

Governance

Effective and efficient, to create sustainable value over time and give rise to a virtuous spiral centred on business integrity.

Prysmian is aware of the importance of a good system of corporate governance for achieving the Group's strategic objectives and creating sustainable value over the long term. The system must ensure that governance is effective, with respect for the institutions and the rules, efficient, with respect for the principles of cost saving, and proper in relation to all parties involved in the life of the Group.

With a view to sparking this virtuous spiral, the Group strives to ensure that the system of governance is aligned constantly with the relevant recommendations and regulations, and complies with domestic and international best practices. In addition, the Group has adopted principles, rules and procedures that govern and guide the activities of all organisational and operational units, as well as guarantee that all operations are carried out in an effective and transparent manner.

With a view to constantly improving the system of corporate governance, Prysmian took various additional steps during 2016 to implement the recommendations contained in the Code of Corporate Governance² for listed companies, adopted by the Group, and strengthen the principles of transparency and integrity applied.

The structure of corporate governance within the Group is founded on the core role of the Board of Directors – as the most senior body appointed to manage the Company in the interests of shareholders – in providing strategic direction, guaranteeing the transparency of decision-making processes and establishing an effective system of internal controls and risk management that encompasses the decisions made with internal and/or external effects. The Board of Directors exercises the widest powers of ordinary and extraordinary administration, except for those that by law are reserved solely for the Shareholders' Meeting. Consistent with the recommendations of the Code of Self-Regulation, the number and standing of the non-executive directors ensures that their opinions carry significant weight in the adoption of Board resolutions. The traditional model of governance and control adopted by Prysmian involves the presence of a Shareholders' Meeting, a Board of Directors and a Board of Statutory Auditors.

In compliance with art. 14 of the Articles of Association, the Company is administered by a Board of Directors comprising eleven directors – in office until the date of the Shareholders' Meeting called to approve the financial statements for the year ending on 31 December 2017 – of which seven are non-executive directors. Among all the directors, eight are men and three are women, four are aged between 30 and 50 and seven are over 50 years of age. Six of the non-executive directors are also deemed to be independent pursuant to art. 148, para. 3, of Decree 58 dated 24 February 1998 (T.U.F. – Consolidated Finance Law) and Application Criteria 3.C.1. and 3.C.2. Of the Code of Self-Regulation, while one non-executive director is considered independent pursuant to art. 148, para. 3, T.U.F. The Board of Directors has identified from among its members a Chief Executive Officer and General Manager, granting him all powers of ordinary administration that may be necessary or useful for the conduct of the business. The directors are responsible for managing the firm and carry out the operations necessary in order to achieve the corporate objects. The Board of Directors is also responsible for the Group's system of internal control and risk management and, accordingly, must check its adequacy and adopt specific guidelines specified by that system. The Board is

² Code of Self-Regulation of listed companies – ed. July 2015 – approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria

assisted in this work by other persons involved in the system of internal control and risk management, being the Audit Committee, the Director responsible for the system of internal control and risk management, the manager of the Audit & Compliance function, the Board of Statutory Auditors and the Executive responsible for corporate financial reporting.

Prysmian's corporate governance structure also includes the Compensation and Appointments Committee and a Supervisory Body appointed pursuant to Decree 231/2001.

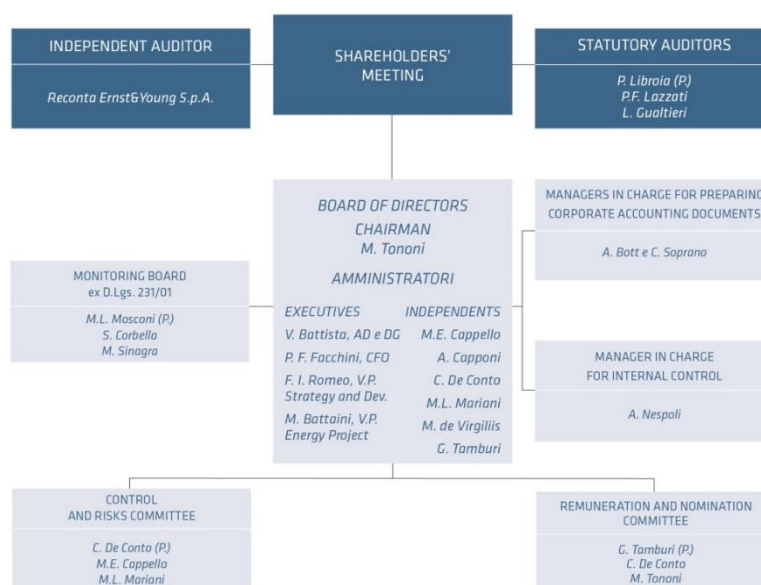
More complete information about (i) the system of corporate governance of Prysmian S.p.A. (ii) the ownership structure pursuant to art.123-bis T.U.F. (iii) the information provided by the directors about their appointments as directors or statutory auditors of listed or large companies can be found in the “Report on Corporate Governance and the Ownership Structure” available on the Company's website www.prysmiangroup.com, in the section on investor relations/corporate governance, which is prepared pursuant to art. 123-bis T.U.F.

Governance of Sustainability

The Corporate Governance Committee of Borsa Italiana approved certain changes to the details of the Code of Corporate Governance for Listed Companies in July 2015. In particular, the new version of the Code indicates the principles to be followed in the area of Social Responsibility, and the actions to be taken to guarantee the transparency and legality of business processes.

Reflecting the importance of sustainability matters in the management of business processes and accepting the invitation to formalise the approach taken to them contained in the Code of Corporate Governance for Listed Companies, the Board of Directors has tasked the Compensation and Appointments Committee with supervising, from 1 January 2016, the sustainability matters associated with the Group's activities and the dynamics of its interactions with all stakeholders.

Prysmian's Governance Structure



Anti-trust regulations³

Competition law on restrictive practices and the abuse of dominant positions now plays a central role in governing the activities of firms operating in all sectors of economic life. Prysmian's strong international presence in more than 50 countries subjects the Group to the competition regulations in force in Europe and in all other countries in which we operate. Each of these is more or less demanding in terms of the civil-administrative responsibilities and criminal penalties imposed for violation of the applicable laws. Over the past decade, the various local anti-trust authorities have dedicated increasing attention to the business activities of market players and, furthermore, have showed a greater propensity for international collaboration amongst themselves. Prysmian intends to operate in the marketplace in compliance with the rules in place to protect competition.

Consistent with the priorities defined in the ERM process, the Board of Directors has adopted an Anti-trust Code of Conduct that all directors, executives and employees of the Group are expected to know and comply with in the performance of their duties and in relations with third parties. In addition, during 2017 Prysmian has introduced an anti-trust training programme designed to increase awareness among those who work in the name and on behalf of the Group, so that during their activities they comply with the rules safeguarding competition. The Antitrust Code of Conduct, which is an integral part of this training programme, seeks to describe the issues relating to the application of Italian and EU competition policy with regard to cartels and the abuse of dominant positions. The specific situations arising must be assessed against this framework on a case-by-case basis. This action, stimulating knowledge and making individuals more aware of their professional duties and responsibilities, represents a further step in establishing an "anti-trust culture" within the Group.

At the end of January 2009, the European Commission launched an investigation into the various European and Asian manufacturers of electrical cables, in order to check the existence of alleged anti-competitive agreements in the HV terrestrial and submarine cable businesses. On 2 April 2014, the European Commission ruled that, between 18 February 1999 and 28 January 2009, the world's largest cable manufacturers, including Prysmian Cavi e Sistemi S.r.l., had acted to restrict competition in the European markets for, respectively, submarine and high voltage terrestrial power cables.

The European Commission deemed Prysmian Cavi e Sistemi S.r.l., together with Pirelli & C. S.p.A., responsible for the alleged violation during the period from 18 February 1999 to 28 July 2005 and condemned them to pay a fine of 67.3 million euro. It also deemed Prysmian Cavi e Sistemi S.r.l., together with Prysmian S.p.A. and The Goldman Sachs Group Inc., responsible for the alleged violation during the period from 29 July 2005 to 28 January 2009, condemning them to pay a fine of 37.3 million euro. Prysmian appealed to the European Court against this decision and applied to participate in the appeals against the same decision filed by Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. Both Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. have, in turn, presented requests to participate in the appeals promoted by Prysmian against the decision taken by the European Commission. The participation requests presented by Prysmian, Pirelli and The Goldman Sachs Group Inc. have been accepted by the European Court. Prysmian has not made any cash payments as a result of the above decision, having elected – while awaiting the

³ Further information is available in the 2016 Annual Report.

appeal – to give bank sureties guaranteeing payment of half the fine levied by the European Commission (amounting to about 52 million euro) for the disputed violation in both the above periods. Prysmian understands that Pirelli & C. S.p.A. has also given bank sureties to the European Commission covering half the fine levied in relation to the disputed violation in the period from 18 February 1999 to 28 July 2005. Pirelli & C. S.p.A. has also taken civil action against Prysmian Cavi e Sistemi S.r.l., before the Milan Court, requesting to be held free from any demands advanced by the European Commission consequent to the enforcement of its decision and from any related enforcement charges.

In February 2015, Prysmian Cavi e Sistemi S.r.l. filed in relation to the above action, requesting complete rejection of the demands advanced by Pirelli & C. S.p.A. and, with reference to the disputed violation in the period from 18 February 1999 to 28 July 2005, that Pirelli & C. S.p.A. be required to hold Prysmian Cavi e Sistemi S.r.l. free from any demands advanced by the European Commission consequent to the enforcement of its decision and from any related enforcement charges. The action was then suspended, by order of the Court in April 2015, while awaiting the outcome of the appeal against the European Commission decision promoted in the European Courts by both Prysmian and Pirelli. Pirelli appealed to the Court of Cassation to overturn this order, which however confirmed the suspension ordered by the Milan Court.