Drivers of our remuneration strategy (1/3)

Fostering sustainable value

50% of the KPIs composing our sustainability scorecard are linked to remuneration systems (MBO and LTI)

10%-15% of the management annual incentive (MBO)
20%-30% of the management long-term incentive (LTI) are linked to the achievement of sustainability targets

53% of the CEO’s total compensation is paid in equity in the medium-long term (3-5 years), over 50% of the KPIs composing our sustainability scorecard are linked to remuneration systems (MBO and LTI)

Pay Mix

CEO

Pay-Mix

CEO

47% Cash

53% Equity

SDGs | KPI | BASELINE 2019 | TARGET 2022
--- | --- | --- | ---
LTI | Percentage of product families (cables) covered by carbon footprint | 70% | 85%
LTI | Percentage of annual revenues from carbon enabling products | 40% | 40% to 50%
LTI | Percentage reduction of Greenhouse Gas emissions (Scope 1 and 2) | 889 ktCO2 | -2% to -3%
LTI | Percentage reduction of energy consumption | 9845 TJ | -3%
LTI | Percentage of total waste recycled | 63% | 64% to 66%
LTI | Percentage of drums (tons) reused annually | 28% | Maintain
LTI | Number of sustainability audits conducted based on supply chain sustainability risk | 15 | 30
MBO | Percentage production sites with ISO 14001 certification | 85% | 95%
MBO | Percentage of cables assessed in line with Prysmian internal Ecolabel criteria | 0% | 20%
LTI | Employee Engagement Index (EI) | EI: 85% Li: 52% | EI: 67% to 70% Li: 59% to 65%
LTI | Leadership Impact Index (LI) | | |
MBO | Percentage of women in executive positions | 12% | 14% to 18%
MBO | Frequency rate of injuries | IF: 1.30 | IF: 1.2
MBO | Severity rate of injuries | IG: 41.54 | IG: 41
MBO | Percentage of white collar women hired on a permanent basis | 33% | 40%
MBO | Average hours of training per year per employee | 26 hours | 30 hours
Drivers of our remuneration strategy

(2/3)

Generating results, sharing success

For 2018, the CEO’s vested annual bonus was €331,650, of which €82,913 actually paid out. The €248,737 difference, co-invested in the LTI Plan 2018-2020, was lost after the cancellation of the plan in November 2019.
Drivers of our remuneration strategy
(3/3)

**Transparency and long-term engagement**

Over **9,000 employees**, in more than **30 countries** are stable shareholders of the company and own about **3.5%** of the capital.

<table>
<thead>
<tr>
<th>CEO pay ratio</th>
<th>CEO</th>
<th>Average Group Employee</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed remuneration paid in 2019</td>
<td>€ 1,100,000</td>
<td>€ 34,398</td>
<td>32:1</td>
</tr>
<tr>
<td>Fixed and variable remuneration paid in 2019</td>
<td>€ 2,043,800</td>
<td>€ 37,464</td>
<td>55:1</td>
</tr>
</tbody>
</table>

The remuneration policy has been **supported by a large favourable vote** of our shareholders >90%.

Free of discrimination

Remuneration systems are not influenced by gender, age, ethnicity, cultural background or race. We value the diversity of our people and support inclusion by avoiding pay differentials related to any form of discrimination. We believe that involving people in the company's success is the best way to motivate them to work better and we do so through equity-based incentive plans.

**Share Ownership Guideline**

- **3x fixed pay for CEO**
- **1.5x fixed pay for Executive Directors and MSR**
Acting on COVID-19

**Business continuity while protecting our people**

Make all the best efforts **to keep factories running**, but strongly **increasing hygiene and prevention measures** for **non desk** and **desk** workers in every site and plant.

- Social distancing, no aggregation activities
- Physical distance of 1.5 meters, extensive use of smart-working
- Protective personal equipment
- Intensified cleaning and sanitization measures
- Tracking the line of potential COVID-19 cases in order to isolate individuals

**Minimize social impact of lockdown and slowdown of business activities**

- Temporary layoffs, social welfare plans
- Use of paid holidays, paid time off
- “bank of hours” and similar type of temporary flexibility

**Increased cost management discipline**

- No redundancies, Protection of base salary income

**Reassessment of CapEx**

- CEO and his top team to invest half of their STIs for year 2019 in company shares as a sign of commitment and confidence in the recovery from the pandemic-related crisis and in long-term growth perspective.
2020 Annual Incentive Plan

MBO

CEO

ON/OFF gate

ON/OFF Adjusted EBITDA (€M)

925 Threshold

950 Target

1,020 Max

-50% of level of achievement*

100

150

*Linear reduction between threshold and target level of ON/OFF condition

No reduction if target ON/OFF is met

OBJECTIVES

Weight

min

max

2020 Adj. EBITDA target (€M)

1_Group Adjusted EBITDA

40

60

950

1,020

2_Group Net Financial Debt

30

45

3_Group Fixed Costs

20

30

4_ESG

10

15

100

150

FCF target (€M)*

FCF before acquisition & disposals

~330±10%

ESG

Target range 2020

Frequency rate of injuries

1.20 - 1.23

% production sites with ISO 14001 certification

85% - 87%

% of desk workers women hired

33% - 35%

Assessment of positioning in indexes

Impact of COVID-19 excluded

Consistent with 2020 Guidance
LTI Plan 2020-2022

The new LTI Plan 2020-2022, subject to the Shareholders’ Meeting approval for the AGM called on April 28, with specific resolution pursuant to art. 114-bis, para. 1 of the Italian Legislative Decree No. 58/1998, is a key pillar of the remuneration policy as well as a fundamental component of long-term engagement of our key people. The LTI Plan is made up of 2 components.

Performance Share
Free allocation of shares upon achievement of performance conditions over a three years time frame (2020-2022)

Deferred Share with Matching
Deferred payout of 50% of annual bonus vested for the performance achieved in years 2020, 2021 and 2022 with the allocation of 0.5 free shares, i.e. Matching Share, for each allocated Deferred Sare
LTI Plan 2020-2022

Drivers

• **Simplification** and **alignment** with market best practices

• **Sustainability** of performance over time

• **Greater participation** in long term value creation via extending equity-based remuneration to a broader group of managers & professionals

• **Retention** lever to support post-merger integration, especially in some competitive regions

Truly global reach

~ 800 Key People

- CEO
- Top Management
- Key Managers
- Talents

Enhancing gender mix

- ~20% women among participants
- vs 16% women in former LTIP
- vs 12% female executives today
Performance Share

Conditional grant of free shares upon achieving performance conditions

<table>
<thead>
<tr>
<th>Performance Conditions</th>
<th>Threshold</th>
<th>Target</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>30% EBITDA adj cumulated €M</td>
<td>2,840</td>
<td>2,940</td>
<td>3,340</td>
</tr>
<tr>
<td>30% FCF cumulated €M</td>
<td>900</td>
<td>1,000</td>
<td>1,200</td>
</tr>
<tr>
<td>20% ESG Avg achievement of four KPIs</td>
<td>50 Points</td>
<td>100 Points</td>
<td>150 Points</td>
</tr>
<tr>
<td>20% rTSR Positioning vs peer group of 9 constituents</td>
<td>Middle 3 companies</td>
<td>Best 3 companies</td>
<td></td>
</tr>
<tr>
<td>Vesting of Performance Share*</td>
<td>50%</td>
<td>100%</td>
<td>150%</td>
</tr>
</tbody>
</table>

* For rTSR no share vesting at threshold

The potential impacts of Covid-19 pandemic are not factored in the 3-years performance ranges. The company does not intend to review performance ranges to incorporate such potential impacts. The Remuneration Committee will assess at the end of the 3-years performance period how to possibly take into account such impacts of extraordinary and exogeneous nature on the results achieved; full disclosure in this respect will be given to the market.
ESG and TSR Targets

RemCo discretion in assessing overall performance achieved, full transparency will be given to the market of assessment made.

<table>
<thead>
<tr>
<th></th>
<th>% of waste recycled</th>
<th>% reduction of GHG emissions</th>
<th>% of women executives</th>
<th>Leadership Impact Index %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Result</td>
<td>Points</td>
<td>Result</td>
<td>Points</td>
</tr>
<tr>
<td>Threshold</td>
<td>64%</td>
<td>50</td>
<td>-2%</td>
<td>50</td>
</tr>
<tr>
<td>Maximum</td>
<td>66%</td>
<td>150</td>
<td>-3%</td>
<td>150</td>
</tr>
</tbody>
</table>

TSR measured relative to industry peers and global industrial players: Belden, Corning, Leoni, Nexans, NKT, Rexel, Siemens, ABB plus Eurostoxx 600 IG&S (as part of the peer group)

Best 3 companies full award vests

Middle 3 companies portion of award vests

Waste recycled - percentage of total waste recycled compared to total waste produced; the waste taken into consideration is that deriving from the Group’s production activities.

Emissions - Percentage reduction of Green House Gas emissions (Scope 1 and 2) including CO2 and other emission types (CH4, N2O, HFC, SF6, PFC) expressed in CO2eq (CO2 equivalent).

Gender mix - Percentage of women in “executive” managerial positions in the Group as defined in accordance with the KornFerry Hay group weighting system for roles (grade 20 and above), certified by the same advisor.

Leadership Impact Index - summary index of the percentage of group employees who have expressed a consent level equal to or greater than 5, rated on a scale from 1 (min.) to 7 (max.), as observed by the SDA Bocconi advisor in its capacity of independent third-party supervisor of the implementation for the Group of the survey among employees. The index consists of the employees’ answers to 5 questions as part of a broader survey of employee opinions and is designed to measure levels of engagement.

Gender balance in the Group’s “executive” managerial positions: triple the female presence in 6 years

6% female executives in 2016
12% female executives in 2019
18% female executives stretch target by 2022
Deferred Share

**Deferral up to 2023**

**50%** of vested bonus is paid in cash annually

**50%** of vested bonus is deferred in shares

*Annual Bonus*
- **CEO**
  - Max: 1,0x
  - Tgt: 0,67x

*of annual base salary, per year*

**Deferral into shares of 50% of 2020, 2021 and 2022 vested annual bonus**

**Vested for performance**

**Leveraged for retention**

**Share price to determine the conversion of cash to deferred shares is set each year (90 days prior AGM)**

**0.5 matching shares for each deferred share**

**Malus / Claw back**

**Conditional upon achieving target ESG performance (as measured for PS); applied for at least CEO and ≈40 Top Managers**

**Deferral up to 2023**
Thank you

prysmiangroup.com