

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 strategic objectives and creating sustainable value over the long term. The system must ensure that governance is **effective**, with respect for 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.

Similarly, the Prysmian Group maintains its own Corporate Governance system, aligned constantly with the relevant recommendations and regulations, and complying 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.

Also in 2017, Prysmian undertook various initiatives aimed at implementing the recommendations indicated in the Code of Self-Regulation², to which Prysmian adhered.

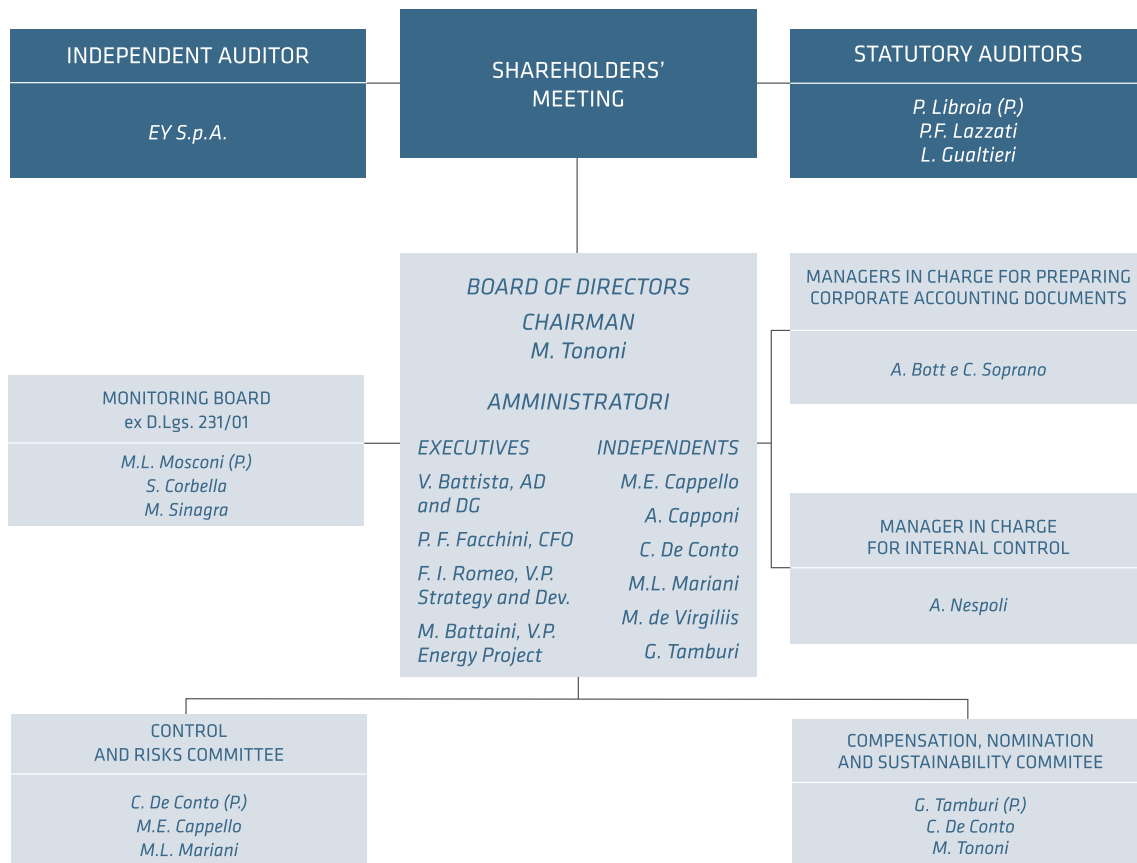
CORPORATE GOVERNANCE STRUCTURE

Corporate governance at Prysmian 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 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.

The following is a summary of the Corporate Governance structure adopted by the company, and describes its main characteristics.

² The Code of Corporate Governance for 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

GOVERNANCE STRUCTURE



In compliance with art. 14 of the Articles of Association, the Company is currently managed 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 and 6 are independent.

Among the directors, eight are men and three are women, three are aged between 30 and 50 and eight are over 50 years of age.

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. Six of the non-executive directors are independent pursuant either to art. 148, para. 3, of Decree 58 dated 24 February 1998 (T.U.F. - Consolidated Finance Law) or to the 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 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, Appointments and Sustainability 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.

INTERNAL AUDIT, COMPLIANCE AND INTERNAL CONTROL

In order to strengthen the system of internal control and risk management, commencing from 28 July 2016 the Board of Directors established a Compliance Function and, acting on a recommendation from the director responsible for the system of internal control and risk management approved by the Audit Committee and having consulted the Board of Statutory Auditors, appointed a Compliance and Internal Audit Officer to manage the new Compliance department as well as the Internal Audit department. As a consequence, the Compliance and Internal Audit Officer was granted the rights and duties envisaged in the Code of Self-Regulation for the managers of *internal audit* functions.

Subsequently, on 4 April 2017, a Compliance director was appointed - reporting directly to the Compliance & Internal Audit Officer - with the task of dealing with, promoting, developing and implementing the training policies and programs referred to in the Audit and Compliance plan (e.g., anti-corruption, antitrust, trade compliance and privacy)

The Group decided to maintain a separate Internal Audit organisation, which reports hierarchically and functionally to the *Compliance & Internal Audit Officer*. With the inclusion of the Compliance function, the Internal Audit function has now become larger and more structured.

The *Compliance and Internal Audit Officer* reports hierarchically to the Board of Directors who appointed him, while also reporting on his work to the Audit Committee and the Board of Statutory Auditors. This person is not responsible for any operational areas, despite having direct access to all the information needed for the performance of his functions.

The *Compliance and Internal Audit Officer* is mandated to check the adequacy and functioning of the system of internal control and risk management in compliance with international professional standards, both on an ongoing basis and with regard to specific requirements. Accordingly, he prepares an annual Audit and Compliance Plan for the Group, based on the risk assessment carried out as part of the ERM process.

GOVERNANCE AND SUSTAINABILITY

In accordance with the principles established by the Code of Corporate Governance for Listed Companies and Consob recommendations, as well as inspired by international best practices, as from 1 January 2016, the Group's Board of Directors has entrusted the task of overseeing the related sustainability issues linked to the exercise of the Group's activities and its interaction dynamics to all the stakeholders in the Compensation and Appointments Committee, which has become the Compensation, Appointments and Sustainability Committee.

The Committee is responsible for:

- Monitoring the company's positioning on the main sustainability indices;
- Providing advice on the main sustainability initiatives developed by the Group;
- Approving the annual Sustainability Report before the Board of Directors.

To underline Prysmian's commitment and attention to sustainability issues along the entire value chain and within all company processes, a *Sustainability Steering Committee* has been formed as part of the internal governance system, consisting of the top echelons of the organisation, responsible for:

- Promoting a culture of sustainability within all company activities;