. 84-quater of Consob Regulation no. 11971/1999

The present report on remuneration (the “**Report on Remuneration**”) was prepared pursuant to article 123-ter of Legislative Decree no. 58 dated February 24, 1998 (Testo Unico Finanza “**TUF**”, Consolidated Finance Act), and article 84-quater of Consob Regulation adopted through Resolution no.11971 of May 14, 1999 (“**Issuers’ Regulation**”), and was prepared in compliance with Attachment 3A, Schedules 7-bis and 7-ter of the same Regulation.

The Report on Remuneration comprises the following sections:

- Section I illustrates the policy adopted by the Company for the remuneration of directors, general managers and managers with strategic responsibilities applicable for at least one year ahead, in addition to the procedures followed in the adoption and implementation of such policy;
- Section II, with regard to the remuneration of directors and statutory auditors, and, in aggregate form, to the compensation of managers with strategic responsibilities:
 - supplies an adequate representation of each of the components of the remuneration, including compensation at the expiration of the appointment or termination of employment, highlighting the consistency of the same with the remuneration policy of the Company approved in the previous year;
 - illustrates analytically compensation paid in the year for any reason and in any form by the Company and its subsidiaries, highlighting components of said compensation that relate to work carried out in previous years and showing also compensation to be paid in subsequent years for work carried out in the year, indicating where appropriate an estimate for components that may not be quantified in the year to which the report refers.

SECTION I

The present section of the Report on Remuneration describes the basic guidelines of the remuneration policy adopted by the Company (hereinafter the “**Remuneration Policy**”).

The Remuneration Policy defines the principles and guidelines followed by Cembre S.p.A. (“**Cembre**”, the “**Company**” or also the “**Issuer**”) in determining the retribution of Directors and managers with strategic responsibilities, and in monitoring the application of the same.

The Remuneration Policy was drafted following also the recommendations of the Code of Conduct promoted by Borsa Italiana S.p.A. (the Italian Stock Market) in March 2006, as subsequently amended.

The Remuneration Policy was approved by the Board of Directors on November 11, 2011 upon proposal of the Remuneration Committee.

Pursuant to the By-laws and applicable laws, the term of the Board of Directors currently in office will expire with the approval by the Shareholders' Meeting of the financial statements at December 31, 2011. The

Company does not expect to make substantial changes to the remuneration policy following the appointment of the new Board of Directors by the Shareholders' Meeting that will be called in April 2012. Any change to the Remuneration Policy made by the Company in the future will in any case be reported and described in future reports on remuneration.

As provided by Consob Regulation no. 1172 of March 12, 2010 on operations with related parties, as subsequently modified ("**Related Parties Regulation**") and ratified in the Company's internal procedure adopted on November 11, 2010 – available on the Company's institutional web site www.cembre.it in the Investor Relations section – the approval of the Remuneration Policy by the Shareholders' Meeting exonerates the Company from applying said procedure in resolutions of the Board of Directors regarding the remuneration of Directors and managers with strategic responsibilities whenever these resolutions are consistent with the Remuneration Policy. Pursuant to article 13, comma 1 of the Related Parties Regulation, moreover, said procedure does not apply to Shareholders' Meeting resolutions made pursuant to article 2389, comma 1, of the Italian Civil Code relating to the compensation of members of the Board of Directors and of the Executive Committee, nor to the resolutions on the compensation of Directors holding proxies that fall within the total amount resolved by the Meeting pursuant to article 2389, comma 3, second paragraph of the Italian Civil Code.

a) corporate bodies or individuals involved in the drafting and approval of the remuneration policy, specifying the respective roles, corporate bodies and individuals responsible for the correct application of said policy

Main individuals and corporate bodies involved in the drafting and approval of the Remuneration Policy are the Board of Directors, the Remuneration Committee, the Shareholders' Meeting and the Board of Statutory Auditors.

Board of Directors

The Board of Directors:

- appoints among its members a Remuneration Committee
- determines the remuneration of Directors holding particular proxies, after receiving the opinion of the Board of Statutory Auditors and upon proposal of the Remuneration Committee, within the total amount resolved by the Meeting pursuant to article 2389, comma 3, second paragraph of the Italian Civil Code, and article 21 of the By-laws;
- defines the Remuneration Policy upon proposal of the Remuneration Committee;
- approves the Report on Remuneration, pursuant to article 123-ter, TUF, and article 84-*quater* of the Issuers' Regulation;
- drafts possible stock option plans and share-based benefit plans for Directors, employees and associates, including managers with strategic responsibilities, submits them to the approval of the Shareholders' Meeting pursuant to article 114-*bis*, TUF, and oversees their implementation.

Remuneration Committee

The Remuneration Committee of the Company, created within the Board of Directors as provided in the Code of Conduct, is made up by non-executive directors and independent directors.

The Remuneration Committee is responsible for:

- formulating to the Board of Directors proposals as to the remuneration, including possible stock option plans and share-based benefit plans of Managing Directors and of Directors holding particular positions;
- formulating to the Board of Directors, upon indication of the Managing Directors, proposals for setting the criteria for the remuneration of the Company's top management;
- evaluating periodically the adequacy, overall consistency and application of the Remuneration Policy for executive Directors, of other Directors holding particular proxies, and of managers with strategic responsibilities, making use in this respect of information provided by the Managing Directors.

Shareholders' Meeting

With regard to remuneration, the Shareholders' Meeting:

- determines the compensation of the members of the Board of Directors and the Board of Statutory Auditors pursuant to article 2364, comma 1, paragraph 3, and where appropriate of article 2389, comma 3, of the Italian Civil Code, and of article 21 of the By-laws;
- votes to approve the Remuneration Report drafted by the Board of Directors;
- resolves on possible stock option plans and share-based benefit plans for Directors, employees and associates, including managers with strategic responsibilities, pursuant to article 114-bis, TUF.

Board of Statutory Auditors

The Board of Statutory Auditors expresses its opinion on proposals regarding the remuneration of Directors holding particular proxies, pursuant to article 2389, comma 3 of the Italian Civil Code, verifying the consistency of the same with the Remuneration Policy.

b) possible appointment of a remuneration committee or other competent committee, describing its composition (distinguishing between non-executive and independent directors), its powers and the rules and procedures for its operation

The Committee was appointed originally with resolution of the Board on November 14, 2005 and subsequently, in its current composition, with resolution of the Board dated April 28, 2009.

The Board is made up by three members, chosen exclusively among non-executive directors, who are prevalently independent directors, and namely by:

- Fabio Fada – Independent Director – acting as Chairman;
- Giancarlo Maccarini – Independent Director;
- Giovanni De Vecchi – Non-executive Director.

Chairman Fabio Fada, has accounting and financial experience, as lecturing professor of Financial Statement Analysis and International Accounting Principles at the Economics Department of the University of Brescia and Registered Accountant (and is also a Public Accountant and Independent Auditor registered in the Public Accountant Register), that was deemed adequate by the Board at the time of the appointment.

The Committee is responsible for providing consulting and formulating proposals to the Board, as to the remuneration, of Executive Directors and Directors holding particular positions, in addition to managers

having strategic responsibilities.

The Remuneration Committee has consulting and prompting functions with regard to remuneration policies as specified in paragraph a) above.

Remuneration Committee meetings are carried out collegially and minutes are regularly kept. The Committee meets whenever its Chairman deems it necessary and periodically, as necessary in view of the tasks assigned to the Committee, or whenever a member of the Committee so requests, motivating his or her petition.

The Committee is validly convened when the majority of its members is present. Resolutions are passed by majority vote, excluding from it members abstaining from voting.

Directors do not take part in the meeting whenever proposals regarding their remuneration is formulated, discussed or voted upon. Managers responsible for particular tasks, independent experts and/or other subjects whose participation in the meeting is deemed useful, may be invited to take part in the meeting.

The Remuneration Committee makes use, in carrying out its task, of means and structures of the Company.

c) the name of experts that have taken part in the drafting of the remuneration policy, if any

The Company did not make use of the advise of independent experts in drafting its remuneration policy.

d) the stated aim of the remuneration policy, principles on which the policy is based and possible changes of the policy over the previous year;

The remuneration of directors is set so as to provide sufficient incentive to attract, keep and motivate persons possessing those professional qualities required to manage the Company with success, keeping into account the size of the Company and the sector in which it operates.

The remuneration of executive directors and managers with strategic responsibilities is set so as to align their interests with the achievement of the primary objective of creating value for shareholders with a medium to long-term horizon.

The remuneration of non-executive directors is not linked – other than a not significant portion – to the profits of the Company.

The Shareholders' Meeting resolves on the overall compensation of the Board of Directors, including possible individual compensation for directors holding particular positions. Within the limits set by the resolutions of the Shareholders' Meeting, the Board of Directors is responsible for integrating, where necessary, said resolutions by attributing compensation to individual directors, setting additional compensation for directors holding particular positions upon proposals made by the Remuneration Committee and having received the opinion of the Board of Statutory Auditors.

The Board of Directors also sets the remuneration of managers with strategic responsibilities. At the meeting of March 25, 2008, the Board of Directors verified that the management of the Company does not include managers with strategic responsibilities, as all decisions having a strategic relevance are taken by the Chairman of the Board and/or the Managing Director, in compliance with powers reserved to the Board of Directors. In this respect, the top management of the Group has not changed since such date.

e) the description of policies regarding fixed and variable components of remuneration, with particular regard to the indication of the weight given with respect to the overall compensation and distinguishing between short- and long-term components of variable retribution

With reference to the definition of fixed and possible variable components of remuneration, the Remuneration Policy keeps into account past resolutions of the Shareholders' Meeting in setting compensation of the Board of Directors.

In particular, the Shareholders' Meeting is accustomed to set the overall compensation of all Directors, including those holding particular positions, as allowed by article 2389, comma 3, second paragraph of the Italian Civil Code, and article 21 of the By-laws. The Board of Directors distributes this total amount, representing the maximum limit set by the Shareholders' Meeting, among its members in accordance with positions held by each and executive powers individually attributed. The Retribution Policy provides therefore for the attribution of a fixed compensation for the position of Director (set so as to keep into account, among other things, the need to contain costs), an attendance fee for participating in each meeting and the reimbursement of expenses incurred in carrying out the mandate.

The Board of Directors conferred executive powers to the Chairman and the Vice Chairman without assigning them a variable retribution. We remind that the Chairman and the Vice Chairman hold relevant stakes in the Company's parent, Lysne S.p.A., a holding company controlled by the Rosani family that controls the Company pursuant to article 93 of Legislative Decree 58/1998, with a 54.334% share. This ownership structure and the attribution of executive and strategic positions to persons that are a direct expression of the same, determines a control structure that the Board of Directors recognized in itself as sufficient to align interests of executive directors to those of all shareholders, independently from the setting of a variable component of their retribution, as specified in paragraph i) below.

f) the policy followed with regard to non monetary benefits

Members of Company boards and employees may be entitled to certain benefits, in consideration of their position and/or need in carrying out their tasks, that include: liability insurance policy for member of corporate boards, health insurance, on-the-job and off-the-job accident insurance, company car.

g) with reference to variable components, a description of performance objectives based on which variable remuneration is assigned, distinguishing between short and medium to long-term variable components, and information on the type of correlation between results achieved and the increase in the remuneration.

Not applicable as the Remuneration Policy does not provide for a variable component, as noted in paragraph e) above.

h) criteria used in valuing performance objectives based on the assignment of shares, options, other financial instruments or other variable components of remuneration;

Not applicable as the Remuneration Policy does not provide for a variable component, as noted in paragraph e) above.

i) information showing the consistency of the Remuneration Policy with the long-term objectives of the Company and the risk management policy, where formalized;

The Board of Directors conferred executive powers to the Chairman and the Vice Chairman without assigning to them a variable retribution. We remind that the Chairman and the Vice Chairman hold relevant stakes in the Company's parent, Lysne S.p.A., a holding company controlled by the Rosani family that controls the Company pursuant to article 93 of Legislative Decree 58/1998, with a 54.334% share. This ownership structure and the attribution of executive and strategic positions to persons that are a direct expression of the same, determines a control structure that the Board of Directors recognized in itself as sufficient to align interests of executive directors to those of all shareholders.

Managing Directors, therefore, though not entitled to receive compensation linked to the results of the Company, have in any case an interest, as shareholders of the same, in generating value for all shareholders through sound management that maximizes income while fostering the growth of the Company.

j) the period in which the rights mature (i.e. vesting period), possible deferred payment terms, indicating the term of the deferral and criteria used to set such term and, where provided for, ex post correction mechanisms

The Remuneration Policy does not provide for deferred payment terms.

k) information on possible clauses for the maintenance in a portfolio of financial instruments after their acquisition, indicating the term for which these will be held and criteria used in setting such term

The Remuneration Policy does not provide for the assignment of shares, options or other financial instruments.

l) the policy regarding the economic compensation provided for in case of termination of office or employment, specifying the circumstances that determine the entitlement to the right to a compensation and possible link between such compensation and the performance of the Company

The Company does not normally stipulate with Directors agreements providing for indemnities in case of termination of office or termination of employment/revocation of office without just cause, or in case employment or office is terminated as a result of a public offer to buy the Company's shares.

m) information regarding the existence of insurance coverage, health insurance or private pension plans, other than coverage provided according to applicable laws;

The Board of Directors resolved the underwriting of an insurance policy that covers third party liability of Directors and Statutory Auditors, for a total cost of €9,000.

n) the retribution policy possibly followed with regard to (i) independent directors, (ii) participation in committees, and (iii) positions covered (chairman, vice chairman, etc.);

Independent directors do not receive a variable compensation and receive only the fixed compensation set by the Board of Directors as determined in compliance with the limit set by the Shareholders' Meeting for the Board as a whole pursuant to article 2389, comma 3, of the Italian Civil Code.

Where the Shareholders' meeting has not already done so and whenever deemed appropriate, the Board of Director sets the annual compensation for the members of the Internal Control Committee, its Chairman, and members of the Remuneration Committee.

The remuneration of directors holding particular positions is described in paragraph e) above.

o) whether the retribution policy was set by using as reference the retribution policies of other companies, and where this is the case, the criteria used in the choice of such company

In setting its Remuneration Policy the Company did not make use as reference the retribution policies of other companies.

SECTION II

- Section II, with regard to the remuneration of directors and statutory auditors, and, in aggregate form, to the compensation of managers with strategic responsibilities:
 - supplies an adequate representation of each of the components of the remuneration, including compensation at the expiration of the appointment or termination of employment, highlighting the consistency of the same with the remuneration policy followed by the Company as approved in the previous year;
 - illustrates analytically compensation paid in the year for any reason and in any form by the Company and its subsidiaries, highlighting components of said compensation that relate to work carried out in previous years and showing also compensation to be paid in subsequent years for work carried out in the year, indicating where appropriate an estimate for components that may not be quantified in the year to which the report refers.

The present section, with regard to the remuneration of directors and statutory auditors, and, in aggregate form, to the compensation of managers with strategic responsibilities:

- supplies an adequate representation of each of the components of the remuneration, including compensation at the expiration of the appointment or termination of employment, highlighting the consistency of the same with the remuneration policy followed by the Company as approved in the previous year (Part One of Section II);
- illustrates analytically compensation paid in the year (2011) for any reason and in any form by the Company and its subsidiaries, highlighting components of said compensation that relate to work carried out in previous years and showing also compensation to be paid in subsequent years for work carried out in the year, indicating where appropriate an estimate for components that may not be quantified in the year to which the report refers (Part Two of Section II).

Part Three of Section II indicates also (applying criteria established in Attachment 3A, Schedule 7-ter of the Issuers Regulations), investments held in the Company and its subsidiaries by members of the Company's boards, by its general managers and by top managers with strategic responsibilities, or by the above's spouses not legally separated and minor sons and daughters, either directly or through companies controlled by the same, through trust companies or fiduciaries, as resulting from the Shareholders Register, by communications received and other information acquired by the same components of the corporate boards, general managers or top managers with strategic responsibilities.

Being a "minor size company" pursuant to article 3, comma 1, paragraph f) of the Related Parties Regulation, Cembre (i) may supply in aggregate form information on compensation received by managers with strategic responsibilities, other than the General Manager, and (ii) may provide information on existing agreements providing for indemnities to be paid in case of termination of office only with reference to executive directors and the Chairman of the Board of Directors.

We remind that, at the meeting of March 25, 2008, the Board of Directors verified that the management of the Company does not include managers with strategic responsibilities, as all decisions having a strategic relevance are taken by the Chairman of the Board and/or the Managing Director, in compliance with powers reserved to the Board of Directors. In this respect, the top management of the Group has not changed since such date.

SECTION II – PART ONE – ITEMS THAT MAKE UP REMUNERATION

Overall remuneration for the Board of Directors was set by the Shareholders' Meeting. Subsequently, the Board of Directors assigned individual compensations to directors keeping into account the position held, without setting any further compensation.

Members of the Board of Directors received a participation fee for every meeting of the Board attended, in addition to the reimbursement of expenses incurred in the context of their positions.

No compensation was set for members of the Internal Control Committee, of the Remuneration Committee and for members of the Monitoring Board pursuant to Legislative Decree 231/2001.

No compensation is set at the end of the mandate or in case of early termination of office or employment other than benefits provided by Law.

There exist no agreements providing for compensation in case of early termination of office or employment.

There do not exist agreements providing for the assignment or maintenance of non-monetary benefits in favor of persons whose employment or appointment is terminated, or contracts providing for consulting services for a term subsequent to that of the termination of the employment.

There do not exist agreements providing for compensation on non-competition agreements.

Despite the fact that the Company adopted the Remuneration Policy at the end of 2011, the components of remuneration paid to directors are consistent with said policy.

The remuneration of Managing Directors is made up by a fixed component set by the Board of Directors keeping into account the particular position, and in compliance with the maximum compensation resolved by the Shareholders' Meeting on April 28, 2009 pursuant to article 2389, comma 3, second paragraph of the Italian Civil Code and article 21 of the By-laws. The remuneration of non-executive directors is not linked to the economic performance of Cembre and the same are not the beneficiaries of share-based incentive plans as they receive a fixed remuneration set by the Board of Directors in compliance with the maximum compensation resolved by the Shareholders' Meeting on April 28, 2009 pursuant to article 2389, comma 3, second paragraph of the Italian Civil Code and article 21 of the By-laws.

SECTION II - PART TWO - COMPENSATION PAID TO DIRECTORS, STATUTORY AUDITORS AND TOP MANAGEMENT IN THE YEAR

The table below shows compensation paid in 2011 to Directors, Statutory Auditors, General Managers and other managers with strategic responsibilities.

	Position	Period	Term ending (1)	Fixed compensation			Compensation for committees	Non-equity variable compensation		Non-monetary benefits (2)	Other compensation	Total	Fair value of equity compensation	Post termination or retirement benefits
				Emoluments for position	Attendance fees	Salaries		Bonuses and other incentives	Profit sharing					
Giovanni Rosani	Chairman of BOD and Managing Director	Jan. 1, 2011 – Dec. 31, 2011	2012	148,002	400					5,050		153,452		
Giovanni Rosani <i>by a subsidiary</i>				9,000 (3)								9,000		
Giovanni Rosani Compensi totali				157,002	400					5,050		162,452		
Anna Maria Onofri	Vice-chairman and Managing Director	Jan. 1, 2011 – Dec. 31, 2011	2012	150,000	400					2,777		153,177		
Sara Rosani	Director	Jan. 1, 2011 – Dec. 31, 2011	2012	32,000	400					2,637		35,037		
Giovanni De Vecchi	Director	Jan. 1, 2011 – Dec. 31, 2011	2012	32,000	400							32,400		
Giovanni De Vecchi <i>by subsidiaries</i>				34,000 (3)						2,471 (5)		36,471		
Giovanni De Vecchi Compensi totali				66,000	400					2,471		68,871		
Aldo Bottini Bongrani	Director	Jan. 1, 2011 – Dec. 31, 2011	2012	32,000	300	103,000		93,000 (4)		3,332		231,632		136,334 (6)
Fabio Fada	Director	Jan. 1, 2011 – Dec. 31, 2011	2012	32,000	400							32,400		
Giancarlo Maccarini	Director	Jan. 1, 2011 – Dec. 31, 2011	2012	32,000	400							32,400		

continued

	Position	Period	Term ending (1)	Fixed compensation			Compensation for committees	Non-equity variable compensation		Non-monetary benefits (2)	Other compensation	Total	Fair value of equity compensation	Post termination or retirement benefits
				Emoluments for position	Attendance fees	Salaries		Bonuses and other incentives	Profit sharing					
Guido Astori	Chairman of BSA	Jan. 1, 2011 – Dec. 31, 2011	2012	44,652								44,652		
Andrea Boreatti	Auditor	Jan. 1, 2011 – Dec. 31, 2011	2012	31,420								31,420		
Leone Scutti	Auditor	Jan. 1, 2011 – Dec. 31, 2011	2012	30,727								30,727		
Compensation from company that prepares the financial statements				564,801	2,700	103,000	0	93,000	0	13,796	0	777,297	0	136,334
Compensation from subsidiaries				43,000						2,471	0	45,471	0	0
Total				607,801	2,700	103,000	0	93,000	0	16,267	0	822,768	0	136,334

Note

- (1) The expiration of the term coincides with the approval of the 2011 Financial Statements for both Board of Directors and Board of Statutory Auditors.
- (2) Consisting of fringe benefits represented by the use of a company car.
- (3) Remuneration for positions held in subsidiaries.
- (4) Variable part of retribution for employment linked to results.
- (5) Paid by General Marking Srl.
- (6) Amount accrued as “Termination indemnity” relating to employment as manager

SECTION II - PART THREE – INVESTMENTS HELD

SUMMARY OF INVESTMENTS HELD BY DIRECTORS AND STATUTORY AUDITORS

	COMPANY INVESTED IN	NO. OF SHARES AT DEC. 31, 2010	NO. OF SHARES PURCHASED	NO. OF SHARES SOLD	NO. OF SHARES AT DEC. 31, 2011	TITLE	OWNERSHIP
LYSNE S.P.A. (1)	Cembre S.p.A.	9,236,825	-	-	9,236,825	owned	direct
ANNA MARIA ONOFRI	Cembre S.p.A.	1,420,096	-	-	1,420,096	owned	direct
SARA ROSANI	Cembre S.p.A.	820,000	-	-	820,000	owned	direct
GIOVANNI ROSANI	Cembre S.p.A.	800,000	-	-	800,000	owned	direct
ALDO BOTTINI BONGRANI	Cembre S.p.A.	360,000	-	-	360,000	owned	direct
GIOVANNI DE VECCHI	Cembre S.p.A.	280,000	-	-	280,000	owned	direct
FABIO FADA	Cembre S.p.A.	4,700	-	-	4,700	owned	indirect
ANDREA BOREATTI	Cembre S.p.A.	1,500	-	-	1,500	owned	direct

Auditors and Directors not mentioned above did not possess shares of the Company at December 31, 2010 and did not acquire any Cembre S.p.A. share in 2011.

(1) The share capital of Lysne S.p.A., the parent of Cembre S.p.A., is held by Anna Maria Onofri, Giovanni Rosani and Sara Rosani.

Brescia, March 14, 2012

**The Chairman of the Board of Directors
of Cembre S.p.A.**

Ing. Giovanni ROSANI