

# REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

In compliance with Article 123-*bis* of the TUF

(Traditional governance and control model)

Issuer: PRYSMIAN S.p.A.

Website: [www.prysmiangroup.com](http://www.prysmiangroup.com)

Report for Financial Year 2017

Report approved on 27 February 2018

**Prysmian**  
Group

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## GLOSSARY

**Shareholders' Meeting:** General Meeting of the Shareholders of Prysmian S.p.A.

**The Code/Self-Regulation Code:** the Self-Regulation Code for listed companies - most recently amended in July 2015 - approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A. [Italian Stock Exchange], ABI [Italian Banking Association], ANIA [National Association of Insurance Companies], Assogestioni [Italian Association of Asset Management Companies], Assonime [Association of Italian Joint Stock Companies] and Confindustria [General Confederation of Italian Industry].

**Civil Code /C.C.:** Italian Civil Code.

**Board of Directors/Board:** the Prysmian S.p.A. Board of Directors.

**Financial Year:** the financial year of this Report.

**Group/Prysmian Group:** the Prysmian S.p.A. Company and the companies under its direct and indirect control.

**CONSOB Issuer Regulation:** issuer regulations set out by CONSOB [Italian National Commission for Listed Companies and Stock Exchange] with Resolution 11971 of 14 May 1999, as amended.

**Report:** the report on Corporate Governance and ownership structure as set out in Article 123-bis of the TUF.

**Remuneration Report:** report as set out in Article 123-ter of the TUF, drawn up pursuant to Article 84-quater of the CONSOB Issuer Regulation, available on the company website at [www.prysmiangroup.com](http://www.prysmiangroup.com) in the Investors/Corporate Governance/Remuneration policy section.

**Company or Prysmian:** Prysmian S.p.A. Company, with registered offices in Milan, via Chiese 6, tax code, VATIN and Milan Companies Register number 04866320965.

**By-laws:** the By-laws of Prysmian S.p.A., version updated on 14 February 2018, available on the company website [www.prysmiangroup.com](http://www.prysmiangroup.com) in the Investors/Corporate Governance section.

**Consolidated Law on Finance/TUF:** Legislative Decree 58 of 24 February 1998 (as subsequently amended).

# 1. Issuer profile

Prysmian S.p.A., the holding company heading one of the world's top cable industry groups, is active in the design, development, manufacture, supply and installation of a wide range of cables for many different applications in the power, telecommunications and Oil&Gas industries.

The Prysmian Group, with offices in 50 countries, 82 manufacturing plants and some 21,000 employees, is well positioned in high-tech markets by offering an extensive range of products, services, technology and know-how. The Prysmian Group is a world leader in the power cable industry, the main cable market sector by value, whilst also being a top global player in the telecom and fibre optic cable markets.

The Group also manufactures and supplies accessories and components for cable systems and high value-added services such as products and systems design and the implementation of "turnkey" projects where the Group coordinates and manages the work as well as provides preventive maintenance services.

Since 3 May 2007, Prysmian securities have been listed in the Blue Chip segment of the electronically traded equities market (MTA) managed by the Italian Stock Exchange. In September 2007, the securities were admitted to the FTSE/MIB index.

Since March 2010, following the former majority shareholder's sale of its interest in the Company, through an accelerated book-building process undertaken for selected investors, the Company assumed a genuine public company structure, characterised by a broad and diversified shareholder base.

Early in 2011, Prysmian successfully concluded a public purchase and exchange offer for all the ordinary shares in Draka Holding N.V., a Dutch company heading a large group of companies operating worldwide mainly in the development, manufacture and sale of power and telecom cables and systems. As a result of this transaction, Prysmian obtained control of Draka Holding N.V., thus becoming one of the world's top players in the power and telecom cables and systems industry.

On 4 December 2017, Prysmian and General Cable Corporation announced that they had entered into a merger agreement allowing Prysmian to purchase 100% of General Cable Corporation shares. The finalisation of the transaction was unanimously approved by the Boards of Directors for both

companies. The General Cable Board of Directors recommended that shareholders vote to approve the transaction and this occurred, with a large majority, on 16 February 2018. The transaction is contingent on approval by the relevant authorities, and other standard conditions precedent for this type of transaction.

The Company's Corporate Governance structure has been drawn from the recommendations and standards found in the Italian Stock Exchange "*Self-Regulation Code for Listed Companies*", by which the Company abides.

The rules of Corporate Governance are a direct expression of the standards and procedures that the Company has adopted and undertakes to comply with to ensure effectiveness and transparency in all transactions.

The Company has adopted a traditional administration and control model including participation of the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors. This Corporate Governance system is based on the core role of the Board of Directors (as the most senior body delegated to manage the Company in the interests of shareholders), on the transparency of decision-making processes, on an effective internal control system, on strict rules governing potential conflicts of interest and on appropriate standards of conduct for related party transactions.

Prysmian has implemented this system by drawing up and adopting codes, standards, rules and procedures that govern and regulate the performance of all the Company's organisational and operational bodies.

The Board of Directors has the broadest possible powers of ordinary and extraordinary administration, except for those, which by law are the exclusive prerogative of the Shareholders' Meeting. The Board of Statutory Auditors oversees compliance with the law, the articles of association and the standards of good management in the performance of company activities whilst also monitoring the adequacy of the Company's organisational structure, internal control, administrative and accounting systems.

The independent audit of the accounts is entrusted to a specialist firm registered at the Register of Auditors held by the Ministry of Economy and Finance and appointed by the Shareholders' Meeting.

## 2. Ownership structure

(pursuant to Article 123-bis TUF) as at 31/12/2017

### a) Share capital structure.

*(pursuant to Article 123-bis, paragraph 1 letter a), TUF)*

Prysmian's subscribed and paid up share capital at 31 December 2017 came to Euro 21,748,275.40 divided into 217,482,754 shares, with a par value of Euro 0.10 each.

The shares cannot be split, may be freely transferred and each carries the right to one vote. Shareholders may exercise their ownership rights as provided for by the laws in force.

On 16 April 2015, the Shareholders' Meeting approved a long term share-based incentive plan for the period 2015-2017 in favour of Prysmian Group's employees. In the event of the achievement of the minimum performance objectives provided for by this incentive plan, a maximum of 5,364,800 new ordinary shares will be issued and assigned free of charge to the beneficiaries of the plan through a share capital increase for an amount no greater than Euro 536,480, through a withdrawal from the "Reserve for share issues pursuant to Article 2349 of the Civil Code".

On 4 March 2013, the Board of Directors resolved the placement of an Equity-linked bond issue, called "€300,000,000 1.25 per cent. Equity-linked Bonds due 2018" maturing on 8 March 2018 and reserved for institutional investors. Bond placement occurred on 8 March 2013, with settlement taking place on 15 March 2013.

Subsequently, on 16 April 2013, the Shareholders' Meeting resolved:

- the convertibility of this bond issue;
- the proposal to increase share capital with cash, in one or several payments with the exclusion of option rights, by a maximum nominal amount of Euro 1,344,411.30, by issuing, in one or several instalments, up to 13,444,113 ordinary Company shares, with the same characteristics as its outstanding ordinary shares, exclusively and irrevocably for the conversion of the bond issue.

The initial conversion price of the bonds into the Company's existing and/or new ordinary shares is Euro 22.3146 per share.

On 24 May 2013, the bond securities in question were admitted to trading on the unregulated "Third Market" (MTF) on the Vienna Stock Exchange.

During the Financial Year, the Company received 8 conversion requests, for a total amount of Euro 17,000,000. In response to these requests 761,832 ordinary shares were issued with a corresponding reduction of the bond issue in question.

On 12 January 2017, the Board of Directors resolved to place the Equity linked bond issue named "Prysmian S.p.A. Euro 500 million Zero Coupon Equity Linked Bonds due 2022" maturing on 17 January 2022 and reserved for institutional investors. The corresponding placement occurred on 12 January 2017, with the bond settlement taking place on 17 January 2017.

Subsequently, on 12 April 2017, the Shareholders' Meeting resolved:

- the convertibility of this bond issue;
- the proposal to increase the share capital in cash, payable upfront and in tranches (with option rights excluded), for a maximum nominal amount of Euro 1,457,942.70. The share capital will be released in one or more issues to a maximum of 14,579,427 ordinary shares of the Company. The shares being issued will have the same characteristics as the outstanding ordinary shares, and will be exclusively and irrevocably reserved for servicing the bond issue conversion.

The bond conversion price is Euro 34.2949. On 30 May 2017, the bond issue was admitted to trade on the "Third Market" (MTF) of the Vienna Stock Exchange.

### b) Restrictions on the transfer of securities.

*(pursuant to Article 123-bis, paragraph 1 letter b), TUF)*

There are no restrictions on the transfer of securities.

### c) Significant holdings in the share capital.

*(pursuant to Article 123-bis, paragraph 1 letter c), TUF)*

Details of significant holdings in Prysmian's share capital (defined as shareholdings greater than 3% of share capital) can be found in Table 1, annexed to this Report.

This information is based on the contents of the Company's Register of Shareholders and declarations

received from shareholders pursuant to Article 120 of the TUF, as at 31 December 2017.

**d) Securities with special rights.**  
*(pursuant to Article 123-bis, paragraph 1 letter d), TUF)*

No securities have been issued that grant special rights of control.

The By-laws do not provide for shares with multiple voting rights or increased voting rights.

**e) Employee share ownership: mechanism for exercising voting rights.**  
*(pursuant to Article 123-bis, paragraph 1 letter e), TUF)*

There are no mechanisms for exercising voting rights in the event of employee shareholding, when voting rights are not directly exercised by those employees.

**f) Restrictions on voting rights.**  
*(pursuant to Article 123-bis, paragraph 1 letter f), TUF)*

There are no restrictions on voting rights.

**g) Shareholder agreement.**  
*(pursuant to Article 123-bis, paragraph 1 letter g), TUF)*

No agreements as defined by Article 122 of the TUF are known to the Company.

**h) Change of control clauses and By-laws provisions concerning public tender offers.**  
*(pursuant to Articles 123-bis, paragraph 1 letter h), 104, paragraph 1-ter, and 104-bis, paragraph 1, TUF)*

As concerns significant agreements as set out in Article 123-bis, paragraph 1 letter h) TUF, note the following. Prysmian S.p.A. and the companies under its direct and indirect control are not a part of any significant agreements, which, automatically, come into force, are amended or are terminated in the event of a change of control of the company. In this respect, it should be pointed out that Prysmian S.p.A. is characterised by a broad and diversified shareholding structure that owns its share capital, thereby giving it the structure of a public company. Therefore, the Company is not

subject to either the control, direction or coordination of other subjects as is better detailed in paragraph 2.1. Nevertheless, it should also be noted that some agreements, mainly financial and commercial ones, which take on significance at Group level, govern the possibility of a change in control of Prysmian S.p.A., generally providing for the option of the counterparties to amend or terminate the agreement upon the occurrence of said circumstance.

The By-laws contain no provisions that:

- waive the provisions of the passivity rule provided for by Article 104, paragraphs 1 and 2 of the TUF;
- provide for application of the neutralisation rules provided for by Article 104-bis, paragraphs 2 and 3 of the TUF.

**i) Delegation of power to increase share capital and authorisations to purchase own shares.**  
*(pursuant to Article 123-bis, paragraph 1 letter m), TUF)*

The Shareholders' Meeting has not resolved to delegate to the Board of Directors the power to increase share capital pursuant to Article 2443 of the Civil Code, nor is it foreseen that the Board will be authorised to issue participating financial instruments.

On 12 April 2017, the Shareholders' Meeting authorised the Board of Directors to adopt purchase and placement plans for treasury shares, to be enacted one or more times, for a maximum number of shares possessed that will not exceed, at any given time, the number of shares required to make up 10% of the share capital, also considering the treasury shares already held. The adoption of any plans was entrusted to the Board for a maximum period of 18 months from the date of the aforementioned resolution, that is, up to 12 October 2018.

During the Financial Year, the Board launched a share buyback programme by resolution of 12 January 2017. This was done on the basis of authorisation issued at the shareholders' meeting of 13 April 2016 which was subsequently replaced by the previously mentioned authorisation of 12 April 2017.

The objectives of this programme were to (i) set up a so-called "Securities ware-house" enabling the Company to store and manage shares for potential use as compensation in extraordinary transactions, and (ii) meet obligations arising from any bond issue

conversions. Other potential purposes could be those provided for under Regulation (EU) no. 596/2014 article 5 (a.k.a. Market Abuse Regulation) or Market Practice no.2 as adopted by CONSOB with resolution no. 16839/2009.

During this programme, which ended on 30 September 2017, shares were purchased using an authorised broker who was specifically appointed for that purpose. Completely independent purchases of 4,003,943 shares were made for a total corresponding value of Euro 100,232,034.74, including ancillary costs, with an average actual price of Euro 25.0333, compared to the average official price for the period which was Euro 25.7314.

During the Financial Year, a part of the treasury shares held by the Company were assigned to the Prysmian Group employees who chose to participate in the discounted share purchase plan launched by the Group in 2013 (YES Plan). For details on the aforementioned plan, see the Prysmian Group Consolidated Financial Statements ("Incentive Plans" paragraph of the Report on Operations), the relevant information document drawn up pursuant to Article 84-bis of the CONSOB Issuer Regulation and the Remuneration Report, published on the Company website [www.prysmiangroup.com](http://www.prysmiangroup.com) under *Investors/Corporate Governance/Remuneration Policy*.

Taking into account the transactions undertaken on the company's treasury shares, as at 31 December 2017, the Company directly and indirectly held 6,494,881 treasury shares.

### **l) Direction and coordination.** *(pursuant to Article 2497 et seq. of the Civil Code)*

The Company heads the Prysmian Group and performs direction and coordination activities for its direct or indirect subsidiaries pursuant to Article 2497 of the Civil Code.

The Company, not subject to the control, direction or coordination of other entities, is independent in the choices that determine the:

- (i) drafting of industrial, strategic and financial plans or budgets for the Group,
- (ii) issue of guidelines on financial and credit policy,
- (iii) centralisation of functions such as treasury, administration, finance and control,
- (iv) establishment of Group growth strategies and its strategic and market positioning as well as for the individual companies, especially when these policies might influence and determine actual implementation by Company management.

This situation is further confirmed by the fact that the Company has been structured as a *public company* since March 2010, which, among other things, has led to the absence of a reference shareholder.

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It should be noted that:

- the information required by Article 123-bis, paragraph 1, letter i) (*"agreements between companies and directors... which envisage indemnities in the event of resignation or dismissal without just cause, or if their employment contract should terminate as the result of a takeover bid."*) is to be found in the Remuneration Report and briefly summarised in Section 8 of this Report on the remuneration of directors;
- the information required by Article 123-bis, paragraph 1, letter l) (*"rules applying to the appointment and replacement of directors... and to amendments to the By-laws, if different from those applied as a supplementary measure"*) is illustrated in section 4.1 of this Report on the Board of Directors).

# 3. Compliance

(pursuant to Article 123-bis, paragraph 2 letter a), TUF)

The Company's Corporate Governance structure has been drawn from the recommendations and standards found in the Self-Regulation Code, by which the Company abides, approved by the Corporate Governance Committee in March 2006, which was then amended in March 2010 and further updated in December 2011, July 2014 and July 2015. The foregoing Self-Regulation Code may be accessed by the public on the Corporate Governance Committee website at:

- <http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf>

As at 31 December 2017, Prysmian directly and indirectly controlled 129 companies with registered offices in Italy and other countries. No provision of law applying to Group companies registered in states other than Italy has any influence on Prysmian's Corporate Governance structure.

# 4. Board of directors

## 4.1. Appointment and replacement

(pursuant to Article 123-bis, paragraph 1 letter l), TUF)

Pursuant to the By-laws, the Company is managed by a Board of Directors comprised of between 7 and 13 members, who hold office for a period of no more than three financial years and are eligible for reelection. The members of the Board of Directors must meet the requirements for professionalism, integrity and independence set out by applicable law. To this end, it should be noted that the By-laws do not contain any additional provisions on the requirements necessary for the appointment of Directors.

As prescribed by the TUF, at least one of the Directors – or two if the Board of Directors has more than seven members – must meet the independence requirements applying to Statutory Auditors under Article 148, paragraph 3, TUF. The Directors' term in office shall expire on the date of the Shareholders' Meeting called to approve the financial statements for the last financial year of their term.

In compliance with the provisions of the TUF, the Company has adopted a slate voting system for the appointment of Directors, in order to allow, where possible, the election of Directors by minority shareholders. The appointment of the Board of Directors takes place on the basis of slates submitted by the outgoing Board of Directors and/or by those shareholders who, alone or together with other shareholders, hold shares representing at least 2%

of the share capital eligible to vote at the ordinary Shareholders' Meeting, or such lower percentage established by law or regulation. In compliance with CONSOB Resolution 20273 of 24 January 2018, the minimum shareholding requirement for submitting the candidate slates for 2018 is 1%.

The candidate slates must be filed at the Company's registered offices at least twentyfive days before the date set for the Shareholders' Meeting. Together with each slate, within the aforementioned term, declarations by individual candidates accepting their candidacy must be filed, including any indications of their candidacy as Independent Director, and their curriculum vitae.

The slate voting system shall not apply if it is necessary to replace vacated Directors during their term in office.

The procedures for submitting slates, holding elections, voting and replacing directors who vacate office during their mandate are in the By-laws.

Below is an extract from Article 14 of the By-laws concerning the methods for preparing and filing slates of candidates for the appointment of the Board of Directors members.

*"...The Board of Directors shall be appointed, in compliance with currently applicable regulations in relation to the balance of genders, on the basis of slates*

presented in accordance with the following paragraphs. The candidates in the slate must be listed with a progressive number.

The outgoing Board of Directors is entitled to present slate as well as those shareholders who, alone or together with other shareholders, represent a total of at least 2% (two per cent) of the ordinary share capital with voting right at the ordinary Shareholders' Meeting, or representing a lower percentage where required by an applicable law or regulation in force. The ownership of numbers of shares necessary to present the slate has to be proven on the terms and in the manners set out by Law provisions. Each shareholder or shareholders belonging to the same group or who are connected, even indirectly, cannot – not even through an intermediary or trustee – present or contribute to the presentation of more than one slate. Each candidate may appear on only one slate, on pain of ineligibility. No candidate who is not in possession of the requirements set out in applicable laws may be included on the slate. The first and the second candidate on each slate must fulfil the independence requirements set out in applicable laws.

Slates which present a number of candidates equal to, or greater than, three must be composed of candidates belonging to both genders so that the less represented gender is at least one third (rounded upwards) of the candidates.

The slate of the Board of Directors, if presented, must be filed with the Company's registered office within the thirtieth day before the date set for the Shareholders' Meeting and formally published in accordance with the terms of the following paragraph.

Without prejudice to the above, the slates must be filed with the Company's registered office and published in accordance with prevailing law. Together with each slate, within the above deadline, each candidate must file a declaration confirming his/her candidacy and certifying, under his/her own liability, that there are no reasons why he/she is ineligible or incompatible for the position and that he/she meets the requirements set out in applicable laws and this By-laws. Together with the declarations, each candidate shall file a curriculum vitae describing his personal and professional characteristics, indicating his possible candidacy as an independent Director. Each person with voting rights may only vote for one slate. Any lists which do not comply with the aforementioned requirements shall be deemed not to have been presented...".

Below is an extract from Article 14 of the By-laws concerning the appointment of the Board of Directors through slate voting and the takeover mechanism to ensure that the composition of the Board complies

with the currently applicable regulations on balance of genders.

"...For the election of the Board of Directors, the following procedure shall be observed: (a) five sixths of the Directors to be elected shall be chosen from the slate that obtains the majority of the votes cast, in the order in which they are listed on the slate; in the event of a fractional number, it shall be rounded down to the nearest whole number; (b) the remaining Directors shall be taken from the other slates; for this purpose the votes obtained by the slates shall successively be divided by one, two, three and four according to the number of Directors to be chosen. The quotients thus obtained shall be assigned to the candidates on each slate in the order specified thereon. The quotients given to each candidate on the various slates will be given in a single decreasing ranking. Those who have obtained the highest quotients shall be elected. If more than one candidate have obtained the same quotient, the candidate from the slate that has not yet elected any Directors or that has elected the smallest number of Directors, shall be elected. All this is on the understanding that at least one director shall be taken from a slate, if presented and voted, presented by shareholders who are not connected, either directly or indirectly, with those who presented or voted for the slate that obtained the majority of votes cast.

If none of such slates has yet elected a Director or each of them have elected the same number of Directors, the candidate from the slate that obtained the largest number of votes shall be elected. If the different slates have received the same number of votes and their candidates have been assigned the same quotients, a new vote shall be held by the entire Shareholders' Meeting and the candidate obtaining the simple majority of the votes shall be elected.

In addition, if the election of the candidates by the means described above does not ensure a composition of the Board of Directors which complies with the currently applicable regulations concerning the balance of genders, the candidate of the most represented gender, who is elected last in progressive order within the slate that received the highest number of votes, will be replaced by the first candidate of the less represented gender, who is not elected from the same slate, according to the progressive order. This replacement process will be implemented until the composition of the Board of Directors complies with the currently applicable regulations concerning the balance of genders. Finally, if this procedure does not provide the result specified above, the replacement will be implemented by means of a resolution approved by a simple majority of the Meeting, following the submission of candidates belonging to the

*less represented gender...".*

*Below is an extract from Article 14 of the By-laws describing cases where the foregoing slate voting system for appointing Directors does not apply.*

*"...If a single slate is presented, if no slate is presented or if the Board of Directors is not being elected in its entirety, the Shareholders' Meeting shall vote with the legal quorum required by applicable laws, in compliance with currently applicable regulations in relation to the balance of genders...*

*...In case of any vacancy in the Board of Directors during the fiscal year, for any cause or reason, the Board of Directors shall proceed according to Art. 2386 of the Italian Civil Code. If one or more of the Directors no longer in office were taken from a slate which also contained the names of unelected candidates, the Board of Directors shall replace them by appointing, according to the progressive order, individuals from the slate of the outgoing Director, provided that such individuals are still eligible and willing to accept the office, and provided that (i) at least one of the members of the new Board of Directors – or two if it is composed by more than seven members – must fulfil the independence requirements provided under applicable law and (ii) compliance with currently applicable regulations pertaining to the balance of genders is ensured. If the majority of Directors appointed by the Shareholders' Meeting resign or fall from office for other reasons, the entire Board of Directors shall be deemed to have resigned. Such resignation is effective when the Board of Directors is reconstituted by persons appointed by the Shareholders' Meeting, which must urgently be called by the remaining Directors..."*

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Prysmian is not subject to additional regulations (including any industry standards) as concerns the composition of the Board of Directors, representation of minority interests or number and characteristics of directors, apart from the regulations provided for by the TUF.

## Plan for the succession

During the 2012 financial year, the Board of Directors approved the adoption of a plan for the succession of executive directors. Therefore, the Board assigned the Compensation, Nomination and Sustainability Committee, in cooperation with the relevant Company departments, with the task of starting and submitting a proposal for examination.

After completing its work, the Compensation, Nomination and Sustainability Committee submitted a draft succession plan to the Board of Directors. This plan was conceived as a tool to foster generational

change in the Company and to manage the departure from office of executive directors and top management as smoothly as possible and so limit any adverse effects of management changes.

The implementation process of the succession plan examined by the Board of Directors initially involved identifying which company officers and functions fell within its scope. As an outcome to this process, in addition to executive directors, also key managers and, at the Compensation, Nomination and Sustainability Committee's recommendation, other management positions deemed of particular importance were identified as significant positions.

In order to define the criteria for identifying possible candidates to succeed to such positions, the Compensation, Nomination and Sustainability Committee, with the assistance of an external consultant, then initiated a series of interviews with the individuals currently holding the offices involved and with a group of potential internal candidates for succession.

According to the succession plan, specific performance evaluation and leadership programmes shall be set out to develop and prepare internal candidates for succession. These programmes also evaluate international on the job and assignment rotations directed towards expanding the skillset of identified candidates, taking into account their long term potential.

In 2015, the Prysmian Group has decided to adopt a talent evaluation process and subsequent drawing up of succession plans called "P4" (Prysmian People Performance Potential).

The new process, defined in collaboration with the consulting firm Mercer, has as main objectives:

- strengthen, improve and disseminate the methodology tested in the Prysmian Group in 2012;
- align the succession planning process to the provisions of the Self-Regulation Code;
- reduce the risk of discontinuity in the Group management;
- identify internal/external options with the aim of a succession in the short or medium term;
- ensure the internal meritocratic development of the resources to ensure the continuity of the Group.

This process, developed thanks to the contribution of about 35 interviews with the Group's key managers that have led to the definition of talent features to Prysmian, is managed by an online tool and follows a defined schedule in three main phases:

1. *Talent Identification* (April): each manager is required to make an assessment on some personal

characteristics of their employees, who have had a very good performance evaluation (P3) for at least two years, and to express an overall opinion on their potential development and career;

2. *Discussion on succession* (May / June): the management team of each country or business unit is called to discuss the results of the phase of identification, confirming or not the position of resources in a readiness matrix (Performance and Potential).
3. *Talent pool and succession tables* (May / June): the main outputs of the preceding discussion are

the talent pools, which highlight the position of the resource in the readiness matrix and its organisational level. Through the use of the talent pools, each country / BU will make proposals for the succession planning.

The P4 process will be used to define a selective talent pool for succession in top positions and on this an additional work of the Compensation, Nomination and Sustainability Committee and of a third part will be engaged.

## 4.2. Composition

(pursuant to Article 123-bis, paragraph 2 letters d) and d-bis), TUF)

The Company is currently managed by a Board of eleven Directors. The three-year term of the Board of Directors in office commenced on 16 April 2015 when the Shareholders' Meeting determined that the new Board of Directors should have 11 members and appointed them using the slate voting system.

On that occasion, the following three slates of candidates were filed for renewal of the Board of Directors:

**Slate 1**, submitted by the outgoing Prysmian Board of Directors:

1. Maria Elena Cappello (independent),
2. Claudio De Conto (independent),
3. Massimo Battaini,
4. Valerio Battista,
5. Pier Francesco Facchini,
6. Fabio Ignazio Romeo,
7. Monica de Virgiliis (independent),
8. Maria Letizia Mariani (independent),
9. Massimo Tononi (independent),
10. Cristiano Tortelli (independent),
11. Sabrina Delle Curti (independent).

**Slate 2**, submitted by the shareholder Clubtre S.p.A. owner, at the time the slate was submitted, of 12,690,312 ordinary shares equal to 5.856% of Prysmian share capital:

1. Giovanni Tamburi (independent),
2. Alberto Capponi (independent).

**Slate 3**, submitted jointly by the shareholders Aletti Gestielle SGR S.p.A. manager of the fund: Gestielle

ObiettivoItalia; AnimaSGRS.p.A. manager of the funds: Anima Geo Globale, Anima Star Italia Alto Potenziale and Anima Visconteo; Arca S.G.R. S.p.A. manager of the fund: Arca Azioni Italia; Ersel Asset Management SGR S.p.A. manager of the fund: Fondersel PMI; Etica Sgr S.p.a. manager of the funds: Etica Azionario, Etica Bilanciato and Etica Obbligazionario Misto; Eurizon Capital S.G.R. S.p.A. manager of the fund: Eurizon Azioni Italia; Eurizon Capital SA manager of the funds: Eurizon Investment SICAV – PB Equity EUR, Eurizon EasyFund – Equity Italy LTE, Eurizon EasyFund – Equity Euro LTE, Eurizon EasyFund – Equity Industrials LTE and Eurizon EasyFund – Equity Italy; FIL Investments International manager of the funds: Fidelity Funds – Italy Pool; Fideuram Investimenti S.G.R. S.p.A. manager of the fund: Fideuram Italia; Fideuram Asset Management (Ireland) Limited manager of the funds: Fideuram Fund Equity Italy and Fonditalia Equity Italy; Interfund Sicav manager of the fund: Interfund Equity Italy; Mediolanum Gestione Fondi SgrpA manager of the fund: Mediolanum Flessibile Italia; Mediolanum International Funds Limited – Challenge Funds; Pioneer Asset Management SA manager of the funds: Pioneer Funds – Italian Equity; Pioneer Investment Management SGRpA manager of the fund: Pioneer Italia Azionario Crescita; Ubi Pramerica SGR manager of the funds: Ubi Pramerica Azioni Italia, Ubi Pramerica Multiasset Italia, Ubi Pramerica Azioni Euro and Ubi Pramerica Azioni Europa, owners, at the time the slate was submitted, of 6,500,861 ordinary shares, equal to 3.00% of Prysmian share capital:

1. Paola Petrone (independent),
2. Giovanni Chiura (independent).

Based on the three slates submitted, the first nine candidates indicated in Slate 1 filed by the Board of Directors were appointed as Directors, voted by the majority of those with voting rights participating in the Shareholders' Meeting, equal to approximately 78% of the share capital present or represented, and the first two candidates indicated in Slate 2 filed by the shareholder Clubtre S.p.A., voted by a minority of those with voting rights participating in the Shareholders' Meeting, equal to approximately 12.5% of the share capital present or represented. No candidate from Slate 3 was appointed, having been voted by those with voting rights who represented approximately 5.1% of the share capital present or represented.

The three-year term of the Board of Directors currently in office will expire on the date of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2017.

The composition of the Board of Directors has not changed since the close of the Financial Year.

## Directors' personal and professional characteristics

*(Article 144-decies CONSOB Issuer Regulation)*

Below there is a short curriculum vitae for each Director, in office at the date of this Report, including personal details, field of expertise and experience.

### Massimo Tononi

*Chairman of the Board of Directors.*

Non-Executive and Independent Director.

He was born in Trento on August 22<sup>nd</sup>, 1964.

After receiving his degree in Business Economics in 1988 from the "Luigi Bocconi" University in Milan, he worked until 1993 in the Investment Banking Division at Goldman Sachs. From 1993 to 1994, he was personal assistant to the Chairman of the Istituto per la Ricostruzione Industriale [Institute for Industrial Reconstruction] (IRI S.p.A.). In 1994, he returned to Goldman Sachs, where he became Partner Managing Director of the London Investment Banking Division and, from 2005, of the Milan Investment Banking Division. Between May 2006 and May 2008, he served as Undersecretary at Italy's Ministry of Economy and Finance. Having ended his service with the Ministry, he resumed his position as Partner Managing Director at Goldman Sachs London Investment Banking Division until July 2010. He is currently the Chairman of ISA - Istituto Atesino di Sviluppo S.p.A. (since June 2012) and member of the Board of Directors of Italmobiliare S.p.A. (since June 2014) and Il Sole 24 Ore S.p.A. (since November 2016) and of Mediobanca Banca di Credito

Finanziario S.p.A. (since October 2017). Among the main offices he held in the past, there are those of member of the Board of Directors of Sorin S.p.A. (from June 2010 to August 2015), Non-Executive Director of the London Stock Exchange Group (from September 2010 to August 2015), member of the Board of Directors then appointed as Chairman of Borsa Italiana S.p.A. (from November 2010 to August 2015), Chairman of Cassa di Compensazione e Garanzia S.p.A. (from September 2013 to August 2015) and Chairman of Banca Monte Paschi di Siena S.p.A. (from September 2015 to November 2016).

He has been a member of Prysmian Board of Directors since July 2010 and Chairman of the Board of Directors since April 2012. He was elected to his current position by the Shareholders' Meeting on 16 April 2015 from the slate submitted by the Board of Directors, which obtained the majority of votes.

The Board of Directors has verified that Mr. Tononi meets the requirements set out in Article 148, paragraph 3, TUF to qualify as an Independent Director of the Company.

### Valerio Battista

*Managing Director and General Manager.*

*Chief Executive Officer of the Prysmian Group.*

He was born in Arezzo on January 8<sup>th</sup>, 1957.

For five of over 17 years at Pirelli & C. S.p.A., he ran the Energy Cables and Systems business unit, including the 2002-2003 period when the Group went through a successful reorganisation. Mr. Battista was awarded his degree in Mechanical Engineering at Florence University in 1981. In 1983, he began working at Uno A Erre Italia S.p.A. as Head of the Engineering Office. In September 1987, he joined the Operations Department in the Steel Cord business unit of the Pirelli Group in Figline Valdarno. In 1997, he was appointed Director of the Steel Cord business unit of the Pirelli Tyre Division, becoming divisional Purchasing Director in 2001. In February 2002, he became CEO of the Group's Energy Cables and Systems business unit and, in December 2004, CEO of the Group's Telecom Cables and Systems business unit.

Since June 2014, he has also been the Chairman of Europacable and since April 2017 he has been a member of the Board of Directors and Lead Independent Director of Brembo S.p.A.

He has been a member of the Prysmian Board of Directors since December 2005. He was elected to his

current position by the Shareholders' Meeting on 16 April 2015 from the slate submitted by the Board of Directors, which obtained the majority of votes.

### **Massimo Battaini**

*Senior Vice President Business Energy Projects.  
Executive Director.*

He was born in Varese on August 1<sup>st</sup>, 1961.

He has a degree in Mechanical Engineering from the Polytechnic University of Milan and an MBA from SDA Bocconi. He started his career in the Pirelli Group in 1987 and held various positions in R&D and Operations over an 18-year period. After running the Business Development department between 2000 and 2002 covering the three Business Divisions of Tyres, Energy Cables and Telecom Cables, he was appointed as Operation Director of Energy Cables and Telecom Cables at Pirelli. In 2005, he was appointed as CEO of Prysmian UK and in January 2011 Chief Operating Officer of the Group, a post he held until 2014, when he became Senior Vice President Business Energy Projects and Chairman and CEO of Prysmian PowerLink S.r.l., where he is currently employed.

He has been a member of the Prysmian Board of Directors since February 2014. He was elected to his current position by the Shareholders' Meeting on 16 April 2015 from the slate submitted by the Board of Directors, which obtained the majority of votes.

### **Maria Elena Cappello**

*Non-Executive and Independent Director.*

She was born in Milan on July 24<sup>th</sup>, 1968.

In over 20 years of her career in Italy and abroad, she has gained significant management experience thanks to steadily increasing responsibilities, achieved by securing competitive advantages, market share, profits, sales growth and cost optimisation for the businesses in which she has worked. She is skilled in managing mixed teams and complex business models, adapting them rigorously to local regulatory environments. Whilst studying Telecommunications Engineering at the University of Pavia with an Italtel scholarship, where she began work in 1991, she developed long distance transmission networks, moving between the AT&T Bell Laboratories in New Jersey and Milan. In 1994, she moved to EMC Italy. After an initial experience at the production facilities in Cork (Ireland), she initially managed and developed the Public Administration sales area, and then the Telecom area. In 1998, she was hired by Digital/Compaq/HP based in Munich, Germany, where she

took on various responsibilities at the EMEA (Europe Middle East & Africa) level, including that of Executive Director EMEA Global Services. In an entrepreneurial capacity, she started up and developed MetiLinx, a software company operating in Europe, opening branches in London, Milan and Munich in 2002. In 2004, Pirelli Broadband Solutions appointed her as Senior Vice President for global sales. She then joined Nokia Siemens Networks in 2007 as Global Head of Strategic Marketing. From 2010 to 2013, she was Deputy Chairwoman and Chief Executive Officer of Nokia Siemens Networks Italia S.p.A. and of Nokia Siemens Networks S.p.A., as well as Head of European Strategy and Business Development. She has served as Vice Chair of the Executive Committee of the Global Mobile Supplier Association (GSA), and as a member of the Governing Council of Valore D. She has also chaired the Research and Innovation Group of the Foreign Investors' Committee in Confindustria (the General Confederation of Italian Industry). She has earned an Executive Master's degree in Strategic Marketing and Sales Techniques from Babson College, MA, USA, financed by EMC, and an Executive Master's degree in Marketing Management from SDA Bocconi, financed by Compaq. In addition to a high school diploma in classical studies from Liceo Parini in Milan, she has a High School Graduation diploma from Mount Pleasant High School in Wilmington, DE, USA.

From June 2012 until June 2014, she was a member of the Management Committee of A2A S.p.A. and was also on their Board of Directors until May 2017 and, from July 2013 to April 2015, she held the office of independent Director at Sace S.p.A. and chaired the Remuneration Committee.

She is currently a Director at Saipem S.p.A., Banca Monte dei Paschi S.p.A., Italiaonline S.p.A. and FEEM (Fondazione Eni Enrico Mattei).

Since 2013, she has also served as a Global Female Leadership Summit Advisory Board member.

She has been a member of Prysmian Board of Directors since April 2012. She was elected to her current position by the Shareholders' Meeting on 16 April 2015 from the slate submitted by the Board of Directors, which obtained the majority of votes.

The Board of Directors has verified that Ms. Cappello meets the requirements set out in Article 148, paragraph 3, TUF and in Articles 3.C.1 and 3.C.2 of the Code, qualifying her as an Independent Director of the Company.

## **Alberto Capponi**

### *Non-Executive and Independent Director.*

He was born in Milan on July 31<sup>st</sup>, 1954.

He graduated in 1978 in Economics and Monetary and Credit at the University of Business and Finance "La Sapienza" in Rome. After graduation, he began his work experience at Studio Boccolini, dealing with consulting in fiscal and tax matters. In 1979, he began working at Procter & Gamble Italia at the Advertising and Budget Control Department. From 1979 to 1984, he worked at Banca Nazionale dell'Agricoltura in the General Department of Marketing and Branch Performance Services. Later, from 1984 to 1994, he worked for the Cassa di Risparmio di Roma Group, initially at Compagnia Internazionale Investimenti S.p.A., and then, in 1988, taking on the position of CEO of Cominvest Gestioni S.p.A., which specialises in asset management services. From 1994 to 2000, he worked at Citibank N.A. in the Private Banking Group area, taking on the position of Vice President responsible for Italy and then CEO of Cititrust S.p.A. In June 2000, he joined Finaf S.p.A. (Holding of the Angelini Group) in which he holds the position of Chairman and CEO with responsibility for the Finance Area. He also holds the position of Chairman and CEO of Angelini Partecipazioni Finanziarie S.r.l.

He was elected to his current position by the Shareholders' Meeting on 16 April 2015 from the slate submitted by the shareholder Clubtre S.p.A., which obtained the second highest number of votes after the Board of Directors' slate.

The Board of Directors has verified that Mr. Capponi meets the requirements set out in Article 148, paragraph 3, TUF and in Articles 3.C.1. and 3.C.2. of the Code, qualifying him as an Independent Director of the Company.

## **Claudio De Conto**

### *Non-Executive and Independent Director.*

He was born in Milan on September 16<sup>th</sup>, 1962.

After graduating from the Luigi Bocconi University in Milan with a degree in Corporate Finance in 1986, he began his career at Ernst & Whinney in the UK. He then joined the Pirelli Group in 1988. After five years in the Group's Treasury department, in 1993 he embarked on a long period of international experience in the Administration, Finance and Control areas of the Pirelli Group's tyre subsidiaries in Brazil, Spain and Germany. In particular, between 1996 and 2000, he held the position of Chief Financial Officer of Pirelli Neumaticos

S.A. in Spain and then of Chief Financial Officer of Pirelli Deutschland A.G. in Germany. In 2000, he became Director of Administration, Planning and Control at Pirelli S.p.A. In 2001, he was appointed General Manager of Administration and Control at Pirelli S.p.A., a role he has maintained in the holding company Pirelli & C. S.p.A. since its merger with Pirelli S.p.A. in August 2003. From November 2006 until September 2009, he was General Manager and Chief Operating Officer of Pirelli & C. S.p.A. and was also a member of the Board of Directors of Pirelli Tyre S.p.A. and Chairman of Pirelli Broadband Solutions S.p.A. In addition, from December 2008 to May 2010, he was Managing Finance Director at Pirelli Real Estate and from June 2009 to May 2010 Executive Chairman of Pirelli Real Estate Credit Servicing S.p.A. He has sat on the Boards of Directors of RCS Media Group S.p.A. and Assicurazioni Generali S.p.A. He has also been a member of the Management Board of Banca Popolare di Milano S.c.a.r.l. and a Senior Advisor to McKinsey.

Currently he is CEO of Artsana Group, Chairman of Prénatal Retail Group S.p.A. and Chairman of the Board of Directors of Star Capital SGR S.p.A. (formerly Efibanca Palladio SGR).

Between 2002 and June 2008, he was a member of the International Financial Reporting Interpretations Committee (IFRIC), set up by the International Accounting Standards Board (IASB). He has also been a member of the European Financial Reporting Advisory Group (EFRAG).

He has been a member of the Prysmian Board of Directors since July 2010. He was elected to his current position by the Shareholders' Meeting on 16 April 2015 from the slate submitted by the Board of Directors, which obtained the majority of votes.

The Board of Directors has verified that Mr. De Conto meets the requirements set out in Article 148, paragraph 3, TUF and in Articles 3.C.1 and 3.C.2 of the Code, qualifying him as an Independent Director of the Company.

## **Monica de Virgiliis**

### *Non-Executive and Independent Director.*

She was born in Turin on July 20<sup>th</sup>, 1967.

In an international career of more than twenty years she has gained significant leadership experience in a number of high-tech strategic sectors. Her roles have shifted between operational management and strategic direction, and she has led turnarounds in business models and value chain for markets impacted

by digitalisation.

She began her career in 1993, she joined Magneti Marelli as Production Engineer in the Electronics Division, based in Pavia. In 1996, she joined the French Alternative Energies and Atomic Energy Commission (CEA) with the mission to develop collaborations with Italian companies. Following a highly successful partnership with ST Microelectronics, she joined STM in 2001 as Business Development Manager in the Telecom Wireline Division based in Agrate Brianza (Italy). In 2003, she became the Strategic Alliances Director for the Advanced Technologies Group and moved to their headquarters in Geneva. In 2004, she became Group Vice President in charge of System and Business Development for the Wireless Group.

In 2006, she became General Manager of the Home Video Division and in 2007, in conjunction with the changing business model for wireless customers and the advent of smartphones, she became General Manager of the Wireless Multimedia Division (with a turnover of over one billion dollars) and successfully brought about a transformation of the product portfolio and business model. She played a key role in both the acquisition of NXP-Wireless and the establishment of a Joint Venture with Ericsson.

In 2010, she left ST-Ericsson and returned to STM, placing her business experience at the disposal of the corporate programmes – first as Group Vice President Organisational Development and then in the Corporate Strategy and Development Division.

In 2015, she joined Infineon Technologies as Vice President Industrial Microcontrollers at their offices in Munich and was able to turnaround the product line which she managed.

In 2017, she carried out a project at Octo Telematics to integrate the newly acquired Mobility Solutions branch, and was active in services that intersected the new sharing economy and automotive technologies.

She is currently the Chief Strategy Officer at the French Alternative Energies and Atomic Energy Commission (CEA), where she leads a project focused on digital and energy transition. She is based in Paris.

She served on the Board of Directors of several start-ups during the years 2010-2014. She has been on the Board of Directors for the Stevanato Group since February 2016, and that of SNAM S.p.A. since April 2016.

She was elected to her current position by the Shareholders' Meeting on 16 April 2015 from the slate submitted by the Board of Directors, which obtained the majority of votes.

The Board of Directors has verified that Ms. de Virgiliis

meets the requirements set out in Article 148, paragraph 3, TUF and in Articles 3.C.1. and 3.C.2. of the Code, qualifying her as an Independent Director of the Company.

### **Pier Francesco Facchini**

*Chief Financial Officer.*

*Executive Director.*

He was born in Lugo (Ravenna - Italy) on August 4<sup>th</sup>, 1967.

After receiving his degree in Business Economics in 1991 from the "Luigi Bocconi" University in Milan, his initial work experience was at Nestlè Italia, where from 1991 to 1995, he held different posts in the Administration and Finance area. From 1995 to 2001, he worked in several companies in the Panalpina Group, holding the position of Regional Financial Controller for Asia and the South Pacific and Head of Accounting, Finance and Control for Panalpina Korea (Seoul) and Panalpina Italia Trasporti Internazionali S.p.A. In April 2001, he was appointed Finance Director at Fiat Auto Consumer Services business unit, leaving in 2003 to become CFO at the Benetton Group, a post he held until November 2006.

He has been a member of the Prysman Board of Directors since February 2007. He was elected to his current position by the Shareholders' Meeting on 16 April 2015 from the slate submitted by the Board of Directors, which obtained the majority of votes.

### **Maria Letizia Mariani**

*Non-Executive and Independent Director.*

She was born in Rome on July 18<sup>th</sup>, 1960.

She graduated magna cum laude in Natural Sciences in 1984 at the University "La Sapienza" of Rome. After a first experience in research, she joins Rank Xerox where, from 1986 to 1989, she held technical and commercial roles. In 1989, she became marketing manager at Apollo Computer, until October 1989 when, as result of an acquisition, she joins Hewlett Packard, where she remains until December 2010.

In Hewlett Packard she diversifies her experience, both in Italy and abroad, holding roles of increasing responsibilities in sales, marketing, services, software, general management.

In January 2011, she joins Philips as Vice President & General Manager Lighting Italy, Greece and Israel. She is currently Executive Vice President & General Manager Lighting Europe.

From 2011 till 2015, she was President of Luceplan and President of Itiluce. From 2013 to 2015, she was also

CEO of Iltiluce

She was elected to her current position by the Shareholders' Meeting on 16 April 2015 from the slate submitted by the Board of Directors, which obtained the majority of votes.

The Board of Directors has verified that Ms. Mariani meets the requirements set out in Article 148, paragraph 3, TUF and in Articles 3.C.1. and 3.C.2. of the Code, qualifying her as an Independent Director of the Company.

### **Fabio Ignazio Romeo**

*Head of Corporate Strategy and Development.  
Executive Director.*

He was born in Rho (Milan - Italy) on August 25<sup>th</sup>, 1955. He earned his degree in Electronic Engineering at Milan Polytechnic University in 1979 and then an MS and later a Ph.D. in Electronic Engineering and Computer Sciences from the University of California, Berkeley, in 1986 and 1989 respectively. Mr. Romeo began his career in 1981 at Tema (part of the ENI Group) as a designer of control systems for chemical plants. He moved to Honeywell in 1982 as a Member of Technical Staff and later Technical Advisor to the Honeywell CEO. He became Innovation Manager at Magneti Marelli's Electronics Division in 1989. In 1995, he was appointed Managing Director at Magneti Marelli's Rearview Mirrors Division, where in 1998, he took over the same position at the Electronic Systems Division. In 2001, he moved to the Pirelli & C. S.p.A. Group as Director of the Truck Division at the Pirelli Tyre business unit. A year later, he took up the post of Utilities Director at the Pirelli Cables Division. In December 2004, he became Head of the Group's Power Cables and Systems Business Unit, a position he held until December 2013 when he assumed the role of Head of Corporate Strategy and Development.

He has been a member of the Prysmian Board of Directors since February 2007. He was elected to his current position by the Shareholders' Meeting on 16 April 2015 from the slate submitted by the Board of Directors, which obtained the majority of votes.

### **Giovanni Tamburi**

*Non-Executive and Independent Director.*

He was born in Rome on April 21<sup>st</sup>, 1954.

He graduated magna cum laude in Economics and Business from La Sapienza University in Rome. He is the founder and Chairman of TIP – Tamburi Investment Partners S.p.A., a company listed on the Italian Stock Exchange STAR segment and an independent

investment/merchant bank focused on developing outstanding midsize Italian listed corporations. He has been active in corporate finance since 1977, first at the Bastogi Group and then, from 1980, at Euromobiliare (Midland Group - Hong Kong & Shanghai Bank), later becoming Director and Deputy General Manager of Euromobiliare S.p.A., Director of Banca Euromobiliare S.p.A. and of other companies in the group and Managing Director of Euromobiliare Montagu S.p.A., the group's investment bank. Currently, in addition to his position as Chairman and Chief Executive Officer of TIP, he is a Director on the Boards of Amplifon S.p.A. and Interpump S.p.A. He was a member of the commission to study Law 35/92 set up by the Budget Ministry (the so-called Privatisation Commission) and a member of the advisory board for privatisations for the Municipality of Milan. He was Professor of Corporate Finance at LIUC (Castellanza - Varese) and of Extraordinary Finance at LUISS University in Rome. He is the author of the textbooks "Prezzi & Valori" [Prices and Values], "Asset Italia" [Italian Assets] and "Comprare un'azienda, come e perché" [Buying a Company, How and Why] and the coauthor of the textbooks, "Privatizzare, scelte, implicazioni e miraggi" [Privatisation, choices, implications and mirages], "Metodi e Tecniche di Privatizzazione" [Methods and Techniques of Privatisation], "Privatizzazioni e Disoccupazione, i Poli di Sviluppo Locale" [Privatisations and Unemployment, Local Development Clusters], "Privatizzare con il Project Financing" [Privatising with Project Financing], "Azionariato dei dipendenti e Stock Option" [Employee Share Ownership and Stock Options], "Finanza d'impresa" [Business financing] and "Corporate Governance". He is also a columnist for various major newspapers.

He was elected member of Prysmian Board of Directors on 18 April 2012. He was elected to his current position by the Shareholders' Meeting on 16 April 2015 from the slate submitted by the shareholder Clubtre S.p.A., which obtained the second highest number of shareholder votes after the Board of Directors' slate.

The Board of Directors has verified that Mr. Tamburi meets the requirements set out in Article 148, paragraph 3, TUF and in Articles 3.C.1 and 3.C.2 of the Code, qualifying him as an Independent Director of the Company.

## Diversity policy

During the Financial Year, the Company adopted a new policy regarding the composition of the Board of Directors and the Board of Statutory Auditors. This policy will be made available on the company website [www.prysmiangroup.com](http://www.prysmiangroup.com) in the section *Investors/Shareholders information/Shareholders Meeting*. The adoption of this policy also meets the requirements of Article 123, paragraph 2, letter d-bis of the TUF.

This policy was prepared by the relevant company departments under ongoing monitoring by the Compensation, Nomination and Sustainability Committee, and was eventually approved by the Board of Directors on 20 December 2017.

This policy contains approaches and recommendations believed to be effective in achieving the desired outcome, which is for the Board of Directors to be composed of individuals who are capable of ensuring that they can carry out the roles assigned to them effectively. This objective can only be achieved with joint involvement by various stakeholders holding a variety of responsibilities (internal committees, Board, Shareholders Meeting and proxy advisor) after their appointment and as they undertake their roles in ongoing business management. To this end, the professional skills necessary to achieve this result are to be clearly defined ex ante, with any required adjustments being made during the process to take into account any new or altered circumstances. The process of selecting candidates to fulfil board member roles, and the appointment of the same, also need to take into account these approaches and recommendations.

Among the main topics covered by the policy, and on which the Board of Directors has expressed their recommendations, are:

- the minimum number of Independent Directors, taking into account the criteria established under the Self-Regulation Code.
- the maximum number of positions directors should hold in companies listed on regulated markets.
- the number of years Independent Directors remain in office.
- the age limit of Directors.
- the adoption of a board skills matrix, for assessing the skills already present on the Board and identifying any that are missing.

The policy in question will also describe the criteria adopted and process followed by the Board (with support from the Compensation, Nomination and Sustainability Committee) in the selection of individuals to be included on the board's candidate

slate when the entire Board of Directors is up for renewal, if the outgoing Board decides to submit such a slate.

Commencing from the financial year after the policy implementation, annual comparisons between the policies described and the results obtained will be provided based on the choices made by those entitled to appoint company boards. Yearly updates will be provided in order to take into account any changes in the composition of said company boards during their respective mandates.

## Maximum number of appointments in other companies

As permitted by Article 14 of the Company's By-laws, during the Shareholders' Meeting of 16 April 2015 convened to renew the Board of Directors at the end of its three-year term, the outgoing Board of Directors submitted its own slate with eleven candidates. In choosing the candidates to make up the slate, among other things, it was assessed if the offices held in other companies are compatible with their capability to effectively carry out the role of Company Director as well as member of any internal committees. This assessment was not based on any objective criteria providing for a quantitative definition of limits to the possible offices held in other companies, but rather on a subjective assessment of a qualitative nature. In such circumstances, the Board has not expressed an opinion nor set out general criteria on the maximum number of appointments compatible with the effective performance of office by the Company's Director, because it believes that such a judgement rests firstly with those who are entitled and who intended to submit a slate of candidates for the office of Director, secondly with the shareholders when appointing Directors and, lastly, with the individual candidate when accepting the candidacy as well as to the individual Director after their appointment.

During the Financial Year, the Board of Directors examined this matter again in the context of adopting the aforementioned policy on the composition of the Board of Directors and the Board of Statutory Auditors. They recognised that the number of other appointments already held by Board members can provide a good indication of the amount of time any appointee would likely have available for undertaking an appointment with Prysmian. The Board recommended that candidates should not hold more than 4 appointments in companies listed on regulated markets at the time of candidature, where their potential appointment to Prysmian's Board is

included as one of those positions for the purpose of the count.

### Induction Programme

During the 2015 financial year, the Company Shareholders' Meeting was convened to renew the Board of Directors at the end of its three-year term. The renewal of the Board using a slate voting system saw the confirmation of eight of the eleven Directors already in office and the appointment of three new Directors. In order to provide these latter with an appropriate knowledge of the Prysmian Group's business, of its corporate dynamics and of the Company's self-regulatory and legislative framework, a meeting was organised with the Group's top management, representing both business and corporate departments. At that meeting, each

manager could present and describe the company sector he or she is in charge of.

Also in view of the positive feedback on this programme in the past, the Chairman continued to support the annual induction meeting to be organised to increase the Directors' and Statutory Auditors' awareness of the Prysmian Group's business. This meeting not only organised a visit to the Group's facility in Douvrin, France, but also arranged for the Directors and Statutory Auditors to attend meetings aimed to expand their knowledge of the business sectors in which the Prysmian Group operates. These meetings will focus on themes of a strategic and budgetary nature, which will also assist with the upcoming assessments regarding appropriate risk management principles.

## 4.3. Role of the board of directors

(pursuant to Article 123-bis, paragraph 2 letter d), TUF)

In 2017, the Board of Directors held 9 meetings, lasting an average of two and a half hours each. The four main meetings scheduled in the Financial Year's events calendar, lasted an average of three hours and forty minutes each. The directors who were in office during those meetings, had a 94% attendance average, while the Statutory Auditors reported 100% attendance on each occasion during the Financial Year.

As provided for by current regulations, the Company published, in its 19 January 2018 press release, the Board meeting dates scheduled for 2018 for examination of financial results as set out below:

- **27 February 2018:** consolidated financial statements of the Prysmian Group, draft statutory financial statements of Prysmian S.p.A. for the financial year as at 31 December 2017;
- **10 May 2018:** quarterly financial report as at 31 March 2018;
- **25 July 2018:** half-year financial report as at 30 June 2018;
- **8 November 2018:** quarterly financial report as at 30 September 2018.

With regard to the dates listed above, Legislative Decree 25/2016 implementing the new Transparency directive should also be considered. This decree removed the obligation for issuers to publish the interim reports on operations and allowed CONSOB to request under regulation any required information

in addition to the annual and half-year reports. On this point, it is noted that the Board of Directors for Prysmian S.p.A. has confirmed their desire to approve and publish supplementary financial reports in addition to the annual and half-year financial reports. These supplementary reports will be released at the close of the first and third quarters (31 March and 30 September) of each financial year, and will be made available to the public at a time and with contents which are consistent with the provisions in force before the obligation to publish interim reports on operations was removed. In particular, the review and distribution of supplementary reports, and that of related documentation, is to take place within 45 days from the close of the period to which they refer. During the current year, the Board has not held any meetings before the one that approved this Report.

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Company management is the sole responsibility of the Directors, who perform the required operations to implement its corporate purpose. The Board of Directors has the broadest possible powers of ordinary and extraordinary administration of the Company, except for those, which by law are the exclusive prerogative of the Shareholders' Meeting. The Board of Directors also has responsibility for passing resolutions that require notarisation, regarding: (i) mergers or demergers in the cases provided for by

Articles 2505, 2505-*bis* and 2506-*ter* of the Civil Code; (ii) transfer of the registered offices within Italy; (iii) opening or closing secondary offices; (iv) indication of which Directors may represent the Company; (v) reductions in share capital following shareholder withdrawal; and (vi) updating the Company By-laws to comply with legislation (Article 17 of the By-laws).

For Board resolutions to be valid, a majority of the Directors in office must be present and the resolutions must be passed by a majority vote of the Directors present. In the case of a tie, the Chairman's voted position shall prevail. The Directors cannot delegate the exercise of their vote (Article 18 of the By-laws).

The Board of Directors may delegate all or part of its powers, within legal limits, to one or more of its members, who will thus become Managing Directors, and/or to an Executive Committee, and may set limits on the delegation. Nonetheless, the Board of Directors shall have exclusive authority for the following issues, which may not be delegated pursuant to the By-laws:

- (a) examination and approval of the Company's and the Group's strategic, industrial and financial plans, its governance system and the corporate structure of the Group headed by the Company;
- (b) examination and approval of operations - including investments and divestments - which, by their nature, strategic importance, size or the commitments they may entail, have significant strategic, economic, equity or financial impact on the Company and/or the Group, especially as concerns related party transactions;
- (c) verification of the adequacy of the Company's and/or the Group's organisational, administrative or general accounting structure;
- (d) assignment or withdrawal of delegated powers to Directors and the Executive Committee, if established, setting limits, operational procedures and terms, normally not greater than one quarter, wherein the executive bodies must report to the Board on their activities in that period;
- (e) after examining the proposals of the relevant Committee and consulting the Board of Statutory Auditors, setting the remuneration of Executive Directors, as well as the breakdown of the overall amount due to the individual members of the Board and the Committees, should the Shareholders' Meeting not have already done so;
- (f) review of general operating performance, taking into specific account the information received from Executive Directors, the Executive Committee, if established, and the Control, Risks and Corporate Governance Committee, as well as

regularly comparing actual results against those predicted.

The Board of Directors may appoint general directors, whose delegated powers must be established. In addition, subject to obligatory consultation with the Board of Statutory Auditors and based on minimum requirements set by the By-laws, the Board of Directors shall appoint the manager responsible for preparing corporate accounting documents, setting the term of the appointment, duties and powers in compliance with current regulations (Article 19 of the By-laws).

The Board of Directors may also establish committees with powers to advise and make proposals, with responsibility for specific issues, and may determine their composition and responsibilities (Article 19 of the By-laws).

The Board of Directors has adopted by resolution certain quantitative and qualitative parameters, differentiated by type or category of transaction, to determine which transactions, apart from intergroup transactions, shall be considered of significant economic, strategic, equity or financial impact and, hence, subject to specific prior examination by the Board, even when the transaction is undertaken by a Group subsidiary.

The types of transactions, which, having passed certain quantitative and qualitative parameters, shall be subject to prior examination by the Board, are mainly transactions concerning real estate, M&A (purchase and sale of holdings, joint venture agreements), and financial transactions (issue of guarantees, financial instruments and taking out loans).

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The Chairman shall call meetings of the Board of Directors whenever he considers it to be in the interests of the Company, or when he receives a written request from one or more Executive Directors, or from at least three serving Directors, or from the Board of Statutory Auditors or from one of its standing members in the cases provided for by the law (Article 16 of the By-laws). In line with the recommendations of Article 1 of the Code, the Board has a central role in the Company's Corporate Governance system. The Board of Directors meets regularly and is organised and operates to ensure the effective and efficient performance of its functions. The Chairman of the Board of Directors, with the assistance of the Board Secretary, shall inform the Directors and Statutory Auditors in advance of the issues to be discussed at board meetings and, if required, shall ensure that appropriate information is

provided in advance on the matters to be examined (Article 16 of the By-laws).

At the Chairman's instruction, the Board Secretary emails the documentation illustrating the issues to be discussed to the Directors and Statutory Auditors, at different times depending on the topics to be discussed and generally not less than two days before the meeting, except for urgent situations or when special confidentiality is required. Under these circumstances, complete discussion of the issues shall be nevertheless ensured. Said documentation is also made available, starting from the email delivery, on IT media with which Directors and Statutory Auditors have been provided, enabling the examination of the documents in electronic format also during Board meetings.

The managers responsible for preparing corporate accounting documents attend the Board of Directors meetings that address and discuss matters falling under their remit. The Chief Executive Officer notifies the department heads that they shall or may be called on to participate in Board meetings during discussion of issues concerning them, so they can give their contribution. For the most part, the following department heads are called on to provide clarifications in Board meetings: the Compliance and Audit Officer, to discuss internal control and risk management system issues, the Head of Human Resources and Organisation, to discuss remuneration policy and incentive plan issues as well as, when necessary to detail specific topics for discussion or simply to provide assistance for the analysis of information the Board already has, the heads of the business and corporate departments, who do not already participate in the meetings as Directors. The General Counsel, in his capacity as Board Secretary, attends all Board meetings, providing the required information for the matters under his remit.

During the meeting called to examine the draft financial statements, the Board of Directors expressed a positive opinion on the adequacy of the Company's organisation, administrative and general accounting structure, also with reference to the system of internal control and to management of conflicts of interest. These conclusions were supported by positive opinions issued by the Board's own internal committees, which had previously carried out the same assessments within their own spheres of responsibility.

## Self-assessment

As far as self-assessment activities are concerned, at

least once in the course of the Board's three-year term, the Board usually approaches a leading consultancy company which carries out, amongst other things, professional analyses on the structure, functioning and efficiency of the Board of Directors and their commitments for listed companies.

Such practices are in line with recommendations expressed by the Directors, who deemed it beneficial to carry out this type of assessment with the assistance of an advisor after the first year of each term in office. The purpose of this is to allow consultants to gather opinions and recommendations from any new directors, once those directors have gained sufficient knowledge of the Company, the Group and the functioning of the Board and its Committees.

During the current three-year term, the consultancy company used by the Board for the purposes of self-assessment for the 2015 financial year (which was undertaken in 2016) had also provided the Group with staff search and selection for director appointments, and advice on the process of succession planning for high-level positions.

The self-assessment process for the 2015 financial year was carried out in the early months of 2016 and was articulated in three phases:

- individual discussion with the appointed consultant, using a questionnaire provided by the consultant. All 11 Directors who held positions during the period were involved in undertaking self-assessment procedures, as well as the Chairman of the Board of Statutory Auditors;
- the principal suggestions and comments that emerged were analysed with the Chairman of the Board of Directors;
- the Chairman of the Board of Directors was supported in preparing a final report for the Board, including the principal results and a proposed plan of action.

At the end of the process a report was sent to all parties concerned. The report was sub-divided in two parts:

- (i) A Summary Report, containing an overview of the strengths and areas for improvement that had emerged over the course of the activity.
- (ii) Potential Actions, as proposed by the Chairman of the Board of Directors after a discussion with Company management, and with the support of the consultant who was appointed to assist the Board in these activities.

The self-assessment process for the 2016 financial year was carried out in the early months of the Financial

Year, taking into account experience previously gained. This activity was assigned to a leading consulting firm and was performed independently from the Board of Directors. The activity was divided into three phases:

- each Director was provided with a questionnaire containing various questions that required them to express a judgement on the size, composition and functioning of the Board and its committees. They were also able to provide suggestions or proposed actions;
- the completed questionnaires were sent to the Secretary of the Board of Directors who prepared a document summarising the opinions expressed and the suggestions provided, in an aggregated and anonymous format;
- the summary document was first submitted for the consideration of the Compensation, Nomination and Sustainability Committee, and then, subsequently, for the consideration of the Board of Directors.

The self-assessment process for the Financial Year was carried out in the first few months of 2018. It was done independently from the Board of Directors, and in accordance with the process previously described. The results of these activities were examined by the Board of Directors during the same meeting that approved this Report.

Given the positive results of the self-assessment within the scope of the abovementioned sessions, the Compensation, Nomination and Sustainability Committee decided not to make any comments or suggestions regarding this matter.

The Board expressed complete satisfaction with the extensively positive outcomes from the self-assessment process with regards to the abovementioned sessions. Furthermore, for those areas where potential for improvement was noted, the Board was supportive of the proposals formulated by the Chairman of the Board of Directors after discussions with Company management and with the

support of the appointed consultant.

In particular, it was confirmed that the composition of the Board contained a balanced mix of independent Directors and management appointees, and that this was in line with Prysmian's public company structure. The extensive presence of independent Directors with diverse characteristics and profiles was also held to be a further assurance to Shareholders, as well as being optimal for supporting the executive team in their business management activities.

The Board, acknowledging the overall outcome of the Directors' assessments, deemed in conclusion that the size, composition and operation of the Board of Directors and of its committees were appropriate.

The outcome of the self-assessment was also taken into consideration when defining the policy described earlier regarding the composition of the Board of Directors. This information is therefore another useful component available to the out-going Board of Directors at the time of reviewing and preparing any candidate slate to be presented at the Shareholders' Meeting for the renewal of the same Board.

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The Shareholders' Meeting that appointed the Board of Directors in office on the date of the Report was not called on to generally authorise, as a preventive measure, waivers to the prohibition of competition provided for by Article 2390 of the Civil Code. Nonetheless, when the candidacies were submitted for renewal of the Board of Directors, each of the Directors in office confirmed that the conditions set out in Article 2390 of the Civil Code did not apply to him/her.

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As concerns the analysis of the adequacy of Prysmian's organisation, administrative and accounting structure, including its strategically significant subsidiaries, with particular reference to the internal control and risk management system, see paragraph 10 of the Report.

## 4.4. Executive bodies

The Directors, Valerio Battista and Pier Francesco Facchini, have been vested with executive powers by the Board of Directors.

### Chief Executive Officer - CEO

The Board of Directors meeting of 16 April 2015 conferred the office of Chief Executive Officer and General Manager on Valerio Battista, and delegated him all authority and powers of ordinary administration

needed or useful to carry out the Company's business, including the following powers:

- stipulate, with all appropriate clauses, modify, terminate, transfer and withdraw from any contract or any other deed with direct or indirect subsidiaries;
- buy, exchange and sell in the name and on behalf of the Company and also on behalf of third parties, and transfer to existing or new companies, real estate of any kind or nature wherever located, up to a maximum limit of Euro 10,000,000 (ten million euros) per transaction;
- buy, exchange and sell in the name and on behalf of the Company and also on behalf of third parties, and transfer to existing or new companies, assets of any kind or nature wherever located, up to a maximum limit of Euro 10,000,000 (ten million euros) per transaction;
- apply for loans, financing, the opening of credit lines, in any form from banks, finance companies and institutions, parent companies and subsidiaries, up to a maximum limit of Euro 100,000,000 (one hundred million euros) per transaction;
- apply for the issue or grant of guarantees, also in the interests of subsidiaries, from banks, finance companies and institutions, up to a maximum limit of Euro 100,000,000 (one hundred million euros) per transaction;
- grant loans or credit lines on behalf of and/or in the interests of any subsidiary;
- grant loans or credit lines on behalf of and/or in the interests of any investee company, up to a limit of Euro 5,000,000 (five million euros) per transaction;
- grant guarantees, issue comfort letters, indemnity letters etc., or take on any other commitment in favour of third parties, also in the interests of subsidiaries, up to a maximum limit of Euro 100,000,000 (one hundred million euros) per transaction;
- sign, modify and/or terminate any contract regarding the "turnkey" supply of the Company's goods or products, including the related issue of bonds, guarantees etc., up to a maximum limit of Euro 100,000,000 (one hundred million euros) per transaction;
- issue bonds, guarantees etc., up to a maximum limit of Euro 50,000,000 (fifty million euros) per transaction, in relation to contracts regarding the "turnkey" supply of the Company's goods or products, together with goods, products or services offered by third parties;
- subscribe, issue, purchase, modify, sell, repay and transfer financial instruments, bonds etc., up to

a maximum limit of Euro 10,000,000 (ten million euros) per transaction;

- purchase and sell companies and/or business lines, up to a maximum limit of Euro 10,000,000 (ten million euros) per transaction;
- purchase, sell and/or subscribe to investments in companies, up to a maximum limit of Euro 10,000,000 (ten million euros) per transaction;
- employ and dismiss staff, including management level;
- sign, pay and undertake any act incidental to or necessary to carry out capital transactions, including capital contributions in favour of subsidiaries;
- sign, pay and undertake any act incidental to or necessary to carry out capital transactions in favour of investee companies, including capital contributions, up to a maximum limit of Euro 5,000,000 (five million euros) per transaction;
- issue, within the scope and limits of the powers granted above, and revoke special mandates and general or special powers of attorney for particular acts or categories of acts, appointing attorneys, vesting them individually or collectively with signatory powers and with those powers that may be deemed appropriate to improve Company's performance, including the subdelegation of the issue of mandates and powers of attorney.

Mr. Battista qualifies as head of Company management (Chief Executive Officer), as described in the Self-Regulation Code. It should be noted in this regard that no interlocking directorate situation exists because Mr. Battista does not hold any directorships in any other issuer whose Chief Executive Officer is a director at Prysmian S.p.A.

### Chief Financial Officer

At its meeting on 16 April 2015, the Board of Directors also appointed the Director Pier Francesco Facchini as Chief Financial Officer, and assigned him the following authority and powers:

- represent the Company in all its dealings with Italian government authorities or with any other Italian or foreign government in matters concerning the powers hereby assigned, including tax matters in particular; he may sign petitions, claims and appeals, fulfil all formalities required by law, represent the Company before the relevant Offices;
- sign and present tax declarations and returns in general (including VAT); he may negotiate the Company's taxes and duties with Tax Offices, to settle and agree such taxes in the name and on behalf of the Company, provided that the principal

amount to be paid, in the case of a settlement, does not exceed Euro 5,000,000 (five million euros);

- sign payment orders in favour of public entities or their agents in relation to tax or social security payments;
- sign communications to Chambers of Commerce, Stock and Commodities Exchanges and companies concerning the Company's legal and regulatory obligations;
- sign ordinary correspondence with customers and suppliers relating to payments to be made to and by the Company;
- acquire contributions, accept the conditions thereto, sign necessary documents and issue receipts;
- sign, with all the necessary clauses, modify, terminate or transfer any contract with companies that are directly or indirectly controlled by the Company pursuant to Article 26 of Legislative Decree 127 of 9 April 1991, as subsequently amended and supplemented, provided that the contract falls within the ordinary administration, with no maximum value limits as long as these contracts comply with the general Prysmian Group policies in force regarding intergroup transactions;
- sign with all the necessary clauses, modify, and terminate the following:
  - active and passive lease or rental contracts no longer than nine years in duration, completing all connected and consequential acts, including the issue of receipts and notification of cancellation, as well as active and passive rental contracts and leases for movable assets, provided that the total amount of the annual payments connected to these contracts or the costs associated with signing, modifying or terminating them does not exceed Euro 1,000,000 (one million euros);
  - insurance contracts of all kinds (including surety bonds), provided that the related annual premium does not exceed Euro 1,000,000 (one million euros), completing all connected and consequential acts, including the payment of premiums, the agreement of the payment of damages and claims and any appointments of technical experts, doctors, claim agents and lawyers as required;
  - contracts involving the acquisition and/or provision of services of any kind and performance of work, including of an intellectual nature;
  - advisory agreements.
- collect receivables and any other sum due to the Company and issue receipts;
- endorse, receive, collect and order the collection of sums, mandates, treasury bills, money orders, cheques and credit instruments of any kind, and issue receipts;
- endorse for collection and discount, collect and acknowledge receipt of bills of exchange, excluding the power to accept drafts, to issue promissory notes and provide guarantees; draw drafts;
- make deposits, including guarantee deposits, in cash or securities at the Cassa Depositi e Prestiti [Deposit and Loans Fund] and at the provincial branches of the Treasury, receive receipts and global depository receipts;
- request the issue of banker's drafts; collect bank cheques and endorse them for collection;
- sign payment orders in favour of the Company (for interbank fund transfer);
- undertake at Customs Offices, at the Italian state railways (Ferrovie dello Stato), at transport companies in general and at the Italian postal service (Poste Italiane S.p.A.), any dispatch, clearance and collection of goods, valuables, parcels, packets and letters, as well as registered and insured post, as well as the signature and collection of currency declarations relating to import and export transactions; sign and approve invoices, circulation certificates, requests and statements necessary for the foregoing transactions; sign petitions, appeals, claims;
- represent the Company in any bankruptcy proceedings, compulsory administrative liquidation and receivership or extraordinary administration and promote such declarations; provide proof of receivables; attend meetings of creditors; accept and reject proposals for composition with creditors and requests to enter receivership or extraordinary administration regimes; issue receipts relating to these procedures;
- represent the Company in tax and currency audits, inspections and reports of assessment and verification and sign relevant reports;
- represent the Company before Tax Commissions of any level; appeal, take part in proceedings, indicate an address for service, file briefs and documents, take part in hearings, discuss and accept the related conclusions; appeal, including in the case of cross appeals; appeal to the Court of Appeal and for reversal of judgement; appoint lawyers and attorneys with all the necessary powers; indicate an address for service;
- represent the Company in court, with all the necessary powers including those as per Article 183 and Article 547 of the Italian Code of Civil Procedure, for the matters regarding the powers hereby conferred;

- initiate and conclude legal proceedings, including of a preventive nature and for enforcement, including those for reversal of judgement and quashing of sentences before any legal and administrative authority and before the Constitutional Court, and generally any supranational jurisdiction, provided that – in the case of initiating proceedings which are not connected to the recovery and collection of receivables – the overall amount sought does not exceed Euro 3,000,000 (three million euros); resist such proceedings; appoint lawyers, attorneys and technical experts with all the necessary powers; indicate an address for service;
- apply and sign any pertinent documentation for loans, financing, the opening of credit lines, in any form, from banks, finance companies and institutions, parent companies and subsidiaries, up to a maximum limit of Euro 50,000,000 (fifty million euros) per transaction;
  - apply and sign any pertinent documentation for the issue or grant of guarantees, also in the interests of subsidiaries, from banks, finance companies and institutions, up to a maximum limit of Euro 50,000,000 (fifty million euros) per transaction;
  - grant loans or credit lines on behalf of and/or in the interests of any investee company up to a limit of Euro 4,000,000 (four million euros) per transaction;
  - grant guarantees, issue comfort letters, indemnity letters etc., or take on any other commitment in favour of third parties, also in the interests of subsidiaries, up to a maximum limit of Euro 10,000,000 (ten million euros) per transaction;
  - subscribe, issue, purchase, modify, sell, repay and transfer financial instruments, bonds etc., up to a maximum limit of Euro 8,000,000 (eight million euros) per transaction;
  - sign, pay or undertake any act incidental or necessary to carry out capital transactions, including capital contributions in favour of subsidiaries, up to a maximum limit of Euro 20,000,000 (twenty million euros) per transaction;
  - sign, pay or undertake any act incidental or necessary to carry out capital transactions in favour of investee companies, including capital contributions, up to a maximum limit of Euro 2,000,000 (two million euros) per transaction;
  - issue, within the scope and limits of the powers granted above, and revoke special mandates and general or special powers of attorney for particular acts or categories of acts, appointing attorneys, vesting them individually or collectively with signatory powers and with those powers that may

be deemed appropriate to improve Company's performance, including the subdelegation of the issue of mandates and powers of attorney.

## Chairman

The Board Chairman, Massimo Tononi, has no executive powers, nor does he have a specific role in the Company's strategic planning, nor is he a controlling shareholder of the Company.

## Reporting to the Board of Directors

The Board of Directors, through the Chief Executive Officer, reports to the Board of Statutory Auditors on the matters set out in Article 150, paragraph 1, TUF; this reporting obligation has always been fulfilled during the Board of Directors meetings.

Pursuant to Article 19 of the By-laws, the Chief Executive Officer also reports to the Board of Directors and the Board of Statutory Auditors on the activities undertaken, the general performance of the business, its prospects and the most significant transactions by the Company or its subsidiaries in terms of their impact on results of operations and financial position; in particular, the Chief Executive Officer reports on transactions in which the companies have an interest, on their own behalf or on behalf of third parties or which are influenced by the entity that exercises direction and coordination. Reporting to the Board of Directors and the Board of Statutory Auditors has always taken place during Board of Directors' meetings.

As required by law, as well as by the Code, the Company has established a procedure, which may be viewed on the Company website [www.prysmiangroup.com](http://www.prysmiangroup.com) under *Investors/Corporate Governance*, which defines the parties and transactions requiring reporting to the Company's Board of Directors and Board of Statutory Auditors and the steps and timing that this reporting must follow. In particular, the procedure defines (i) the type, frequency and contents of the reported information, and (ii) how it is to be obtained.

The Chief Executive Officer has also established the practice, at every Board meeting and regardless of how much time has elapsed since the previous meeting, of reporting to the Board of Directors and to the Board of Statutory Auditors on the work and principal transactions undertaken by the Company and its subsidiaries that do not require prior Board approval.

## 4.5. Other executive directors

Because of the positions they held within the Company and the Group during the Financial Year, Valerio Battista, Massimo Battaini, Pier Francesco Facchini and Fabio Ignazio Romeo are considered Executive Directors.

Valerio Battista is an executive director by virtue of his appointments as Managing Director and General Manager of the Company (see section 4.4) and as Chief Executive Officer of the Company.

Pier Francesco Facchini is an executive director by virtue of his appointment as Chief Financial Officer of the Company (see section 4.4 above)

Fabio Ignazio Romeo is an executive director because of his appointment as Head of Corporate Strategy and Development of the Prysmian Group.

Lastly, Massimo Battaini is an executive director because of his appointment as Senior Vice President Business Energy Projects of the Group.

## 4.6. Independent directors

Seven of the eleven Directors appointed by the Shareholders' Meeting of 16 April 2015 stated, when presenting their candidacy for the renewal of the Board of Directors, that they possessed the independence requirements under Article 148, paragraph 3, TUF. Six of them also stated that they were independent based on the application criteria in Article 3.C.1. and Article 3.C.2. of the Code.

At the meeting of the Board of Directors immediately following the aforementioned Shareholders' Meeting, the Board made an assessment of, based on (i) the statements provided when presenting their candidacy, (ii) the information provided verbally by the parties involved during the Board meeting and (iii) the additional information available to the Company, the relationships that may or appear to compromise the independence of judgement of the Directors declaring themselves independent.

The Directors declaring themselves independent and attending the meeting were expressly asked to report any changes that occurred, after submitting their candidacy, which could have altered their independent position. The independent Directors were also asked to report to the Board any relationships with the Company, or persons related to it, to enable the Board to assess whether such relationships could potentially affect the independence of their judgement.

Upon completion of this verification process, the Board deemed that the Directors Maria Elena Cappello, Alberto Capponi, Claudio De Conto, Monica de Virgiliis, Maria Letizia Mariani and Giovanni Tamburi did possess those requirements making them independent, pursuant to Article 148, paragraph 3, TUF and based on the application criteria in Article 3.C.1. and Article 3.C.2. of the Code.

The Board also deemed that Massimo Tononi possesses the independence requirements pursuant to Article 148, paragraph 3, TUF only. Having actually held the office of Chair of the Board of Directors over the previous three-year term and, having also been confirmed in that office for the current three-year term, Mr. Tononi is considered a "key representative of the Company" pursuant to the 3.C.2 application criteria of the Code. Therefore, the Board did not deem him to be in possession of the independence requirements provided for by the Code.

In addition, the Independent Directors also undertake to promptly inform the Board of Directors of the occurrence of any circumstances, which might invalidate this qualification, without, however, undertaking to resign if this latter circumstance applies. Annually, at the meeting to approve the Report, the Board of Directors invites the directors concerned to reconfirm their independence and examines any additional information they may have provided or of which the Board has become aware.

According to criteria set by the Company, it is believed that a director shall not normally be considered independent if, during the previous financial year, he has had commercial, financial or professional dealings with the Company, one of its subsidiaries, or with any of their principal representatives or with an entity that controls the Company, or with its key representatives, if the total value of such dealings is greater than:

- (i) 5% of the turnover of the legal entity, organisation or professional firm, of which the director has control or is a key representative or partner, or
- (ii) 5% of the annual personal income of the director or of the annual turnover generated directly by the director as part of his/her activity at the legal

entity, organisation or professional firm, of which the director has control or is a key representative or partner.

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The Board of Statutory Auditors has ensured the proper application of the criteria and the verification procedures adopted by the Board for its annual assessment of the independence of its members, and noted its findings in its report to the Shareholders' Meeting.

In this regard, an extract of the Board of Statutory Auditors' report of 12 April 2017, drafted pursuant to Article 153 of the TUF and Article 2429 of the Civil Code is reported below:

"[...]

1. *In the performance of its supervision and control activities, the Board of Statutory Auditors acknowledges that:*

[...]

g) *it has supervised the procedures used for implementation of the Self-Regulation Code for listed companies, promoted by Borsa Italiana S.p.A., adopted*

*by the Company, as illustrated in the Report on Corporate Governance and Ownership Structure approved by the Board of Directors on 1 March 2017. The Board of Statutory Auditors has also verified the proper application of the verification criteria and procedures adopted by the Board of Directors to assess the independence of its members. In addition, the Board of Statutory Auditors has verified its own members' compliance with independence and professionalism criteria pursuant to the relevant legislation;*  
[...]"

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During the Financial Year, two meetings with only those directors in possession of the independence requirements under TUF were held. During those meetings, the independent directors discussed topics to be subsequently dealt with during the Board of Directors' meetings, including such items as the outcomes from the self-assessment process, induction meetings, matters relating to the main business risks and Prysmian's cyber security programme.

## 4.7. Lead Independent Director

As the circumstances do not apply to the Company under which the Code recommends an issuer to appoint a Lead Independent Director and since no

such figure has been requested by the Independent Directors, the Board did not select a Lead Independent Director from among its independent members.

# 5. Processing corporate information

Internal management and external reporting of documents and information about the Company Prysmian adopted a set of procedures for internal management and external reporting of documents and information about the Company, especially concerning confidential information. These procedures were reviewed during the Financial Year in order to align the content with the innovations introduced by Regulation (EU) No. 596/2014 ("MAR") on the harmonisation of Market Abuse legislation. The parts of greatest relevance in this regulation became applicable on 3 July 2016. The procedures define how information that assumes a confidential character should be managed and identify the company managers who will manage and coordinate these information flows through their disclosure to

the market. It includes situations where it was initially decided to defer disclosure under the circumstances as required by the applicable legislation. These procedures may be found on the Company website [www.prysmiangroup.com](http://www.prysmiangroup.com) under *Investors/Corporate Governance*.

### Insider Register

In compliance with Article 115-bis of the TUF, the Company has set up an Insider Register of those persons with access to confidential information. Entries and updates to the Insider Register are defined according to the dedicated procedure, which is also aligned with the innovations of Regulation (EU) No. 596/2014 ("MAR") on the harmonisation of Market Abuse legislation. Registry entries can be made on a

permanent or interim basis and the procedure identify which individuals are responsible for managing and administering the permanent register, along with the individual projects that are created in the register whenever it is decided to delay communication of confidential information to the market.

## Internal Dealing

The Company has adopted a procedure (“Code of Conduct - Internal Dealing”), aimed at governing the reporting obligations for transactions concerning Prysmian’s shares, debt securities or derivatives, or other financial instruments which are linked to the Company, where those transactions are undertaken by persons who, because of their position, have access to relevant information (so-called Internal Dealing). This procedure identifies so-called “Relevant Persons” as (i) the Company’s directors, (ii) the Company’s statutory auditors, and (iii) persons with management responsibilities and managers who have regular access to price sensitive information and have the power to take management decisions which can influence the Company’s development and future prospects (so-called “Key Managers”) who the Board of Directors identifies by name. Other relevant persons are (iv) “Relevant Shareholders”, i.e. those who have a shareholding of at least ten percent (10%) of the Company’s share capital, (v) directors and statutory auditors of relevant subsidiaries, entities who carry out direction activities and managers of relevant subsidiaries (pursuant to the above procedure) and lastly (vi) the so-called “Persons Closely Associated with Relevant Persons.” The legal

provisions governing the issues in this section were transposed into the “Code of Conduct - Internal Dealing”, a copy of which may be found on the Company website [www.prysmiangroup.com](http://www.prysmiangroup.com) under *Investors/ Corporate Governance* in the version updated during the 2016 financial year to align with the innovations of Regulation (EU) No. 596/2014 (“MAR”) on the harmonisation of Market Abuse legislation.

The above Code of Conduct - Internal Dealing also sets out blackout periods during which Relevant Persons and Persons Closely Associated with Relevant Persons cannot undertake operations which are subject to disclosure requirements. The blackout periods are thirty calendar days preceding the public announcement of approval of the Company’s draft annual financial statements, half-year financial report, and each of the interim reports as at 31 March and 30 September (where scheduled for approval and publication).

However, the Board of Directors, or, in urgent cases, the Chief Executive Officer, has the power to (i) identify further periods or circumstances in which the performance of transactions by Relevant Persons and Persons Closely Associated with Relevant Persons shall be subject to limits or conditions, and (ii) under certain circumstances, allow a Relevant Person and a Person Closely Associated with Relevant Persons to carry out the transaction in periods in which the ban would otherwise be in force.

To date, neither the Board of Directors nor the Chief Executive Officer has made any exceptions to the ban on dealing during blackout periods.

## 6. Board committees

(pursuant to Article 123-bis, paragraph 2 letter d), TUF)

The Company’s Board of Directors has set up the following committees:

- (i) Control and Risks Committee
- (ii) Compensation, Nomination and Sustainability Committee

The Compensation, Nomination and Sustainability Committee jointly performs the functions that the Code assigns to the Nomination Committee and the Compensation Committee, respectively, and provides a supervisory function regarding issues of sustainability with the task of reviewing the annual

sustainability report. This Committee was formed in compliance with the stricter rules set out for the compensation committee’s composition as it has only non-executive and independent members pursuant to the TUF.

The combination of the functions of the Nomination and the Compensation Committees into one single committee arose from the affinity of some of the competencies required for the two bodies and from the positive experience gained on previous occasions, ensuring efficiency in the discussion of the relevant

issues with the elimination of the risk of any possible failure of coordination.

The Board of Directors has not reserved the duties and functions that the Code attributes to the committees; said duties and functions were distributed among

the committees only in compliance with the Code's recommendations.

The composition, functions, duties, resources and activities of the abovementioned Committees are described in the subsequent sections of this Report.

## 7. Compensation, nomination and sustainability committee

The Board of Directors has set up an internal Compensation, Nomination and Sustainability Committee (previously named the "Compensation and Nomination Committee"), with the task of providing advice and proposals on (i) the compensation of directors and senior management, (ii) the appointment/replacement of independent directors and (iii) the assessment of the size and composition of the Board itself, whilst also approving provisions for this committee's operation. The provisions are available on the Company website [www.prysmiangroup.com](http://www.prysmiangroup.com) under *Investors/Corporate Governance/Committees*.

In addition to the duties mentioned, the Board has also assigned the Compensation, Nomination and Sustainability Committee the function of supervising sustainability issues linked to the Company's doing business and its interactions with all the stakeholders.

Composition and operation of the Compensation, Nomination and Sustainability Committee (pursuant to Article 123-bis, paragraph 2, letter d), TUF)

The Board of Directors appointed the following Directors as members of the Compensation, Nomination and Sustainability Committee:

- Claudio De Conto, *Independent Non-Executive Director pursuant to the Code and the TUF*;
- Giovanni Tamburi, *Independent Non-Executive Director pursuant to the Code and the TUF*;
- Massimo Tononi, *Independent Non-Executive Director pursuant to the TUF*;

The Committee's membership must comprise solely non-executive directors, of whom at least two shall be independent.

The Board of Directors appointed Giovanni Tamburi as the Chairman of the Committee, whose duties are essentially coordination of the committee's

work. During the appointment process, the Board also verified that each of the members possessed appropriate knowledge and experience in finance and remuneration policy.

The Head of Group Human Resources and Organisation shall act as Committee Secretary, who will draft the meeting minutes, which, after being shared among the Committee members, shall be signed by the Chairman and filed in the Company records.

After renewal at the Shareholders' meeting on 16 April 2015, the newly appointed Board of Directors set the current composition of the Committee on the same date. Even before the renewal of the Committee, it comprised three non-executive and independent directors.

As stated in its regulation, the Compensation, Nomination and Sustainability Committee has the following duties:

- A) evaluate and make proposals to the Board of Directors on remuneration policy proposed by the Company for Directors and Key Managers;
- B) evaluate and make proposals to the Board of Directors on share-based incentive, stock option and stock grant plans and similar plans, in order to provide incentives and promote loyalty of the management and employees of companies in the Group which the Company heads;
- C) make proposals or express opinions to the Board of Directors, in the absence of the directly involved parties, on the remuneration of Executive Directors, Directors with particular responsibilities and Key Managers, as well as, at the instruction of the Chairman and of the Chief Executive Officer, to determine the criteria for the remuneration of the Company's senior management in ways that are able to attract, retain and motivate persons with a level of expertise and experience satisfying the Company's needs and are consistent with

- the remuneration policy. The Committee may also make proposals and express opinions on the portion of remuneration of Executive Directors, Directors with particular responsibilities and Key Managers previously indicated by the Board of Directors, which is linked to the financial results of the Company and Group and/or possibly to the achievement of specific targets previously defined by the Board of Directors, and on the setting of such performance targets. In this case, the criteria for determining the amount of compensation shall be fixed from year to year in relation to the strategic objectives determined from time to time by the Board of Directors;
- D) make proposals to the Board of Directors, in the absence of the directly involved parties, for the remuneration of Non-Executive Directors, which must be commensurate with the commitment required from each of these, after taking into account any involvement in one or more of the Company's internal committees. Only a small portion of this remuneration can be linked to the Company's financial results. Non-Executive Directors may be the beneficiaries of share-based incentive plans only on the basis of a reasoned decision by the Shareholders' Meeting;
- E) periodically evaluate the adequacy, overall consistency and actual application of the remuneration policy for Directors and Key Managers, using information provided by Executive Directors to evaluate actual application and to make general recommendations to the Board of Directors on this matter;
- F) propose to the Board of Directors candidates for the office of director in the event of being coopted, when it is necessary to replace independent directors;
- G) express opinions to the Board of Directors regarding the Board's size and composition and make recommendations on the professional figures whose presence on the Board is considered appropriate;
- H) make recommendations regarding the maximum number of positions as director or statutory auditor in other companies listed on regulated markets (including foreign markets), and in financial, banking, insurance or large companies, which can be considered compatible with the effective performance of the office of director of the Company, also taking into account directors' participation on Board committees;
- I) express opinions in support of the Board of Directors' judgement concerning specific matters for which there is a prior, general authorisation to waive the non-compete provisions of Article 2390 of the Civil Code;
- J) carry out preliminary work in relation to any plan that the Board of Directors might decide to adopt for the succession of the Executive Directors;
- K) in the event that the outgoing Board of Directors, in compliance with the legislative and statutory provisions in force, evaluates the submission of a slate of candidates for the renewal of the Board, participate in the preliminary activity, express opinions and makes proposals, to identify candidates from among which those who will comprise the slate submitted by the outgoing Board will be chosen;
- L) supervise sustainability issues linked to the Company's doing business and its interactions with all the stakeholders. In particular:
- (i) monitoring the Company's position in the main sustainability indices;
  - (ii) expressing opinions on the initiatives and programmes promoted by the Company or by subsidiaries on Corporate Social Responsibility (CSR);
  - (iii) examining, before the Board of Directors, the annual sustainability report prepared by the Company's competent departments;
  - (iv) as indicated by the Board of Directors, expressing opinions and making proposals concerning specific Corporate Social Responsibility (CSR) issues.
- The Committee is permitted to make use of internal or external consultants, to obtain information on market standards for compensation systems.
- During the Financial Year, the Committee held 6 meetings, lasting an average of one and a half hours each, during which it:
- made proposals to the Board on the fixed and variable remuneration measures for some of the Executive Directors and Key Managers;
  - issued a positive opinion on the criteria adopted for the incentive policy based on achievement of predefined objectives and on the policies adopted for senior management remuneration;
  - examined information on the Prysmian Group's remuneration policy, using it to compile the Remuneration Report, which was then approved by the Board of Directors and also submitted to the Shareholders' Meeting for examination;
  - examined the draft Sustainability Report for the Prysmian Group for 2016, expressing a positive

- assessment of the subject and not offering any additional suggestions;
- took part in the process of reviewing and planning for the succession of senior positions in the Group;
  - monitored the implementation of the discounted share purchase plan (YES Plan) approved by the Shareholders' Meeting in 2016, and results achieved by this plan;
  - examined the design of a new long-term share-based incentive plan;
  - examined the terms of an agreement for concluding the employment relationship of a key manager, prior to review by the Board of Directors;
  - participated in defining the policy regarding the composition of the Board of Directors and Board of Statutory Auditors.

The average attendance of Committee members at meetings was 95%. These meetings were also attended by the Head of Group Human Resources and Organisation in his role as Committee Secretary. The Board of Statutory Auditors, invited to participate in the Committee meetings, attended them all.

No Directors participated in the Committee meetings when proposals on their remuneration for submission to the Board were examined.

The Committee was provided access to corporate

information and received the benefit of assistance from corporate functions, as required for the performance of its duties. In addition, the Committee did not deem it necessary to use additional consultants to those identified from time to time by the relevant company departments for assistance with the preparation of documents and reports in support of the topics discussed during the Committee's meetings and later brought to the attention of the Board.

During the Financial Year, one Committee's meeting was held before the Board meeting during which the Report was approved. Even though a schedule of meetings has not been set beforehand, it is envisaged that the Committee shall hold a meeting before each Board of Directors' meeting in which the compensation, director appointments or assessments of the size and composition of the Board of Directors, and/or sustainability topics will be on the agenda.

For additional information about the Compensation, Nomination and Sustainability Committee, see the Remuneration Report, published pursuant to Article 123-ter TUF, which may be found on the Company website [www.prysmiangroup.com](http://www.prysmiangroup.com) under *Investors/Corporate Governance/Remuneration Policy/Remuneration Reports*.

## 8. Remuneration of directors

As recommended by the Self-Regulation Code, a significant part of the remuneration of Executive Directors and Key Managers is linked to the Company's financial results and/or the achievement of specific objectives.

The Executive Directors and Key Managers are beneficiaries of the long-term share-based incentive plan for 2015-2017. They were also given the opportunity to join the three-year discounted share purchase plan (YES Plan) open to Prysmian Group employees, introduced by the Company in 2013 and renewed for a further three-year period during 2016. The plan allows them to buy Prysmian shares at a discount, paid in the form of treasury shares, of 1% of the purchase price, with their annual investment capped at Euro 13,335. For details on the aforementioned plans, see the Prysmian Group Consolidated Financial Statements ("Incentive Plans" paragraph of the Report on Operations), the relevant information documents drawn up pursuant to Article 84-bis of the CONSOB Issuer Regulation and

the Remuneration Report, published on the Company website [www.prysmiangroup.com](http://www.prysmiangroup.com) under *Investors/Corporate Governance/Remuneration Policy*.

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The remuneration of Directors is determined pursuant to Article 2389 of the Civil Code by the Shareholders' Meeting, which may also determine an overall amount for the remuneration due to Directors, including those with particular responsibilities. In this case, the Board of Directors, having examined the relevant Committee's proposals and consulted the Board of Statutory Auditors, shall divide the overall amount determined by the Shareholders' Meeting among its members. Directors are eligible for reimbursement of the expenses incurred to carry out their duties (Article 14 of the By-laws).

The Shareholders' Meeting of 16 April 2015 awarded the Board, in addition to reimbursement of expenses incurred in the interests of the Company, an overall gross fee of Euro 530,000 for each of the years it

remains in office, to be divided on a prorata basis according to the portion of the year that the Directors serve. The Shareholders' Meeting also granted the Board of Directors the authority to decide how such amount should be allocated to all or to just some of the individual directors, taking into account the specific responsibilities of each.

The Board of Directors accepted the recommendation presented by the Compensation, Nomination and Sustainability Committee, establishing the following division for the overall annual remuneration:

(i) Euro 60,000 to the Chairman of the Board of Directors, (ii) Euro 50,000 to each of the 7 Non-Executive Directors qualifying as independent pursuant to TUF and (iii) Euro 20,000 to each of the 6 members of the Board Committees.

For additional information about the Directors and Key Managers remuneration policy, see the Remuneration Report published pursuant to Article 123-ter of the TUF.

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Indemnity of directors in the event of resignation, dismissal without just cause or termination following a public tender offer (pursuant to Article 123-bis, paragraph 1 letter i), TUF)

As concerns the agreements between the Company and the directors, which involve indemnity in the cases provided for by Article 123-bis, paragraph 1, letter i), TUF, it should be noted that there are no

prior agreements concerning early termination of office or employment that are not in compliance with the Code and Corporate Governance best practices, the law and local collective agreements, and in any event including compensation greater than two years' salary. In compliance with these provisions, agreements were made that provide for indemnity in case of early termination of employment with the Chief Executive Officer and General Manager, Valerio Battista, employee of Prysmian S.p.A., with a permanent contract as a manager since 1 June 2006, and with the Director and Chief Financial Officer, Pier Francesco Facchini, employee of Prysmian S.p.A., with a permanent contract as a manager since 8 January 2007.

In the event of early termination of employment of the above Executive Directors, who are also Company employees, payment of the above indemnities is not explicitly excluded when employment is terminated for objectively poor performance since these indemnities replace those provided for under the national collective labour agreement for senior managers of companies producing goods and services, which would be payable even when termination is due to poor performance.

Apart from the foregoing, there are no other agreements between the Company and the directors, in the cases provided for by Article 123-bis, paragraph 1, letter i), TUF.

## 9. Control and risks committee

The Board of Directors set up a Control and Risks Committee (previously known as the "Internal Control Committee"), with the functions of providing advice and proposals to the same Board.

The operation of the Control and Risks Committee is governed by a set of rules, which may be found on the Company website [www.prysmiangroup.com](http://www.prysmiangroup.com) under *Investors/Corporate Governance/Committees*.

### Composition and operation of the Control and Risks Committee.

(pursuant to Article 123-bis, paragraph 2, letter d), TUF)

The Board of Directors appointed the following Directors as members of the Control and Risks Committee:

- Maria Elena Cappello, *Independent Non-Executive Director pursuant to the Code and the TUF*;
- Claudio De Conto, *Independent Non-Executive Director pursuant to the Code and the TUF*;
- Maria Letizia Mariani, *Independent Non-Executive Director pursuant to the Code and the TUF*;

The Committee's membership must comprise solely non-executive directors, of whom at least two shall be independent.

The Board of Directors appointed Claudio De Conto as Chairman of the Committee, whose duties are essentially coordination of the committee's work. During the appointment process, the Board also verified that each of the members possessed appropriate knowledge and experience in finance and accounting or risk management issues.

The Audit & Compliance Officer shall act as Committee

Secretary, who will draft the meeting minutes, which, after being shared among the committee members, shall be filed in the Company records.

After renewal at the Shareholders' Meeting on 16 April 2015, the newly appointed Board of Directors set the current composition of the Committee on the same date. Even before the renewal of the Committee, it comprised three non-executive and independent directors.

Pursuant to its regulation, the Control and Risks Committee has the following duties:

- A) support, with appropriate preliminary preparation, the judgements and decisions of the Board of Directors concerning the internal control and risk management system, as well as those relating to the approval of the periodic financial reports;
- B) provide its opinion to the Board of Directors concerning:
  - (i) the definition of guidelines for the internal control and risk management system, so that the main risks facing the Company and its subsidiaries are correctly identified, as well as adequately measured, managed and monitored, also determining to what extent such risks are compatible with the business's management in line with its strategic objectives;
  - (ii) the assessment, at least annually, of the adequacy of the internal control and risk management system with respect to the Company's characteristics and agreed risk profile, as well as its effectiveness;
  - (iii) the approval, at least annually, of the work programme prepared by the Audit & Compliance management;
  - (iv) the description, in the Corporate Governance Report, of the main characteristics of the internal control and risk management system, and expression of its opinion on the system's overall adequacy;
  - (v) the evaluation of the results presented by the independent auditors in any letter of recommendations and in the report on key issues arising from the legal audit;
  - (vi) the appointment and removal of the Audit & Compliance Officer, the allocation to the same of adequate resources to carry out his/her responsibilities and the definition of his/her remuneration in line with company policy.
- C) assist the Board of Directors by:
  - (i) evaluating, together with the managers responsible for preparing corporate

accounting documents and after consultation with the independent auditors and the Board of Statutory Auditors, the correct application of the accounting standards used and, in the case of groups, their consistency for the purposes of preparing consolidated financial statements;

- (ii) expressing opinions on specific issues concerning identification of the main business risks;
  - (iii) examining the periodic reports that evaluate the internal control and risk management system and any particularly relevant reports prepared by the Audit & Compliance management;
  - (iv) monitoring the independence, adequacy, effectiveness and efficiency of the Audit & Compliance management;
  - (v) being able to request Audit & Compliance management team to perform tests on specific operating areas, notifying the Chairman of the Board of Statutory Auditors at the same time;
  - (vi) supporting, with appropriate preliminary preparation, the Board of Directors' assessments and decisions on risk management arising from prejudicial events that have come to the Board of Directors' attention;
- D) report to the Board of Directors, at least every six months, at the time of the approval of the annual and half-year financial statements, on the work performed and on the adequacy of the internal control and risk management system and by presenting proposals to the Board of Directors in this regard;
  - E) in the capacity as the committee identified by the Board of Directors as being responsible for certain functions required by current regulations on related party transactions and in compliance with the corresponding regulations adopted by the company, provide opinions to the body responsible for approving specific related party transactions undertaken by the Company, or its subsidiaries. The Committee is also tasked with prior examination of the afore-mentioned regulations on related party transactions, any future amendments, and implementing those regulations;
  - F) monitor compliance with the Code of Ethics and associated Whistleblowing policy adopted by the Company.

Upon Legislative Decree 39/2010 becoming effective, the Board of Statutory Auditors was identified as the "internal control and financial audit committee",

meaning that some of the oversight duties belonging to the Control and Risks Committee were then shared with the Board of Statutory Auditors and conducted in a coordinated fashion.

The Board of Directors has assigned the Control and Risks Committee the duties and functions required of independent directors by the legal provisions concerning related party transactions and, specifically, the task of examining the Company's procedures prior to their adoption (and any future amendments to the same) and of implementing them. During the Financial Year, the Control and Risks Committee held 5 meetings, lasting an average of 2 hours each (i.e. 15 February, 1 March, 9 May, 26 July and 7 November). At the meeting of 7 November, the Control and Risks Committee also met in its capacity as the committee examining related party transactions, in view of the Board of Directors' approval of a related party transaction classified as "low relevance".

During these meetings, among other issues, the Committee examined:

- the consolidated financial statements for 2016, the half-year financial report for 2017 and the results of the financial audits, as well as the interim management reports;
- the 2017 Audit & Compliance Plan (as proposed by Audit & Compliance management) and subsequent progress of the plan, examining the merits of key results from individual audit and compliance activities undertaken;
- the Group risk map for the 2017 financial year, along with the results of the related Risk Assessment activities undertaken during the year, paying particular attention to risk management strategies proposed by management;
- the new mandate for the Audit & Compliance management and a corresponding allocation of resources for fulfilling their responsibilities;

- the company's cyber protection and IT security plan for industrial sites and IT systems;
- the agreement of consensual termination of employment for Key Managers.

All the Committee members attended regularly the Committee meetings held during the Financial Year, as did the Audit & Compliance Officer (also acting in his role as Committee Secretary and Group Chief Risk Officer). The Chairman of the Board of Statutory Auditors, and/or other Standing Auditors in his stead, were also present at the same Committee meetings, along with employees and subject matter experts, including external audit representatives who were invited by the Committee to participate in an advisory capacity from time to time, in relation to particular items on the agenda.

The Committee was provided access to corporate information and received the benefit of assistance from corporate functions, as required for the performance of its duties. In addition, the Committee did not deem it necessary to use additional consultants to those identified from time to time by the relevant company departments for assistance with the preparation of documents and reports in support of the topics discussed during the Committee's meetings and later brought to the attention of the Board.

In conclusion, it is noted that, during the current year, the Committee held one meeting before the Board of Directors' meeting that approved the Report. Even though a schedule of meetings has not been set beforehand, it is envisaged that the Committee meets at least quarterly throughout the 2018 financial year, at the end of the financial periods for which the Board of Directors is obligated to draft financial reports to be released to the market.

## 10. Internal control and risk management system

Starting from February 2013, and including successive updates on 25 February 2014 and 1 March 2017, the Board of Directors of the Parent Company approved specific guidelines for the founding principles of the Internal Control and Risk Management System

(IC&RMS) to guide the identification, measurement, management and monitoring of the Group's most significant risks, in line with the Group's strategic objectives.

The IC&RMS shall apply to the Company and all Group

subsidiaries. This system, integrated with corporate processes, aims to provide an appropriate structure for the pursuit of the Group's medium to long-term objectives, so that any internal and/or external situations that might jeopardise the achievement of those objectives are promptly dealt with. Therefore, the Board of Directors shall use, in implementation of the provisions of the Self-Regulation Code, the Control and Risks Committee, the Compliance & Audit Officer, and the Risk Management Department guided by the Group's Chief Risk Officer (CRO), the Supervisory Boards of the Group's Italian companies set up pursuant to Legislative Decree 231/2001, and the managers responsible for preparing the corporate accounting documents.

The IC&RMS shall be implemented through a complex set of rules of conduct (including the Code of Ethics and Group Rules of Conduct), organisational procedures and provisions set out and disseminated by the Group and through regular internal and external assessments.

Starting from 2012, Prysmian began to use an evolutionary Risk Management system, which fosters proactive risk management, using a structured and systematic tool to support the main corporate decisionmaking processes. This Enterprise Risk Management (ERM) model, developed in line with internationally acknowledged models and best practices, enables the Board of Directors and top management to regularly and dynamically analyse – that is, taking into account the changes in the business, in its demands and in the events with potential impact over time – the nature and level of the Group's risks, consistent with the Group's strategic objectives defined in line with the Group's risk appetite, thereby identifying risk management strategies to be adopted, i.e. which risks and with what priority it is deemed necessary to implement, improve or optimise risk mitigation measures, or more simply, to monitor the Group's exposure to risk over time.

The ERM model adopted, formalised in the Group ERM Policy, which incorporated the IC&RMS guidelines, is: (i) extended to all types of potentially significant risk for the Group, detailed in the Risk Model, which divides the internal or external risk areas that characterise the Prysmian Group's business model into five groups (strategic, financial, operational, legal & compliance and planning & reporting); (ii) a common, clearly defined method for measuring and assessing specific risk events in terms of their impact, probability of occurrence and level of adequacy of the existing control system.

The Control and Risks Committee is regularly updated, through the participation of the CRO – appointed as of 2013 to govern the ERM process – in all Committee meetings, on the development of the Group ERM programme and on the outcome of the analysis of the actions implemented. The CRO first reports to an internal risk management committee comprised of Group senior management.

Each year, the abovementioned process involves the Group's main business managers, enabling them to identify and assess the most significant risk factors and set out targeted mitigation measures, permitting the Audit & Compliance Officer to develop a riskbased Compliance and Audit Plan for the next financial year, subject to the Board of Directors' approval. The periodic assessment, in compliance with the amendments to the Self-Regulation Code which were published in the edition of July 2015 and for the purposes of preparing the so-called non-financial reporting pursuant to Legislative Decree 254/2006, also incorporates the goal of understanding and managing the Group's need for sustainable economic, environmental and social policies, ensuring that value is created for its shareholders/stakeholders over time.

From 1 January 2016, the Board of Directors also assigned the Compensation and Nomination Committee the task of supervising sustainability matters connected to the Group's activities, as described in paragraph 7 of this Report. The name of the committee was also changed into Compensation, Nomination and Sustainability Committee.

For additional details on the main risks and Group management of sustainability matters that emerged from the analysis performed, see the Prysmian Group Consolidated Financial Statements, paragraph "Risk factors and uncertainties" contained in the Report on Operations, and the Sustainability Report for the Financial Year, which is available on the company website at [www.prysmiangroup.com](http://www.prysmiangroup.com) in the "Sustainability" section.

An Audit & Compliance Officer was appointed by the Board of Directors in July 2016, and that role takes on the rights and tasks that the Self-Regulation Code had previously attributed to the Head of Internal Audit, along with the responsibility to independently and objectively verify that the IC&RMS functions are performed suitably and effectively.

The Audit & Compliance Officer reports on its actions and operations hierarchically to the Prysmian Group Board of Directors, as well as to the Director responsible for the internal control and risk management systems,

and to the Control and Risks Committee and the Board of Statutory Auditors.

The identification and planning of internal control verifications initiated by Audit & Compliance management begin with the main risks that emerged within the scope of the ERM process, and then takes into consideration:

- (i) the results of the internal control activities undertaken in previous years and the relevant recommendations, in order to identify possible internal control trends and/or deficiencies that should be further analysed;
- (ii) any need for additional details on the corporate areas/processes highlighted by senior management.

The Audit Plan for the 2017 financial year, based on the results of the 2016 risk assessment performed within the scope of the ERM process, was approved by the Board of Directors, with a favourable opinion from the Control and Risks Committee and after having heard the opinion of the Board of Statutory Auditors and the Director responsible for the internal control and risk management system, at the meeting on 1 March 2017.

In performing internal audit activities, the Audit & Compliance Officer and the relevant department's staff are given complete access to all the significant data, documentation, information and personnel for the performance of their function.

Any deficiencies and/or improvement measures that emerged within the scope of the audit activities provide for the immediate definition of actions to be taken to mitigate potential underlying risks, according to a priority order whose implementation is regularly monitored by the Audit & Compliance management.

The Audit & Compliance Officer reports to the Control and Risks Committee, where he also performs the functions of Secretary, with regards to the progress of the Compliance and Audit Plan, including any problems found, improvement measures agreed and their implementation, proposing changes to the original plan, where necessary.

Regular reporting to the Control and Risks Committee allows the Audit & Compliance Officer to annually provide an assessment on the adequacy and proper operation of the IC&RMS for the processes and areas under his/her responsibility. The Board, with the favourable opinion of the Control and Risks Committee, shall in its turn assess the adequacy, efficacy and effective operation of the internal control and risk management system at the meeting when the draft financial statements for the year are examined. As concerns this Financial Year, this assessment was

performed on 1 March 2017, leading to the judgement of essentially satisfactory operation.

It is also noted that in line with existing best practices in the national and international arena, the Prysmian Group has adopted a system for collecting and managing alerts for any irregularity or presumed violation of standards and/or company policies and procedures (the so-called Whistleblowing policy). In such a situation, the Whistleblowing policy offers all staff in the Group (employees or otherwise) the possibility to provide notification online and anonymously, of any incorrect behaviour or presumed illicit activity that may have occurred within the organisation. To this end, two channels have been launched for collecting alerts, consisting of dedicated telephone lines and a web portal. Both channels are operated independently and are available in any of the 26 languages in use by the Group.

Main features of the internal control and risk management system over the financial reporting process (pursuant to Article 123-bis, paragraph 2, letter b), TUF)

With particular reference to the financial reporting process, the analysis of the relevant risks and applicable internal controls are part of the Group's IC&RMS:

- (i) the ERM process takes into account the risks linked to corporate planning and financial reporting as well as some aspects of compliance including compliance with Law 262/2005 (the so-called "Savings Law");
- (ii) the Audit & Compliance management prepares the Group Compliance and Audit Plan, which integrates the requirements for operations, security and reliability of the reporting systems and compliance with Law 262/2005 and Legislative Decree 231/2001;
- (iii) Prysmian maintains a system of administrative and accounting procedures aimed at ensuring the fairness, accuracy, reliability and timeliness of its financial reporting. These include:
  - Group Accounting Manual, which sets out accounting standard rules and applications;
  - Administrative Processes Manual;
  - procedures for the creation and distribution of financial reporting;
  - other procedures for the preparation of the Consolidated Financial Statements and periodic financial reports (including the chart of accounts, consolidation procedures and procedures for related

party transactions).

The Prysmian Group head office departments are responsible for distributing this documentation to the operating companies, which can access these accounting standards, procedures and rules through the Group's Intranet site. The operating companies may also issue local policies, procedures and rules that comply with centrally established guidelines.

In 2017, no updates to the Group Accounting Manual were necessary, while update activities of other administrative and accounting procedures, that had been started in 2016, continued to progress in order to be compliant with the changes arising from the administrative reorganisation which introduced a shared service center in all European countries.

Within the scope of compliance with Law 262/2005, the Managers responsible for preparing corporate accounting documents, supported by the Audit & Compliance management, began a scoping update, aimed at identifying those Group companies included in the scope of consolidation and the processes and sub-processes to be deemed significant for financial reporting. The analysis was performed on the basis of economic and financial criteria set out as percentages and analysed in relation to qualitative parameters linked to the country/process risk level, the maturity of the internal control system, and strategic relevance in relation to Group growth expectations.

Based on the scoping results, in 2017 the analysis of significant companies' processes and sub-processes was undertaken considering the potential risks connected to a failure to comply with "accounting assertions" - existence and occurrence, completeness, assessment and recording, presentation and reporting, rights and obligations - for each financial statement item deemed significant. In view of the risks encountered, the Audit & Compliance management defined specific testing activities provided for by the Audit Plan, aimed at verifying the effectiveness of its design and its actual operation. Action plans, concerning potential areas for improvement identified during the checks undertaken and aimed at strengthening existing controls or adjust its weaknesses, were agreed with each process manager or reporting company. The Audit & Compliance management monitors the implementation of the actions defined in the audit activities above.

The results of the activities undertaken pursuant to Law 262/2005 are regularly subject to examination by the managers responsible for preparing the corporate accounting documents and then, at least every six months, they are brought to the attention of the Control and Risks Committee, the Board of Statutory Auditors and the Board of Directors of the Parent Company.

## 10.1. Director in charge of the internal control and risk management system

The Board of Directors appointed Valerio Battista, Chief Executive Officer and General Manager, as the Director in charge of supervising the operation of the internal control and risk management system. Within the scope of his responsibilities, in 2017, this Director implemented the IC&RMS guidelines defined by the Board by specifically focussing on its:

- (i) design, creation and management, as well as constant assessment of its adequacy and efficiency;
- (ii) update based on the development of operational conditions and the regulatory and legislative framework;
- (iii) identification of the main corporate risks, in line with the existing ERM process, taking into account

the characteristics of the Group, whose results are regularly subject to examination by the Board of Directors.

In addition, the Director in charge:

- may request, whenever deemed necessary, that the Audit & Compliance management undertakes specific control and verification activities in compliance with the timely reporting to be provided to the Chairmen of the Board of Directors, the Control and Risks Committee and the Board of Statutory Auditors;
- promptly reports to the Control and Risks Committee on any problems and critical issues that may emerge during his work or that he has become aware of, so that the Committee may take appropriate action.

## 10.2. Head of audit & compliance management

With effect from 28 July 2016, the Board of Directors decided to establish a Compliance department in order to reinforce the internal control and risk management systems. They appointed Alessandro Nespoli as the Audit & Compliance Officer, on the suggestion of the Director in charge of internal control and risk management systems, and after also receiving favourable endorsement from the Control and Risks Committee and the Board of Statutory Auditors. The Audit & Compliance Officer was entrusted with the responsibility of leading the Compliance and Internal Audit department. Consequently, he was endowed with the rights and responsibilities that the Self-Regulation Code had previously attributed to the Head of Internal Audit. Following the same procedure, the Board also defined the remuneration of the Audit & Compliance Officer in compliance with the provisions of the Self-Regulation Code. This was done in line with company policies, and ensures that the director is also provided with adequate resources to fulfil the responsibilities of the role.

Subsequently, on 4 April 2017, Giorgio Totis was appointed as head of the Compliance department, reporting directly to the Audit & Compliance Officer. The Head of Compliance deals with activities such as promotion, development and implementation of training policies and programmes as per the Audit & Compliance Plan (e.g., anticorruption, antitrust, trade compliance and privacy).

Nonetheless, the Group decided to maintain a structure dedicated to Internal Audit, under the direction of Marc Sinagra, formerly appointed as Head of Internal Audit (HIA) on 31 July 2014. The Internal Audit department reports to the Audit & Compliance Officer, both hierarchically and operationally. The Internal Audit department is enriched by the addition of the Compliance department, as it results in a more expansive and better designed department.

In compliance with the Code, and in the same manner as the HIA previously, the Audit & Compliance Officer (i) is hierarchically dependent on the Board of Directors that appointed him and shall also report to the Director in charge of the internal control and risk management system, the Control and Risks Committee and the Board of Statutory Auditors. The HIA (ii) has no responsibility in any operational area even though he has direct access to all information

useful for the performance of his functions.

The Audit & Compliance Officer, in the same manner as the HIA previously, is tasked with continuously verifying that the internal control and risk management system duly operates in relation to specific requirements and in compliance with international professional standards. Therefore, the Audit & Compliance Officer shall draft an annual Group Compliance and Audit Plan based on the risk assessment performed within the scope of the ERM process set out in the previous financial year – see section 10 of the Report. The 2017 Audit & Compliance Plan was approved by the Board of Directors on 1 March 2017.

Hence, during the Financial Year, the Audit & Compliance Officer has:

- (i) assessed the operation and adequacy of the internal control and risk management system based on the Audit & Compliance Plan approved by the Board of Directors, including specific checks on the reliability of the accounting and reporting systems. In this regard, he employed specialised external experts to perform certain IT activities provided for by the Audit Plan, defining and monitoring their execution. He reported the outcomes of his verifications to the Control and Risks Committee and the Board of Statutory Auditors at regular meetings;
- (ii) reported on his own work at meetings with the Control and Risks Committee and the Board of Statutory Auditors. He takes part in the Committee meetings as Secretary and coordinates the discussions. If requested by the Board of Statutory Auditors, he reports during their quarterly inspections on the issues in the scope of his responsibility;
- (iii) regularly reported on his own activities, his risk management methods, on particularly significant events, and the compliance with the plans set out to contain risk, whilst also providing an assessment - as concerns the areas and processes verified - of the satisfactory operation of the internal control and risk management system. These reports are sent to the Chairmen of the Board of Statutory Auditors, of the Control and Risks Committee and to the Director in charge of the internal control and risk management system.

## 10.3. Organisational model

(pursuant to Legislative Decree 231/2001)

In compliance with the recommendations of Legislative Decree 231/2001 ("Decree 231"), on 24 January 2006, Prysmian S.p.A. Board of Directors adopted its own organisational, management and control model (the "Model"), last updated by resolution dated 1 March 2017. The other Italian companies in the Group in turn adopted their own Model consistent with the different specifications and circumstances applying to each one of them.

The Model is regularly subject to revision, consistently with legislative developments on the administrative crimes and offences pursuant to Decree 231, the dynamics of the Group's corporate governance system and organisational structure, in order to ensure its relevance and effectiveness over time. In particular, the Models adopted by Prysmian and each of the Italian companies in the Group was updated in 2017, so as to align the Models with current operating practices and organisational changes that have occurred over time.

The Model, which is an integral part of the Group's governance system, has been conceived to operationally draw up appropriate rules of conduct that will prevent illicit behaviour deemed significant by the Company pursuant to Decree 231, based on an analysis of corporate activities, decision making processes and the existing control system.

The Company has therefore deemed it appropriate to regulate processes and strengthen the internal control systems as specifically concerns the following crimes and offences provided for by Decree 231: Articles 24 and 25 (crimes against the Public Administration), Article 24-bis (computer crimes and unlawful data processing), Article 25-bis, paragraph 1 (crimes against industry and trade), Article 25-ter (corporate offences, including the crime of "Corruption in the private sector"), Article 25-sexies (market abuse), Article 25-septies (unintentional manslaughter and serious or most serious injuries committed in breach of the rules on health and safety at work), Article 25-octies (receiving, laundering and using money, goods or benefits of illicit origin, and self-laundering), Article 25-undecies (environmental crimes) and Article 25-duodecies (employment of illegally staying third country nationals).

The Model has two sections:

a) Section One has a general nature aimed at illustrating the content of Decree 231, the rules of

governance and the Model's general standards. In this regard, the following are an essential part of it:

- the Code of Ethics, which sets out the ethical standards of conduct that all who do business on behalf of Prysmian or its subsidiaries are obligated to comply with. This document is published on the Prysmian website, [www.prysmiangroup.com](http://www.prysmiangroup.com) under *Investors/Corporate Governance and on the Group's intranet*. For the purposes of its widest possible distribution, the Code of Ethics has been translated into 26 languages and is made available to every one of the Group's subsidiaries, with regular training sessions offered to employees and staff.
- Rules of Conduct, which lay down the main standards of conduct expressed by the abovementioned Code of Ethics, detailing areas of conduct in two categories of "to do" and "not to do", thereby responding to the need of prevention of possible crime risk situations.

- b) Section Two, aimed at identifying and regulating specific types of conduct to be maintained in areas identified as potentially at risk of crime for the Company, through the definition of specific protocols for decision making, management and control, which, when implementing the standards of conduct as set out in the Code of Ethics and the Rules of Conduct, govern for each crime risk process: (i) roles and responsibilities of the subjects involved, (ii) decision making/authorisation procedures, (iii) procedures for management and control of activities.

An extract of the Model, in its latest version approved by the Board of Directors on 1 March 2017, may be viewed on the Company website at [www.prysmiangroup.com](http://www.prysmiangroup.com) under *Investors/Corporate Governance*.

### Supervisory Board

In compliance with Legislative Decree 231/2001, the Company has set up a Supervisory Board, appointed to its current office by the Board of Directors on 16 April 2015 with its term ending at the same time as the current Board of Directors, currently foreseen as the date of the Shareholders' Meeting convened to approve the financial statements as at 31 December 2017. The Supervisory Board, comprising several members, has the duty of supervising the operation

of and compliance with the Model and ensuring its update through submission of proposals to the Board of Directors. The Board also resolved a €100,000 annual expense provision, which was partially used in 2017 for audit activities, to provide the Supervisory Board with suitable financial resources for its activities.

The Board of Directors deemed it appropriate, at the time of its appointment, to set up a specific Supervisory Board, instead of entrusting the task to the Board of Statutory Auditors as permitted by recent amendments to the abovementioned legislative decree. This choice was deemed appropriate to meet the independence and competence requirements, both fundamental to ensure that the Supervisory Board's actions are authoritative and effective.

The members of the Supervisory Board currently

in office, qualified and possessing the integrity requirements as defined by the Model are: Maria Luisa Mosconi, Chairwoman, self-employed professional and already a Standing Statutory Auditor of Prysmian S.p.A., Silvano Corbella, self-employed professional and expert consultant on the application of Legislative Decree 231/2001 and Marc Sinagra, Head of Internal Audit.

In 2017, the Company's Supervisory Board met four times and, with the support of the Internal Audit Department, verified the actual application and awareness of the rules of control and conduct pursuant to Legislative Decree 231/2001, supplementing the Group Audit Plan approved by the Board of Directors.

Every six months, the Supervisory Board, through the results of the checks it makes, reports on the Model's application and effectiveness to the Board of Directors.

## 10.4. Independent auditors

The independent audit of the accounts is entrusted, by law, to a specialist firm registered at the Register of Auditors held by the Ministry of Economy and Finance. The By-laws state that this assignment must be conferred by the Shareholders' Meeting at the reasoned proposal of the Board of Statutory Auditors.

The serving independent auditors are Ernst & Young S.p.A. They were engaged by the Shareholders' Meeting of 16 April 2015 to carry out the independent statutory audit of the Company's financial statements and Prysmian Group's consolidated financial statements and to perform a limited review of the Company's

half-year financial reports for the period 2016-2024. The engagement will end with the approval of the financial statements for the year ended 31 December 2024.

During the Financial Year, the serving independent auditors met with the Group's other control bodies several times. They were invited to participate in both the Control and Risks Committee meetings to discuss significant events and the activities performed for the half-year reporting periods, and the Board of Statutory Auditors meetings to discuss regular control activities. Minutes were taken in all of the meetings.

## 10.5. Manager responsible for preparing corporate accounting documents

The Board of Directors, with the favourable opinion of the Board of Statutory Auditors, jointly appointed the heads of the "Financial Statements & Compliance" and "Planning & Controlling" departments as the Managers responsible for preparing corporate accounting documents ("Responsible Managers"). In making this choice, the Board of Directors took account of the Group's organisational structure and the national best practices adopted by other listed companies, also supported by an interpretation published by Assonime<sup>1</sup> [Association of the Italian Joint Stock Companies], which recommends keeping the office of Manager

responsible for corporate accounting documents separate from Board members, because the two offices have different and independent responsibilities.

Hence, the Responsible Managers currently in office are Carlo Soprano, Head of Financial Statements & Compliance, appointed on 10 November 2011, effective from the following day, and Andreas Bott, Head of Planning & Controlling, appointed on 8 November 2012, effective from 1 January 2013.

In compliance with Article 19 of the By-laws, both Responsible Managers possess the requisites of professionalism and competence, having also gained

at least three years of overall experience through the performance of at least one of the following activities:

- a) administration, control or executive duties in a business environment;
- b) professional activities in the field of credit, finance, securities or insurance;
- c) university lecturing on subjects relating to law or economics;
- d) administrative or executive functions with public entities or authorities pertaining to the credit, finance, securities or insurance sector or with public entities or authorities not pertaining to these sectors as long as their duties involved managing economic and financial resources.

The Board of Directors has granted both Responsible Managers all powers and authorities necessary for the performance of their duties pursuant to the applicable provisions of the TUF and the relevant implementation regulations. Specifically, the Responsible Managers may:

- directly access all the information used for the production of accounting data, making use of internal communication channels, which ensure a proper exchange of information among the different corporate departments and bodies. Those powers may be also exercised with subsidiaries and the corporate hierarchies of the consolidated companies;
- lay down administrative and accounting procedures, also providing proposals and evaluations on all procedures already adopted by the Company and the Group;

- request the Audit & Compliance management's support for the update of the Model to comply with Law 262/2005;
- deal directly with the independent auditors, the Control and Risks Committee and the Board of Statutory Auditors.
- participated directly in the Board of Directors' meetings or by way of the Control and Risks Committee and the Board of Statutory Auditors.

In addition, the Responsible Managers, together with the Chief Executive Officer, shall certify, through a specific report drafted according to the model established by CONSOB regulation and annexed to the separate financial statements, the consolidated financial statements and the condensed half-year financial reports, that: (i) the administrative and accounting processes have been adequately and effectively applied, (ii) these documents correspond to the accounting records and books and (iii) they are able to provide a true and fair view of the financial, economic and equity situation of the Company and of the group of companies included in the scope of consolidation.

The Responsible Managers shall also issue specific statements certifying that interim financial information (e.g., interim reports on operations and/or press releases issued to the market) corresponds to the accounting records and books of the Company and of the group of companies included in the scope of consolidation.

## 10.6. Coordination between parties involved in the internal control and risk management system

The Prysmian Group fosters the exchange of information among the bodies involved in governance of the internal control and risk management system, whose continuity and timeliness shall be ensured through:

- participation of the Board of Statutory Auditors in the Control and Risks Committee meetings;
- participation of the Responsible Managers in the Control and Risks Committee meetings at least twice a year;
- regular reporting to the Control and Risks Committee, the Board of Statutory Auditors and to the Director in charge and to the Board of Directors

by the Audit & Compliance Officer and the CRO, on the work done concerning the internal control and risk management system;

- the exchange of information between the Control and Risks Committee, the independent auditors and the Responsible Managers concerning the accounting standards applied and the adequacy of the administrative and accounting procedures applied for preparing the Company's and the Group's financial reports;
- regular reporting to the Board of Directors and the Board of Statutory Auditors by the Supervisory Board.

<sup>1</sup> See Assonime Circular No.44 of 2 November 2009.

# 11. Directors' interests and related party transactions

In view of the provisions and guidelines contained in CONSOB Resolution 17221 of 12 March 2010, as subsequently amended, the Board of Directors has voted to adopt a set of "Procedures for Related Party Transactions" which may be found on the Company website [www.prysmiangroup.com](http://www.prysmiangroup.com) under *Investors/Corporate Governance*.

These procedures govern, inter alia: (i) the roles of the different parties directly involved in the procedures (for example, the Shareholders' Meeting, the Board of Directors, the committee of independent directors, heads of department, etc.); (ii) the gathering, management and diffusion of information concerning the Prysmian list of related parties; (iii) how transactions that the Company intends to carry out with related parties should be prepared and approved; (iv) how and when information and documentation concerning proposed transactions should be made available; (v) exemption from the procedures for certain types of related party

transactions and under certain circumstances.

As recommended in CONSOB Communication DEM/10078683 of 24 September 2010, in 2013, the Board of Directors, with the approval of the committee of independent directors, reviewed the above procedures, concluding that there was no need for them to be revised.

Still during the 2013 financial year, these procedures were updated, with the approval of the relevant committee, in order to implement the new policy adopted for identifying Key Managers and modified by the Board of Directors.

Recently, in 2016, these procedures were again updated to align groups of individuals who are covered by the same procedures with the changes in the organisational structure of the Group.

Related party transactions, if any, are detailed in the notes to the financial statements in the section entitled "Related party transactions".

# 12. Appointment of statutory auditors

Pursuant to the By-laws, the appointment of the Statutory Auditors takes place based on slates presented by shareholders who, alone or together with other shareholders, hold shares representing at least 2% of share capital with voting rights, or with a lower percentage established by law or regulation. These slates must be filed at the registered offices at least twentyfive days before the date set for the Shareholders' Meeting in first call. Each slate must be accompanied by statements in which the individual candidates accept their candidacy and by the candidates' curriculum vitae. In compliance with CONSOB Resolution 20273 of 24 January 2018, the minimum shareholding requirement for submitting the candidate slates for 2018 is 1%.

The By-laws (Article 21) contains the procedures for the submission of slates, for compliance with applicable legislation concerning balance of genders, the conduct of elections, the voting process and the

replacement of statutory auditors who vacate office during their mandate.

In particular, it should be noted that slates with a total number of candidates equal to, or greater than, three must comprise candidates belonging to both genders, so that the less represented gender is at least one third (rounded upwards) of the candidates for the office of Standing Statutory Auditor and at least one third (rounded upwards) of the candidates for the office of Alternate Statutory Auditor.

The first two candidates on the slate with the highest number of votes and the first candidate on the slate with the second highest number of votes, who also assumes the position of Chairman of the Board of Statutory Auditors, are elected as standing statutory auditors. The first candidate on the slate with the highest number of votes and the first candidate on the slate with the second highest number of votes are elected as alternate statutory auditors.

If the above procedures do not ensure that the composition of the standing members of the Board of Statutory Auditors complies with the currently applicable regulations on balance of genders, the necessary replacements will be made from among the standing statutory auditor candidates on the slate with the highest number of votes, in accordance with the numerical order in which candidates are listed.

The Statutory Auditors serve for three years and their term in office expires on the date of the Shareholders' Meeting called to approve the financial statements relating to their third year in office. They are eligible for reelection. The Chairman of the Board of Statutory Auditors and one of the Alternate Auditors are appointed by the Shareholders' Meeting from among the Statutory Auditors elected by minority shareholders.

Pursuant to the By-laws, members of the Board of Statutory Auditors must fulfil the requirements of professionalism, integrity and independence set out in the applicable legislation. In particular, for the purposes of Article 1, paragraph 2, letters B) and C) of Ministry of Justice Decree 162 of 30 March 2000, the business sectors and fields viewed as strictly pertinent to the Company are those relating to the Company's sector of operations, as well as fields relating to private and commercial law, economic disciplines and those relating to the Company's business sector.

The appointment of the current Board of Statutory Auditors took place on 13 April 2016, when the Shareholders' Meeting elected the new statutory auditors using the slate voting system.

At that time, the following two slates of candidates were filed for renewal of the Board of Statutory Auditors:

- **Slate 1**, submitted by the shareholder Clubtre S.p.A. owner, on that occasion, of 12,690,312 ordinary shares equal to 5.856% of Prysmian share capital:

Section One Standing Statutory Auditors	Section Two Alternate Statutory Auditors
1. Paolo Lazzati	1. Michele Milano
2. Laura Gualtieri	

- **Slate 2**, submitted jointly by the shareholders Aberdeen Asset Management PLC manager of the funds: Abbey Life Assurance Company Limited, Abbey Life Assurance Company Limited, Hbos International Investment Funds ICVC – European

Fund, Aberdeen Investment Funds UK ICVC II Aberdeen European Equity Enhanced Index Fund, Scottish Widows Overseas Growth Investment Funds ICVC – European Growth Fund and Scottish Widows Investment Solutions Funds ICVC – European (Ex UK) Equity Fund; Aletti Gestielle SGR S.p.A. manager of the funds: Gestielle Obiettivo Italia and Gestielle Cedola Italy Opportunity; Anima SGR S.p.A. manager of the funds: Fondo Anima Sforzesco and Fondo Anima Visconteo; APG Asset Management S.V. manager of the fund Stichting Depository APG Developed Markets Equity Pool; Arca S.G.R. S.p.A. manager of the fund Arca Azioni Italia; Etica SGR S.p.A. manager of the funds: Fondo Etica Azionario, Fondo Etica Bilanciato, Fondo Etica Rendita Bilanciato and Fondo Etica Obbligazionario Misto; Eurizon Capital S.G.R. S.p.A. manager of the funds: Eurizon Azioni Internazionali, Eurizon Azioni Area Euro, Eurizon Azionario Internazionale Etico, Eurizon Azioni Europa, Eurizon Azioni Italia, Eurizon Azioni PMI Europa and Malatesta Azionario Europa; Eurizon Capital SA manager of the funds: Eurizon EasyFund - Equity Small Cap Europe, Eurizon EasyFund - Equity Italy LTE, Eurizon EasyFund - Equity Euro LTE, Eurizon EasyFund - Equity Europe LTE, Eurizon EasyFund - Equity Italy and Eurizon Easy Fund – Equity Europe; FIL Investments International – Fidelity Funds Sicav; Fideuram Investimenti S.G.R. S.p.A. manager of the fund Fideuram Italia; Fideuram Asset Management (Ireland) Limited manager of the funds: Fideuram Fund Equity Italy and Fonditalia Equity Italy; Interfund Sicav manager of the fund Interfund Equity Italy; Generali Investments Sicav manager of the fund Euro EQTY MID CAP; Generali Investments Europe SGE S.p.A. manager of the funds: Alto Bilanciato and Alto Internazionale Azionario; JP Morgan Asset Management manager of the funds JP Morgan Funds; Legal & General Investment Management Limited - Legal & General Assurance (Pensions Management) Limited; Mediolanum Gestione Fondi SgrpA manager of the fund Mediolanum Flessibile Italia; Mediolanum International Funds Limited - Challenge Funds – Challenge Italian Equity; Pioneer Asset Management SA manager of the funds: PF-Italian Equity and PSF European Equity Market Plus; Pioneer Investment Management SGRpA fund manager Pioneer Italia Azionario Crescita and Ubi Pramerica SGR manager of the funds: Ubi Pramerica Azioni Italia, UbiPramerica Multiasset Italia and UbiPramerica Azioni Euro, for a total of 11,215,641 ordinary shares equal to 5.175% of Prysmian S.p.A. share capital, whose ownership has

been certified as at the date of the list's presentation for 8,968,206, equal to 4.138% of the Prysmian S.p.A. share capital:

Section One	Section Two
Standing Statutory Auditors	Alternate Statutory Auditors
1. Pellegrino Libroia	1. Claudia Mezzabotta

Based on the two slates submitted, the first three candidates indicated in Slate 1 were appointed as members of the Board of Statutory Auditors, voted by the majority of those with voting rights participating in the Shareholders' Meeting, equal to approximately 82% of the share capital present or represented, and the first two candidates indicated in Slate 2 were voted by a minority of those with voting rights participating in the Shareholders' Meeting, equal to approximately 14.6% of the share capital present or represented.

Therefore, taking account of the aforementioned Shareholders' Meeting vote and of the legislation concerning protection of minority interests as incorporated in Prysmian By-laws, the Board of Statutory Auditors was composed as follows:

- Pellegrino Libroia, Chairman of the Board of Statutory Auditors, drawn from Slate 2,
- Paolo Francesco Lazzati, Standing Statutory Auditor, drawn from Slate 1,
- Laura Gaultieri, Standing Statutory Auditor, drawn from Slate 1,
- Michele Milano, Alternate Statutory Auditor, drawn from Slate 1,
- Claudia Mezzabotta, Alternate Statutory Auditor, drawn from Slate 2.

The three-year term of the Board of Statutory Auditors currently in office will expire on the date of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2018.

Lastly, the Shareholders' Meeting set the annual compensation for the Chairman of the Board of Statutory Auditors at Euro 75,000 and at Euro 50,000 for the annual compensation for each Standing Statutory Auditor.

The composition of the Board of Statutory Auditors has not undergone any changes since the close of the year.

## 13. Composition and functions of the board of statutory auditors

(pursuant to Article 123-bis, paragraph 2 letters d) and d-bis), TUF)

As required by Article 2409-bis of the Civil Code, the independent statutory audit of the accounts was entrusted to a firm of auditors, who must comply with the regulations applying to audits of listed companies and are under CONSOB supervision.

The Board of Statutory Auditors is therefore required to monitor the Company's compliance with the law and its articles of association and to comply with good management principles in the conduct of its business, and to control the adequacy of the Company's organisational structure, internal control system and administrative accounting system.

Pursuant to the effects of Legislative Decree 39/2010, the Board of Statutory Auditors was identified as the "Internal Control and Financial Audit Committee", meaning that it has supervisory duties over the financial reporting process, the effectiveness of the systems of internal control, internal audit and

risk management, over the statutory audit of the separate and consolidated annual accounts and over the independence of the external auditing firm.

The Board of Statutory Auditors held 6 meetings during the Financial Year, attended by an average of 100% of its members in office on each occasion during the Financial Year. The average Board of Statutory Auditors meeting lasted about two hours and sixteen minutes. The Statutory Auditors also ensured their presence at the one and only Shareholders' Meeting held in the year, and at the meetings of the Board of Directors, the Compensation, Nomination and Sustainability Committee and the Control and Risks Committee.

During this financial year, the Board of Statutory Auditors held 2 meetings before the meeting when the Report was approved, whilst 5 other meetings have been scheduled to take place during this Financial Year.

## Personal and professional details of each statutory auditor.

Below are short curricula vitae for each Statutory Auditor, describing their personal details, field of expertise and past experience in business management.

### **Pellegrino Libroia**

#### *Chairman of the Board of Statutory Auditors*

He holds a degree in Economics and Business, obtained in 1970, from the University of Pavia. He qualified as a certified accountant in 1977 and has been an authorised statutory auditor since 1995. From 1970 to 1977, he worked as an auditor for Peat Marwick & Mitchell (now KPMG). From 1977 to 1981, he worked as an auditor for FIDIMI S.p.A., a company that merged in 1982 with Reconta Touche Ross, now known as Reconta Ernst & Young, where he held the position of auditor partner from 1982 until 2010, providing audit services to major listed and unlisted groups, such as Italgas, Edison, Gemina, Aem Milano, Campari, RCS Editori, SNIA, Mondadori and Pirelli. In this position, he was the author of important fairness opinions issued in accordance with the law and gained extensive experience in acquisitions of companies and/or businesses by Italian groups, as well as in the listing of Italian companies on the Milan Stock Exchange. From 2005 until 2010, he was Chairman of Reconta Ernst & Young S.p.A., as well as Country Managing Partner of the Ernst & Young Italian network and Ernst & Young Mediterranean Sub Area Managing Partner (Italy, Spain and Portugal). In July 2010, he was one of the founders of the Libroia Gallo D'Abruzzo firm of tax, legal and corporate advisors. Since January 2015, he has been a partner of Leo Associati (formerly Leo Libroia e Associati) firm of tax, legal and corporate advisors, where he now acts as counsel. Currently, among the most significant offices he holds are Chair of the Board of Statutory Auditors at Davide Campari Milano S.p.A., Campari International S.r.l., Fratelli Averna S.p.A., Ethica Corporate Finance S.p.A. Fininvest Finanziaria d'Investimento S.p.A., and Il Sole 24 Ore S.p.A.

He has been a member of Prysmian's Board of Statutory Auditors since 16 April 2013. With regard to his current appointment, he was elected on 13 April 2016 from the slate submitted jointly by a group of shareholders comprising asset management companies and institutional investors, which received the second highest number of votes at the Shareholders' Meeting.

### **Paolo Francesco Lazzati**

#### *Standing Auditor*

He earned his degree in Economics and Business, with a specialisation in Business Administration, at the Università Cattolica del Sacro Cuore (Catholic University of the Sacred Heart) in Milan. He is a registered professional accountant and a member of the Register of Auditors and has been a subject expert at the faculty of Economics and Business of the University of Trento (from 1993 to 2001) and of the University of Pavia (since 1995). After beginning his career in his father's practice, he joined the law firm of "Paolo Maria Tabellini e Associati" in 1990 as an associate. In 2000, he founded a professional association, primarily serving companies and/or groups, including those under reorganisation, expansion and restructuring. He holds and has held positions as Director and Statutory Auditor in industrial and financial companies, including listed companies. He has been a member of Prysmian's Board of Statutory Auditors since 16 April 2013. With regard to his current appointment, he was elected on 13 April 2016 from the slate submitted by the shareholder Clubtre S.p.A., which received the majority of votes in the Shareholders' Meeting.

### **Laura Gualtieri**

#### *Standing Auditor*

She graduated with honours from her degree in Business Economics from the Commercial University "Luigi Bocconi" of Milan, and graduated in Law with full marks from the State University of Milan.

She is a registered Lawyer and a certified Accountant in Milan.

She is a registered Auditor.

Since 2004 she has been a partner in the offices of "Tremonti Vitali Romagnoli e Associati", where she began working in 1998. Prior to this she spent five years providing consultancy services as part of the tax firm Studio Tributario Deiore.

She is a subject expert in commercial law at the Insubria University of Varese.

She has been a member of Prysmian's Board of Statutory Auditors since 13 April 2016, having been elected from the slate submitted by the shareholder Clubtre S.p.A., which received the majority of votes in the Shareholders' Meeting.

### **Michele Milano**

#### *Alternate Auditor*

He has had a long and extensive experience as a Partner in the network of Big Four International auditing firms,

where he held important appointments auditing national and international clients. Furthermore, he has held roles in internal audit, compliance, reporting services, company valuations and due diligence. He gained his experience in large distribution, production, power, media & communication, services, real estate and non profit. In April 2016, he joined Ria Grant Thornton, however he maintained and continued his professional services as a member of boards of statutory auditors and supervisory bodies under Legislative decree 231/2001.

He has been registered as a certified Accountant in Milan since 4 July 1990, and has been enrolled on the National Registry of Auditors since 21 April 1995.

He is a founding partner in the Supervisory Bodies Association 231 and is a member of the Control Committee for the Association of Certified Accountants in Milan.

He is also a partner in the Nedcommunity association, and a teacher in training courses on the subject of Legislative Decree 231/2001 and its application, and accounting principles.

He was elected on 13 April 2016 from the slate submitted by the shareholder Clubtre S.p.A., which received the majority of votes in the Shareholders' Meeting.

### **Claudia Mezzabotta**

#### *Alternate Auditor*

She earned her degree in Business Economics in 1993 from the "Luigi Bocconi" University in Milan and a Master of Arts in Industrial/Organisational Psychology in 2002, from New York University's Graduate School of Arts and Science in New York, NY, United States. She has worked as a professional accountant since 1994, in Milan, where she owns her own practice, which provides accounting, corporate, and tax advisory services. She has been an authorised statutory auditor since 1999. She is also a UK chartered accountant, having been admitted to the Institute of Chartered Accountants of England and Wales (London, United Kingdom) in January 2013. From 2010 to 2014, she was a member of global IFRS SME Implementation Group, instituted at the IASB in London, UK; since 2011 she has been a member of European EFRAG SME Working Group, instituted at the EFRAG in Brussels, Belgium; since 2015 she has been a member of the SME Reporting Task Force, a part of the "Financial Reporting Policy Group" of the FEE in Brussels, Belgium. She was Chairman of the Accounting Standards Commission of the Milan Association of Certified Accountants from 2013 to 2016. She is temporary lecturer at Cattolica

University in Milan and also writes extensively about national and international accounting standards for several Italian publishers, including in particular IPSOA Wolters Kluwer, EGEA and Giuffrè. She is currently in office as a member of boards of statutory auditors, among others as Chair at F.I.L.A. S.p.A., Carrara S.p.A. and Fultes S.p.A.; and as an ordinary member at Avio S.p.A., Inalca S.p.A., Synopo S.p.A., Pentagramma Perugia S.p.A., Sabre Italia S.r.l., Ottana Polimeri S.r.l. She is also sole statutory auditor at GE Lighting S.r.l. She was Chairman of the Board of Statutory Auditors of Fiat Industrial S.p.A. until 30 September 2013 and a standing auditor with Ansaldo Energia S.p.A. until 3 December 2014.

She was elected on 13 April 2016 from the slate submitted jointly by a group of shareholders comprising asset management companies and institutional investors, which received the second highest number of votes at the Shareholders' Meeting.

### **Diversity policy**

During the Financial Year, the company adopted a new policy regarding the composition of the Board of Directors and the Board of Statutory Auditors. This policy will be made available on the company website [www.prysmiangroup.com](http://www.prysmiangroup.com) in the section Investors/Shareholders information/Shareholders Meeting. The adoption of this policy also meets the requirements of Article 123, paragraph 2, letter d-bis, of the TUF.

This policy was prepared by the relevant company departments under ongoing monitoring by the Compensation, Nomination and Sustainability Committee, and was eventually approved by the Board of Directors on 20 December 2017.

\*\*\*

Immediately after appointment by the Shareholders' Meeting, the Board of Statutory Auditors met for the first time on 13 April 2016. As required by the CONSOB Issuer Regulation and Self-Regulation Code, the Board of Statutory Auditors verified that each of its members (Pellegrino Libroia, Laura Gualtieri and Paolo Francesco Lazzati) met the independence requirements provided for by the law (Article 148, paragraph 3, TUF) and by the Self-Regulation Code (Articles 3.C.1 and 8.C.1) for directors of listed companies. When carrying out this review, the Board of Statutory Auditors relied on the statements that had been provided by members when applying for their candidacies, which had included a comprehensive list of all administrative and supervisory appointments. Along with their curriculum vitae, these statements were lodged at the company's registered office in the run-up to the

Shareholders' Meeting, and were published according to law requirements. When making this assessment, the Board of Statutory Auditors did not adopt different criteria to those provided for by the Code with reference to the independence of directors. The Board of Statutory Auditors promptly informed the Company of the outcome of their review, which allowed the company to disclose those results to the market in a press release that was issued at the conclusion of the Shareholders' Meeting in which the same Board was appointed.

A similar review was carried out by the Board of Statutory Auditors during the Financial Year, as a result of which it was confirmed that the members continued to meet the aforesaid independence requirements. The Company was promptly informed of this result.

\*\*\*

The Board of Statutory Auditors attended the induction meeting arranged by the Chairman of the Board of Directors with the aim of increasing the Directors and Statutory Auditors awareness of the Prysmian Group's economic and business dynamics. This meeting specifically involved a visit to the Group's facility in Douvrin, France, and scheduled attendance at meetings aimed to expand their knowledge of the business sectors in which the Prysmian Group operates. These meetings will focus on themes of a strategic and budgetary nature, which will also assist with upcoming assessments regarding appropriate risk management principles.

The Shareholders' Meeting on 13 April 2016 which appointed the current Board of Statutory Auditors, also determined that the annual remuneration for the Chair of the Board of Statutory Auditors would be Euro 75,000, and that the annual remuneration for each of the appointed Statutory Auditors would be Euro 50,000. This determination was in acceptance of the proposal put forward by shareholder Clubtre S.p.A. when submitting the candidate slate for the renewal of the supervisory board. No alternative proposals were presented during the lodgement of the candidate slates, nor during said Shareholders' Meeting when remuneration of the Board of Statutory Auditors was discussed. The proposal achieved a favourable endorsement with 97% of the voted shares. There were no votes against said proposal.

\*\*\*

The Control and Risks Committee meetings are the main occasion to exchange information among those members with significant duties concerning internal controls. The Board of Statutory Auditors and the Audit & Compliance Officer always take part in these meetings, with the latter acting as secretary and assistant to the Committee supporting the Chairman in the coordination and organisation of the activities. At these times, there is always an exchange of information useful for the performance of the duties assigned to the three persons involved in internal controls.

## 14. Relations with shareholders

The Board of Directors shall identify and appoint a head of Investor Relations, assigning the office and verifying that the person indeed possesses the necessary qualifications and experience for this role. As of 1 October 2014, Maria Cristina Bi-fulco was assigned the post of Group Investor Relations Director. The Group Investor Relations Director has the task of managing relations with institutional investors and financial analysts through a process of transparent and timely communication.

In particular, upon publication of its annual, half-yearly and quarterly results, the Company organises specific conference calls with institutional investors and financial analysts, also allowing the specialist press to take part. In addition, the Company promptly

advises shareholders and potential shareholders of every event or decision that might have an important impact on their investment.

The Investor Relations Director is in constant contact with investors, organising both group and one-to-one meetings in the main financial centres in Italy and abroad. The Investor Relations section of the Company website contains audio/video recordings of conference calls and presentations to the financial community as well as documents and press releases published by the Company.

Investors may address their requests for information to the Investor Relations office:

Tel. 02.6449.1 - Fax 02.6449.4509

[mariacristina.bifulco@prysmiangroup.com](mailto:mariacristina.bifulco@prysmiangroup.com)

# 15. Shareholders' meetings

(pursuant to Article 123-bis, paragraph 2 letter c), TUF)

Pursuant to Article 11 of the By-laws, "All shareholders entitled to attend the meeting may be represented at such Shareholders' Meeting by issuing a specific written proxy, as provided by and subject to the limits set out under applicable law. The proxy for attending the Shareholders' Meetings shall be notified to the Company even by sending the document to the certified e-mail address written in the Call of the Shareholders' Meeting."

In order to reduce the restrictions and requirements that might make it difficult and costly for those eligible to attend meetings and exercise their voting rights, the By-laws allow the Board of Directors to specify in the notice of the meeting that attendance is permitted via telecommunication media which enable all those attending the meeting to be identified and allow them to follow the debate and contribute in real time to the discussion of the items on the agenda.

\*\*\*

The Board of Directors resolved, in compliance with Article 9 of the By-laws and the provisions of the Code, to submit to the Shareholders' Meeting a set of regulations for shareholders' meetings which was approved at the Shareholders' Meeting on 28 February 2007. The shareholders' meetings regulations govern the orderly and functional conduct of meetings and ensure each shareholder the right to speak on the items under discussion.

In particular, the regulations contain procedures for verifying the right to participate in Shareholders' Meetings, for entering and exiting the premises where the meeting is held, for joining in the debate, with particular attention to the amount of time allowed for those eligible to express their opinion on items on the agenda and for members of the Board of Directors and the Board of Statutory Auditors to reply.

These regulations also define the powers of the meeting's Chairman and the voting procedures.

The regulations may be viewed on the Company website [www.prysmiangroup.com](http://www.prysmiangroup.com) under Investors/Shareholders information/Shareholders Meeting.

The meeting's Chairman directs the debate, giving the floor to directors, statutory auditors and those eligible who have requested to speak. Bearing in mind the subject and importance of individual items on the agenda, as well as the number of people requesting to speak, the Chairman decides in advance how long each

speaker and respondent may speak in order to ensure that the proceedings can be completed in one session. Those eligible may request to speak on each item on the agenda only once, making comments, requesting information and putting forward proposals. Speakers are permitted to request the floor until the Chairman declares the debate on the related item closed.

Persons who requested the floor are entitled to make a brief reply.

The Chairman establishes how speakers request the floor and the order in which they may speak.

In order to allow the Chairman, and at the latter's request, anyone assisting him, to respond more completely to issues raised, those eligible are permitted to submit written notes to the Board of Directors setting forth the issues on which they intend to speak, even before the Shareholders' Meeting is opened.

\*\*\*

In order to ensure that shareholders have sufficient information to take informed decisions in their meetings, the Board of Directors approves specific reports on items on the agenda and publishes them within the legally required term, including on the Company website.

During the Shareholders' Meeting called to approve the annual financial report, the Chief Executive Officer and the Chief Financial Officer present this document using detailed slides and comment on the main figures in the Company's separate financial statements and in the Prysmian Group's consolidated financial statements, thereby reporting on its activities to shareholders.

Eight of the eleven Directors in office at the date of the Shareholders' Meeting on 12 April 2017 attended this meeting. Two of the Directors present were also members of the Compensation, Nomination and Sustainability Committee, and so were able to provide the Shareholders' Meeting with information about how this Committee works, in addition to that already provided in the Remuneration Report.

\*\*\*

During the Financial Year the Company's share capital did not undergo any significant changes. The increase in the previously mentioned share capital from Euro 21,672,092.20 as at 31 December 2016 to Euro 21,748,275.40, as at the end of the Financial

Year, is entirely attributable to the partial bond issue conversion entitled “Euro 300,000,000 1.25 per cent Equity Linked Bonds due 2018”. In response to the conversion requests made during the Financial Year, 761,832 Prysmian S.p.A.’s ordinary shares were issued

with a nominal value of €0.10 (see paragraph 2.a of this Report).

The market capitalisation trend has followed that of Prysmian stock, which has been positive thanks to the good results announced during the Financial Year.

## 16. Other corporate governance practices

(pursuant to Article 123-bis, paragraph 2 letter a), TUF)

There are no other corporate governance practices to disclose other than those reported and described in the preceding sections.

## 17. Changes since year end

There have been no other changes in the corporate governance structure since the end of the year apart from those already reported and described in the preceding sections.

## 18. Considerations on the letter of 13 december 2017 of the chairman of the corporate governance committee

As part of the process of self-assessment on the Financial Year, as performed during the first months of 2018, it was shared with all the subjects involved, the letter from the Chairman of the Corporate Governance Committee, received by the Company in February, so that the Directors were aware of the recommendations contained in the mentioned

letter. The results of self-assessment activity were examined by the Board of Directors during the same meeting that approved this Report and no indications emerged regarding any activity or initiatives to be performed in the Corporate Governance Committee areas.

TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE  
(as at 31 December 2017)

SHARE CAPITAL STRUCTURE			
No. Shares		% of share capital	Listed
Ordinary Shares	217,482,754	100.00	MTA
Shares with suspended voting rights (*)	6,494,881	2.99	MTA

(\*) Treasury shares held directly and indirectly by the Company at 31/12/2017.

OTHER FINANCIAL INSTRUMENTS (assigning the right to subscribe to newly issued shares)				
Listed	No. outstanding instruments	Class of shares to service conversion	No. shares to service conversion	N° di azioni al servizio della conversione
Convertible Bonds	MTF - Vienna	€ 283,000,000	Ordinary Shares	12,682,280
Convertible Bonds	MTF - Vienna	€ 500,000,000	Ordinary Shares	14,579,427

Declarant	Direct shareholders	% of ordinary share capital (*)	% of voting share capital (*)
Clubtre S.p.A.	Clubtre S.p.A.	4.010	4.010
Norges Bank	Norges Bank	4.633	4.633
	Blackrock (Netherlands) BV	0.013	0.013
	Blackrock fund advisors	1.191	1.191
	Blackrock advisors LLC	0.043	0.043
	Blackrock asset management Deutschland AG	0.143	0.143
	Blackrock investment management (UK) Limited	1.055	1.055
	Blackrock investment management LLC	0.103	0.103
	Blackrock investment management (Australia) Limited	0.037	0.037
	Blackrock financial management Inc.	0.054	0.054
	Blackrock institutional trust company, national association	1.465	1.465
	Blackrock advisors (UK) Limited	0.834	0.834
	Blackrock (Singapore) Limited	0.002	0.002
	Blackrock international Limited	0.012	0.012
	Blackrock Japan Co Ltd	0.109	0.109
	Blackrock asset management Canada	0,041	0,041
	Blackrock asset management North Asia Limited	0.001	0.001
Blackrock Inc.	(Total)	5.103	5.103
Market		86.254	86.254
	Total	100.00%	100.00%

(\*): Information about shareholders, who directly or indirectly hold significant interests, as defined by regulations applying to listed companies, is also available on the CONSOB website. It should be noted however that the information published on the CONSOB website, based on notifications by parties required to comply with Article 120 of the TUF and the CONSOB Issuer Regulation, could differ from the situation presented above; this is because CONSOB is not required to adjust the percentage share-holdings for changes resulting from capital increases.

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES  
Situation as at 31 December 2017

Board of Directors												
Office	Members	Year of birth	Data di prima nomina (*)	In office	In office until	State (**)	Exec.	Non Exec.	Indep. Code	Indep. TUF	***	No. other offices ****
											*****	*****
											*****	*****
Chairman	Massimo Tononi	1964	21/07/2010	01/01/2017	31/12/2017	BOD	-	X	-	X	9/9	4
•/◊ CEO and GM	Battista Valerio	1957	15/12/2005	01/01/2017	31/12/2017	BOD	X	-	-	-	9/9	1
Director	Battaini Massimo	1967	25/02/2014	01/01/2017	31/12/2017	BOD	X	-	-	-	8/9	-
Director	Maria Elena Cappello	1968	18/04/2012	01/01/2017	31/12/2017	BOD	-	X	X	X	8/9	3
Director	Alberto Capponi	1954	16/04/2015	01/01/2017	31/12/2017	m	-	X	X	X	6/9	3
Director	Claudio De Conto	1962	21/07/2010	01/01/2017	31/12/2017	BOD	-	X	X	X	9/9	3
Director	Monica de Virgiliis	1967	16/04/2015	01/01/2017	31/12/2017	BOD	-	X	X	X	9/9	1
Director and CFO	Pier Francesco Facchini	1967	28/02/2007	01/01/2017	31/12/2017	BOD	X	-	-	-	9/9	2
Director	Maria Letizia Mariani	1960	16/04/2015	01/01/2017	31/12/2017	BOD	-	X	X	X	8/9	-
Director	Fabio Ignazio Romeo	1955	28/02/2007	01/01/2017	31/12/2017	BOD	X	-	-	-	9/9	2
Director	Giovanni Tamburi	1954	18/04/2012	01/01/2017	31/12/2017	m	-	X	X	X	9/9	5
<b>DIRECTORS WHO VACATED OFFICE DURING THE YEAR</b>												
-	-	-	-	-	-	-	-	-	-	-	-	-
On occasion of the most recent appointment of the Board of Directors on 16 April 2015, the minimum shareholding for presenting candidate slates was 1% of share capital.												
Number of meetings held during the Year: BOD: 9 CRC: 5 CNC: 6												

Notes

- This symbol indicates the director in charge of the internal control and risk management system.
- ◊ This symbol indicates the Chief Executive Officer of the Company.
- (\*) The date of first appointment of each director is the date on which that director was appointed for the very first time to the Board of Directors.
- (\*\*) This column reports the slate from which each director was elected ("M": majority slate "m": minority slate; BOD: Board of Directors submitted by the outgoing Board of Directors).
- (\*\*\*) This column reports the number of meetings of the Board of Directors and its committees attended by the directors (no. attendances/no. meetings held during a director's effective period of office).
- (\*\*\*\*) This column reports the number of appointments held by the person in question as a director or statutory auditor of other companies listed on regulated markets, in Italy or abroad, or of financial, banking, insurance or other large companies. The list of these companies for each director in office at 31 December 2017 is attached to this Report (Annex A).
- (\*\*\*\*\*) This column reports the role of the Director in each Committee ("C": Chairman; "m": member).

**TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS**  
 Situation as at 31 December 2017

Board of Statutory Auditors									
Office	Members	Year of birth	Date of first appointment (*)	In office	In office until	Slate (**)	Indep. as per the Code	Participation in the Board meetings ***	No. of other offices ****
Chairman	Pellegrino Libroia	1946	16/04/2013	01/01/2017	31/12/2017	m	X	6/6	7
Standing Auditor	Paolo Francesco Lazzati	1958	16/04/2013	01/01/2017	31/12/2017	M	X	6/6	47
Standing Auditor	Laura Gualtieri	1968	13/04/2016	01/01/2017	31/12/2017	M	X	6/6	4
Alternate Auditor	Michele Milano	1960	13/04/2016	01/01/2017	31/12/2017	M	X	N/A	7
Alternate Auditor	Claudia Mezzabotta	1970	16/04/2013	01/01/2017	31/12/2017	m	X	N/A	12
<b>AUDITORS WHO VACATED OFFICE DURING THE YEAR</b>									
-	-	-	-	-	-	-	-	-	-
<b>On occasion of the most recent appointment of the Board of Statutory Auditors on 13 April 2016, the minimum shareholding for presenting candidate slates was 1% of share capital.</b>									
<b>Number of meetings held during the Year: 6</b>									

**Notes**

- (\*) The date of first appointment of each statutory auditor is the date on which that auditor was appointed for the very first time to the Board of Statutory Auditors.
- (\*\*) This column reports the slate from which each auditor was elected ("M": majority slate "m": minority slate).
- (\*\*\*) This column reports the participation of each auditor in the meetings of the Board of Statutory Auditors (no. of attendances/no. of meetings held in the Financial Year).
- (\*\*\*\*) This column reports the number of appointments held by the person in question as a director or statutory auditor that are significant for the purposes of Article 148-bis of the TUF and the relevant implementation regulations included in the CONSOB Issuer Regulation. The complete list of appointments has been published by CONSOB on its website, in accordance with Article 144-quinquiesdecies of the CONSOB Issuer Regulation.

# List of other company appointments held by directors in office as at 31 december 2017

(in companies listed on regulated markets, or in financial, banking, insurance or other large companies)

NAME AND SURNAME	OFFICE	COMPANY
Massimo Tononi	Director	Mediobanca Banca di Credito Finanziario S.p.A.
	Director	Italmobiliare S.p.A.
	Director	Il Sole 24 Ore S.p.A.
	Chairman	ISA - Istituto Atesino di Sviluppo S.p.A.
Valerio Battista	Director	Brembo S.p.A.
Maria Elena Cappello	Director	Banca Monte dei Paschi di Siena
	Director	Saipem S.p.A.
	Director	Italiaonline S.p.A.
Alberto Capponi	Director	Sator S.p.A.
	Director	Tamburi Investment Partners S.p.A.
	Director	Clubtre S.p.A.
Claudio De Conto	Chairman	Star Capital SGR S.p.A.
	Chairman	Prénatal Retail Group S.p.A.
	CEO	Artsana Group
Monica de Virgiliis	Director	SNAM S.p.A.
Pier Francesco Facchini	Chairman	Prysmian Treasury S.r.l. (*)
	Director	Yangtze Optical Fibre and Cable Joint Stock Ltd Co.
Fabio Ignazio Romeo	Chairman	Oman Cables Industry S.A.O.G.
	Director	Turk Prysmian Kablo Ve Sistemleri A.S. (*)
Giovanni Tamburi	Chairman and CEO	Tamburi Investment Partners S.p.A.
	Director	Amplifon S.p.A.
	Director	Interpump S.p.A.
	Director	Asset Italia S.p.A.
	Chairman	Clubtre S.p.A.

(\*) Prysmian Group company.

