

# AND BEST IN CLASS R&D MER REPORT ON CORPORATE SERVICE GY GOVERNANCE AND LEADING GY OWNERSHIP STRUCTURE WO EXTENDED PRODUCT OFFERING

pursuant to art. 123-bis TUF  
(traditional model of governance and control)

Issuer: PRYSMIAN S.p.A.  
Website: [www.prysmiangroup.com](http://www.prysmiangroup.com)

Year to which the Report refers: 2013  
Report approval date: 25 February 2014

**Prysmian**  
Group





# **REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE**



# CONTEST

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## GLOSSARY

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

**CFO:** Chief Financial Officer.

**Code/Self-Regulatory Code:** the Self-Regulatory Code for listed companies approved in March 2006 (and most recently revised in December 2011) by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A. (the Italian Stock Exchange).

**Civ. Cod./C.C.:** the Italian Civil Code.

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

**Year:** financial year to which this Report refers.

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

**Consob Issuer Regulations:** the Regulations for issuers, issued by Consob (Italy's Stock Exchange Commission) in its resolution 11971/1999 (as subsequently amended).

**Report:** the report on corporate governance and ownership structure pursuant to art. 123-bis TUF.

**Remuneration Report:** report required by art. 123-ter TUF, prepared in accordance with art. 84-quater of the Consob Issuer Regulations, available on the Company website [www.prysmiangroup.com](http://www.prysmiangroup.com) under *Investor Relations/Corporate Governance/Remuneration Policy/Remuneration Reports - 2013*.

**Company/Issuer:** Prysmian S.p.A., a company with registered offices in Viale Sarca 222, Milan, tax code, VAT number and Milan Companies Register number 04866320965.

**By-laws:** the By-laws of Prysmian S.p.A., revised version dated 16 April 2013, available on the Company website [www.prysmiangroup.com](http://www.prysmiangroup.com) under *Investor Relations/Corporate Governance/By-laws*.

**TUF:** *Testo Unico della Finanza* (Italy's Unified Financial Act) or Italian Legislative Decree 58 of 24 February 1998).

# 1. ISSUER PROFILE

Prysmian S.p.A. is the holding company at the head of a group which is one of the world's leading operators in the cables industry and active in the development, design, production, supply and installation of a wide range of cables for different applications in the energy and telecommunications industries. Prysmian Group, with a presence in 50 countries, 91 manufacturing facilities and some 20,000 employees, is strongly positioned in high-tech markets and offers the most extensive range of products, services, technologies and know-how. Prysmian Group is one of the world leaders in the energy cables industry, the principal sector of the cable market by value, and is also one of the principal global players in telecom and fibre optic cables.

The Group also produces and supplies accessories and components for cable systems and high value-added services, such as the design of products and systems, and the realisation of "turnkey" projects in which the Group coordinates and manages the work as well as providing preventive maintenance services.

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

Since March 2010, following completion of the sale of its interest in the Company by the former majority shareholder, through an accelerated book-building procedure for selected investors, the Company has assumed a genuine public company structure, characterised by a wide and fragmented shareholder base.

Early in 2011, Prysmian successfully concluded a public mixed exchange and cash 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, production and sale of energy and telecom cables and systems. As a result of this transaction, Prysmian obtained control of Draka Holding N.V., thus creating one of the principal global players in the energy and telecom cables and systems industry.

The Company's corporate governance is based on the recommendations and standards contained in the "Italian Stock Exchange Self-Regulatory Code for Listed Companies", adopted by the Company.

The corporate governance rules contain principles and procedures which the Company has adopted and undertaken to respect in order to guarantee that all operations are carried out effectively and transparently.

The traditional model of governance and control has been adopted, with the presence of a general Shareholders' Meeting, a Board of Directors and a Board of Statutory Auditors. The 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 which govern and regulate the conduct of activities by all the Company's organisational and operating structures.

The Board of Directors has the broadest possible powers of ordinary and extraordinary administration, except for those powers which by law are the exclusive prerogative of the Shareholders' Meeting. The Board of Statutory Auditors oversees compliance with the law and the memorandum of association and observance of the principles of good management in the conduct of company activities and monitors the adequacy of the Company's organisational structure, internal control system and administrative and accounting system.

The independent statutory audit of the financial statements is entrusted to a specialist Consob-registered firm whose nomination is decided by the Shareholders' Meeting.

## 2. INFORMATION ON OWNERSHIP STRUCTURE

(art. 123-bis TUF) as of 31/12/2013

### a) Structure of share capital.

(art. 123-bis, par. 1.a), TUF)

Prysmian's subscribed and paid up share capital at 31 December 2013 was Euro 21,459,171.00 divided into 214,591,710 shares, with a nominal 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 the shareholder and ownership rights given to them under prevailing law, within the limits imposed by such law. On 14 April 2011, the Company's Extraordinary Shareholders' Meeting approved a long-term share-based incentive scheme for the period 2011-2013 for employees of Prysmian Group. The scheme's purpose is to incentivise the process of integration following Prysmian's acquisition of the Draka Group, and is conditional upon the achievement of performance targets, as detailed in the specific information memorandum.

Details of the execution of this incentive scheme are set out in the Company's Annual Report in the section entitled "Incentive Plans" forming part of the Directors' Report, in the respective information memorandum prepared in accordance with art.84-bis of the Consob Issuer Regulations, and in the Remuneration Report, all of which can be found on the Company website [www.prysmiangroup.com](http://www.prysmiangroup.com) under *Investor Relations/Corporate Governance/Remuneration Policy/Incentive Plans*.

On 4 March 2013, the Board of Directors approved the placement of an Equity Linked Bond, referred to as "€300,000,000 1.25 per cent. Equity Linked Bonds due 2018", maturing on 8 March 2018 and reserved for institutional investors. The bond placement was on 8 March 2013, while settlement occurred on 15 March 2013.

Subsequently, at a meeting held on 16 April 2013, the Company's shareholders authorised:

- the convertibility of this bond;
- the proposal to increase share capital for cash, in single or multiple issues with the exclusion of pre-emptive rights, by a maximum nominal amount of Euro 1,344,411.30, by issuing, in single or multiple instalments, up to 13,444,113 ordinary shares of the Company, with the same characteristics as its outstanding ordinary shares, exclusively and irrevocably to serve the bond's conversion.

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 securities were admitted to trading on the unregulated Third Market (a multilateral trading facility or MTF) on the Vienna Stock Exchange.

### b) Restrictions on share transfer.

(art. 123-bis, par. 1.b), TUF)

There are no restrictions on the transfer of shares.

### c) Significant interests in share capital.

(art. 123-bis, par. 1.c), TUF)

Details of significant interests in Prysmian's share capital (defined as shareholdings of more than 2% of share capital) can be found in Table 1, appended to the present Report.

This information is based on the contents of the Company's Shareholder Register and declarations received from shareholders under art. 120 of TUF, as of 31 December 2013.

### d) Shares carrying special rights.

(art. 123-bis, par. 1.d), TUF)

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

### e) Employee share ownership: mechanism for exercising voting rights.

(art. 123-bis, par. 1.e), TUF)

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

### f) Restrictions on voting rights.

(art. 123-bis, par. 1.f), TUF)

There are no restrictions on voting rights.

### g) Shareholder agreements.

(art. 123-bis, par. 1.g), TUF)

No agreements within the meaning of art. 122 of TUF are known to the Company.

#### h) Change of control clauses and by-laws provisions concerning public tender offers.

(art. 123-bis, par. 1. h), art. 104, par. 1-ter, and art. 104-bis, par. 1, TUF)

There are no significant agreements currently in force within the meaning of art. 123-bis par. 1.h) of TUF.

The By-laws do not contain any provisions that:

- waive the provisions of the passivity rule contained in art. 104, par. 1 and 2, of TUF;
- require the application of the neutralisation rules envisaged by art. 104-bis, par. 2 and 3, of TUF.

#### i) Authority to increase share capital and authorisations to buy back shares.

(art. 123-bis, par. 1.m), TUF)

The Extraordinary Shareholders' Meeting of 14 April 2011 voted to increase share capital on one or more occasions, with the exclusion of pre-emptive rights of shareholders, by a maximum amount of Euro 213,150, by issuing, in one or more tranches, up to 2,131,500 new ordinary shares with a nominal value of Euro 0.10 each, to be offered for cash subscription at par to employees of Prysmian and/or its subsidiaries, who are beneficiaries of the long-term share-based incentive scheme for 2011-2013, approved by the Ordinary Shareholders' Meeting of 14 April 2011, and to be executed by 30 March 2016 at the latest.

The Shareholders' Meeting vested the Board of Directors with the power to carry out every necessary and appropriate action to implement the above incentive scheme for 2011-2013, and also gave it authority to carry out said capital increase, amending the By-laws as necessary.

Details of the execution of this incentive scheme are set out in the Company's Annual Report in the section entitled "Incentive Plans" forming part of the Directors' Report, in the respective information memorandum prepared in accordance with art.84-bis of the Consob Issuer Regulations, and in the Remuneration Report, all of which can be found on the Company website [www.prysmiangroup.com](http://www.prysmiangroup.com) under *Investor Relations/Corporate Governance/Remuneration Policy/Incentive Plans*.

The Extraordinary Shareholders' Meeting of 16 April 2013 voted to increase share capital for cash, in single or multiple issues, with the exclusion of pre-emptive rights under art. 2441, par. 5, of the Italian Civil Code, by a maximum nominal amount of Euro 1,344,411.30, by issuing, in single or multiple instalments, up to 13,444,113 ordinary shares of the Company with the same characteristics as outstanding ordinary shares, irrevocably and exclusively to serve the conversion of the bond named "€300,000,000 1.25 per cent. Equity Linked Bonds due 2018", with the understanding that the final subscription date for the new shares is 8 March 2018 and that, if at that date the capital increase is not fully subscribed, share capital will be considered

to have increased by the amount equal to the subscriptions received.

On 16 April 2013, the shareholders voted to adopt a share buy-back and disposal programme, to be carried out on one or more occasions with the limitation that the total holding of treasury shares, including the 3,039,169 shares already held, could not exceed 10% of share capital. The Board of Directors was given the authority to enact this programme for a maximum period of 18 months from the date of the above shareholders' resolution, meaning until 16 October 2014.

The Board of Directors carried out no transactions during the above execution period of the share buy-back programme.

#### l) Direction and coordination

(art. 2497 et seq. Cod. Civ.)

The Company performs direction and coordination activities, within the meaning of art. 2497 of the Italian Civil Code, for the six Italian companies under its direct or indirect control.

In its meeting of 16 January 2007 the Board of Directors confirmed, as already stated in the meeting of 15 December 2005, that the Company is not under the direction and coordination of other companies due to the absence of the following circumstances, which would otherwise indicate the likely existence of direction and coordination by others:

- (i) the preparation of group business, strategic, financial and budget plans;
- (ii) the issue of guidelines relating to financial and credit policy;
- (iii) the centralisation of functions such as treasury, administration, finance and control;
- (iv) the establishment of strategies for the Group's growth and the strategic and market positioning of the Group and of individual companies, especially when these policies may influence and determine actual implementation by the Company's management.

Additional compelling evidence of this fact is that since March 2010 the Company has been characterised by a public company structure which, among other things, involves the absence of a reference shareholder.

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It should be noted that:

- the information required by art. 123-bis, par. 1.i) (*"agreements between the company and the directors which provide for indemnity in the event of resignation or dismissal without just cause or if the employment relationship ceases following a public tender offer"*) is provided in section 7 (Remuneration of Directors) of the present Report;
- the information required by art. 123-bis, par. 1.l) (*"rules applying to the appointment and replacement of directors and to amendments of the by-laws, other than for compliance with legal and regulatory requirements"*) is provided in section 4.1 (Board of Directors: Appointment and Replacement) of the present Report.

## 3. COMPLIANCE

(art. 123-bis, par. 2.a), TUF)

The Company's corporate governance is based on the recommendations and standards contained in the "Italian Stock Exchange Self-Regulatory Code for Listed Companies", adopted by the Company and available on the website **[www.borsaitaliana.it](http://www.borsaitaliana.it)**.

As at 31 December 2013, Prysmian directly and indirectly controls 163 companies registered in Italy or other states, of which 7 are of strategic importance, as detailed later. No provision of law applying to Group companies registered in states other than Italy has any influence on the structure of Prysmian's corporate governance.

## 4. BOARD OF DIRECTORS

### 4.1. APPOINTMENT AND REPLACEMENT (art. 123-bis, par. 1.I), TUF)

In accordance with the By-laws, the Company is governed by a Board of Directors whose size may vary between 7 and 13 members, who remain in office for a period of no more than three financial years and are eligible for re-election. The members of the Board of Directors must satisfy the competence, integrity and independence requirements established by applicable law; in particular, at least one of the Directors - or two if the Board of Directors has more than seven members - must satisfy the independence requirements applying to Statutory Auditors under art. 148, par. 3 of TUF, as subsequently amended. The Directors end their term in office on the date of the Shareholders' Meeting called to approve the financial statements relating to the last financial year in which they held office.

With regard to the appointment of Directors, the Company has adopted, in compliance with the provisions of TUF, a slate voting mechanism 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 presented 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 share capital eligible to vote at the Ordinary Shareholders' Meeting, or such lower percentage established by law or regulation. Consob Resolution 18775 of 29 January 2014 has set the minimum shareholding requirement for presenting candidate slates at 1% for 2014.

Candidate slates must be filed at the Company's registered offices at least twenty-five days before the date set for the Shareholders' Meeting in first or sole call. Within this deadline, individual candidates must file, together with each slate, a curriculum vitae, indicating whether they would qualify as an Independent Director, and a declaration in which they accept their candidacy.

The By-laws contain procedures for the submission of slates, for the conduct of elections and the voting process and the replacement of Directors who vacate office during their mandate.

The following is an extract from art. 14 of the By-laws relating to the slate voting system cited above.

*"... The Board of Directors shall be appointed, in compliance with currently applicable regulations on gender balance, on the basis of slates presented by shareholders in accordance with the following paragraphs. Candidates on each slate must be listed with a sequential number.*

*The outgoing Board of Directors is entitled to present slates, as are as those shareholders who, alone or together with other shareholders, represent at least 2% (two per cent) of the ordinary share capital eligible to vote at the Ordinary Shareholders' Meeting, or representing such lower percentage as may be required by applicable law or regulations. Proof of*

*ownership of the necessary number of shares for presenting a slate must be provided in the manner and terms prescribed by prevailing rules and regulations. No shareholder or shareholders belonging to the same group or who are connected, even indirectly, can - even through an intermediary or trustee - present or contribute to the presentation of more than one slate. No candidate may appear on more than one slate, otherwise they will be disqualified. No candidate who is not in possession of the requirements set out in applicable laws may be included on the slate. The first and second candidates on each slate must satisfy the independence requirements set out in law.*

*Slates with a total number of candidates equal to, or greater than, three must comprise candidates from both genders, so that at least one third (rounded upwards) of the candidates belong to the less well represented gender.*

*The slate of the Board of Directors, if presented, must be filed with the Company's registered office by the thirtieth day before the date set for the first call of 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. Within the same deadline, each candidate must file, together with each slate, 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 the By-laws.*

*Each such declaration shall be accompanied by a curriculum vitae describing the candidate's personal and professional background, also indicating whether he/she would qualify as an independent director. Persons eligible to vote may vote for only one slate. Any slates which do not comply with the aforementioned requirements shall be disregarded.*

*The following procedure must be observed for the election of the Board of Directors: (a) five-sixths of the directors to be elected shall be chosen from the slate that obtains the majority of the votes cast by the shareholders, in the order in which they are listed on the slate; if five-sixths represents 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 these slates shall be successively divided by one, two, three, four and so on according to the number of directors to be elected. The quotients thus obtained shall be allocated to the candidates on each slate in the order specified thereon. The quotients allocated to the candidates on the various slates are then organised in a single decreasing ranking. Those with the highest quotients are elected. If several candidates have obtained the same quotient, the candidate on the slate*

*that has not yet elected any directors or that has elected the least 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 they have all elected the same number of directors, the candidate from the slate that obtained the highest number of votes shall be elected. If the different slates receive the same number of votes and their candidates have been assigned the same quotients, the entire Shareholders' Meeting shall take part in a new vote, in which the candidate obtaining the simple majority of votes cast shall be elected.*

*In addition, if the above procedures do not ensure that the composition of the Board of Directors complies with currently applicable regulations on gender balance, the candidate from the best represented gender elected last in numerical order on the slate that received the highest number of votes, will be replaced by the first unelected candidate from the less well represented gender on the same slate according to numerical order. This replacement process will be implemented until the composition of the Board of Directors complies with the currently applicable regulations on gender balance. If this procedure does not produce such a result, the replacement will be made by means of a shareholder resolution approved by a simple majority, after presenting candidates from the less well represented gender.*

*If only one slate is presented, or if no slates are presented, or if the Board of Directors is not being elected in its entirety, the Shareholders' Meeting shall vote with the quorum required by applicable law, while nonetheless complying with currently applicable regulations on gender balance.*

*If an elected independent director should cease to qualify as independent after being appointed, he/she shall inform the Board of Directors immediately and, in any event, shall vacate office.*

*If one or more directors should vacate office for any reason at all during the financial year, the Board of Directors shall proceed in accordance with art. 2386 of the Italian Civil Code. If one or more of the outgoing directors were taken from a slate also containing the names of unelected candidates, the Board of Directors shall replace them by appointing, according to the numerical order, individuals from the slate of the outgoing director, provided that such individuals are still eligible and willing to accept office and provided that (i) at least one of the members of the new Board of Directors - or two if it comprises more than seven members - fulfils the independence requirements set out in applicable law and (ii) compliance with currently applicable regulations on gender balance is assured. If the majority of directors appointed by the Shareholders' Meeting resign or lose 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 with persons appointed by the Shareholders' Meeting, which must be urgently called by the remaining directors..."*

As for the mechanism adopted at the Shareholders' Meeting called to appoint the Directors currently in office, please refer to section 4.2 (Composition) of the present Report.

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There are no particular procedures for making amendments to the By-laws.

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During 2012 the Board of Directors had expressed a positive opinion on the possibility of adopting a plan for the succession of Executive Directors. Accordingly, it instructed the Compensation and Nominations Committee to initiate the related preliminary work and to present the Board with a proposal for examination.

After completing its preliminary work, the Compensation and Nominations Committee, with the assistance of the relevant company offices, presented the Board of Directors with a succession plan, 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 the adverse effects of management changes.

The process of preparing the succession plan initially involved identifying which company officers and functions fell within its scope; those identified were the executive directors, key managers and, at the Compensation and Nominations Committee's recommendation, other managerial positions deemed of particular importance.

In order to define the criteria for identifying possible candidates to succeed to such positions, the Compensation and Nominations Committee, with the assistance of an external consultant, then initiated a series of interviews with the individuals currently holding the offices concerned and with a group of potential internal candidates for succession. The succession plan will be subject to continual revision on an annual basis and will proceed with the definition of specific performance evaluation and leadership programmes to develop and prepare internal succession candidates.

## 4.2. COMPOSITION (art. 123-bis, par. 2.d), TUF)

The Company is currently managed by a Board of Directors consisting of eleven Directors. The three-year term of the Board of Directors in office commenced on 18 April 2012 when the Shareholders' Meeting determined that the new Board of Directors should have 11 members, and appointed, using the slate voting mechanism, the first 9 candidates on the slate filed by the Board of Directors and the first 2 candidates on the slate filed by the shareholder Clubtre. The three-year term of the Board of Directors in office will expire on the date of the Shareholders' Meeting that approves the financial statements for the year ended 31 December 2014.

The composition of the Board of Directors has not undergone any changes since the close of the Year.

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### PERSONAL AND PROFESSIONAL DETAILS OF EACH DIRECTOR

(art. 144-decies of the Consob Issuer Regulations)

There now follows a short curriculum vitae for each Director, in office at the date of the present Report, describing their personal details, field of expertise and past experience.

#### Massimo Tononi

*Chairman of the Board of Directors – Non-Executive Director.*

After graduating in Business Economics in 1988 from the "Luigi Bocconi" University in Milan, he worked up until 1993 for the Investment Banking Division of Goldman Sachs in London. From 1993 to 1994 he worked as personal assistant to the Chairman of Istituto per la Ricostruzione Industriale (IRI S.p.A.). In 1994 he returned to Goldman Sachs, where he became Partner Managing Director of the London Investment Banking Division, and also of the Milan Investment Banking Division in 2005. In May 2006 he was appointed Undersecretary at Italy's Ministry of Economy and Finance, holding this office until May 2008. Upon ending his experience at Italy's Ministry of Economy and Finance, he resumed his position as Partner Managing Director of Goldman Sachs' London Investment Banking Division until July 2010. He is currently a member of the Board of Directors of Mittel S.p.A. (since May 2010) and of Sorin S.p.A. (since June 2010), a Non-Executive Director of the London Stock Exchange Group (since September 2010), a member of the Board of Directors of Borsa Italiana S.p.A. (since November 2010), and its Chairman (since June 2011), Chairman of ISA - Istituto Atesino di Sviluppo S.p.A. (since June 2012) and Chairman of Cassa di Compensazione e Garanzia S.p.A. (since September 2013). He has been a member of the Prysmian Board of Directors since July 2010. With reference to the current mandate, he was elected at the Shareholders' Meeting on 18 April 2012 from the slate presented by the Board of Directors, which obtained the majority of votes.

The Board of Directors has verified that Mr. Tononi satisfies

the requirements set out in art. 148, par. 3 of TUF to be able to qualify as an independent director of the Company.

#### Valerio Battista

*Chief Executive Officer and General Manager - Chief Executive Officer of Prysmian Group.*

His experience includes over 17 years with the Pirelli Group, of which 5 years at the head of the Energy Cables and Systems business unit, including the period 2002-2003 during which the Group successfully reorganised itself. He graduated in Mechanical Engineering from Florence University in 1981. He joined Uno A Erre Italia S.p.A. in 1983 as Head of the Technical 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 Pirelli Tyre division's Steel Cord business unit, becoming divisional Purchasing Director in 2001. He became CEO of the Group's Energy Cables and Systems business unit in February 2002 and CEO of the Telecom Cables and Systems business unit in December 2004.

He has been a member of the Prysmian Board of Directors since December 2005. With reference to the current mandate, he was elected at the Shareholders' Meeting on 18 April 2012 from the slate presented by the Board of Directors, which obtained the majority of votes.

#### Maria Elena Cappello

*Non-Executive Director.*

In over 20 years of career in Italy and abroad, she has gained significant managerial experience thanks to her ever increasing responsibilities, achieved by securing competitive advantages, market share, profits and 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, she started working for this company in 1991, developing long distance transmission networks and working between New Jersey, at the AT&T Bell Laboratories, and Milan. In 1994 she moved to EMC Italy. After an initial experience at the production facilities in Cork (Ireland), she managed and developed first the Public Administration sales area, and then the Telecom area. In 1998 she was hired by Digital/Compaq/HP, where, based in Munich (Germany), she took on various responsibilities at the EMEA level, including that of Executive Director Global Services EMEA. In an entrepreneurial capacity, she started up and developed MetiLinx, a software company operating within Europe, which opened branches in London, Milan and Munich in 2002. In 2004, Pirelli Broadband Solutions appointed her as Senior Vice President for global sales. She joined Nokia Siemens Networks in 2007 as Global Head of Strategic Marketing; from 2010 to 2013 she was Deputy Chairman 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 Strategy and Business Development for Europe. She has served as Vice President 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 Italian employers' federation). She has 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).

She has been a member of the Management Board of A2A S.p.A. since June 2012.

She has been an independent director of Sace S.p.A. since July 2013 and chairman of its Compensation Committee.

She has been a member of the Prysman Board of Directors since 18 April 2012 and was elected at the Shareholders' Meeting on that date from the slate presented by the Board of Directors, which obtained the majority of votes.

The Board of Directors has verified that Mrs. Cappello satisfies the requirements set out in art. 148, par. 3 of TUF and in articles 3.C.1. and 3.C.2. of the Code, to be able to qualify as an independent director of the Company.

#### **Cesare d'Amico**

*Non-Executive Director.*

He graduated in Economics and Business in 1982 from La Sapienza University in Rome. He started to work in the technical department of the family business (d'Amico Società di Navigazione S.p.A.) in 1976. In 1977 he moved to the Liner Services department, becoming departmental manager in 1978. In 1982 he was appointed Chief Executive Officer of d'Amico Società di Navigazione S.p.A.. In 1993 he helped launch the d'Amico Group's dry bulk cargo business. In 1997 he played a prominent role in Finmare's privatisation of Italia di Navigazione S.p.A., a state-owned company, in which he subsequently held the position of Chief Executive Officer until the company's sale to CP Ships Canada in 2002. Since 1997 he has played a prominent role in developing the business and fleet of d'Amico Dry Limited. He is currently a member of the Board of Directors of d'Amico Dry Limited as well as a director of a number of other companies in the d'Amico Group, including the listed company d'Amico International Shipping S.A.. He also holds several appointments in other companies that are not part of the d'Amico Group, including Tamburi Investment Partners S.p.A. and the Standard Steamship Owners' Protection and Indemnity Association (Bermuda) Limited.

He has been a member of the Prysman Board of Directors since 18 April 2012, and was elected on the slate presented by the shareholder Clubtre, which obtained the second highest number of shareholder votes after that presented by the Board of Directors.

The Board of Directors has verified that Mr. d'Amico satisfies the requirements set out in art. 148, par. 3 of TUF and in articles 3.C.1. and 3.C.2. of the Code, to be able to qualify as an independent director of the Company.

#### **Claudio De Conto**

*Non-Executive Director.*

After graduating in Corporate Finance in 1986 from the "Luigi Bocconi" University in Milan, he started working for Ernst & Whinney in the UK. He 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 fact, between 1996 and 2000, he held the position of Chief Financial Officer of Pirelli Neumaticos S.A. (Spain) and then of Chief Financial Officer of Pirelli Deutschland A.G. (Germany). In 2000 he became Director of Administration, Planning and Control of 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 Director Finance 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 MediaGroup S.p.A and Assicurazioni Generali S.p.A., 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, a Board Director of Sesto Immobiliare S.p.A. and Chairman of the Board of Directors of Star Capital SGR S.p.A. (formerly known as 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 Prysman Board of Directors since July 2011. With reference to the current mandate, he was elected at the Shareholders' Meeting on 18 April 2012 from the slate presented by the Board of Directors, which obtained the majority of votes. The Board of Directors has verified that Mr. De Conto satisfies the requirements set out in art. 148, par. 3 of TUF and in articles 3.C.1. and 3.C.2. of the Code, to be able to qualify as an independent director of the Company.

#### **Giulio Del Ninno**

*Non-Executive Director.*

He is a graduate in Mechanical Engineering from Milan's Polytechnic University. After a brief experience as a designer of air conditioning and heating systems, he carried out applied research at Snia Viscosa's Experimental Centre. He joined

the Garzanti Group in 1973 as Production Director for Garzanti Editore, a position he held until 1976, when he moved to the Montedison Group where he held numerous positions, first as Technical and Research Director in Montefibre's Polyester Sector, then as Chairman and Chief Executive Officer of the affiliate Linoleum Due Palme (a manufacturer of textile and PVC floor coverings), then as Head of Total Quality at Montefibre. From 1988 to 1996 he was Electrical Sector Director in Edison (then Selm S.p.A.) and was appointed Chief Executive Officer of the Edison Group in 1996, holding this position until April 2005. From December 2003 to June 2008 he was Chief Executive Officer of Edipower (Edison Group), Italy's number three producer of electricity. From February 2008 until October 2011 he was Chairman of SIAP (Sviluppo Italia Aree Produttive). From September 2008 to September 2013 he served as Chairman of ICQ Holding S.p.A., a company operating in the sector of electricity generation from renewable sources. On 29 October 2009 he was appointed Deputy Chairman of Italcem S.p.A., the Italcementi group company involved in electricity generation.

He has been a member of the Prysmian Board of Directors since December 2005. With reference to the current mandate, he was elected at the Shareholders' Meeting on 18 April 2012 from the slate presented by the Board of Directors, which obtained the majority of votes.

The Board of Directors has verified that Mr. Del Ninno satisfies the requirements set out in art. 148, par. 3 of TUF and in articles 3.C.1. and 3.C.2. of the Code, to be able to qualify as an independent director of the Company.

#### **Frank Dorjee**

*Executive Director.*

He holds degrees from the University of Amsterdam in business economics (1983), tax economics (1984) and tax law (1985). He has been a certified public accountant since 1986. He joined KPMG Audit (KPMG Accountants N.V.) in 1986 and was appointed partner on 1 January 1995. He is a former Chief Financial Officer and member of the Executive Board of Van der Moolen Holding N.V.. He was first appointed to the Board of Management of Draka Holding N. V. on 1 March 2005 as Chief Financial Officer. Mr. Dorjee has been Chairman and Chief Executive Officer of the Board of Management of Draka Holding N.V. since 1 January 2010. From July 2011 until December 2013 he also served as Chief Strategy Officer of the Prysmian Group, subsequently maintaining an advisory role in connection with the Group's main joint ventures.

He has been a member of the Prysmian Board of Directors since March 2011. With reference to the current mandate, he was elected at the Shareholders' Meeting on 18 April 2012 from the slate presented by the Board of Directors, which obtained the majority of votes.

#### **Pier Francesco Facchini**

*Chief Financial Officer - Executive Director.*

He graduated in Business Economics in 1991 from the "Luigi Bocconi" University in Milan. His first work experience was with Nestlè Italia, where he held different positions in the Administration and Finance department between 1991 and 1995. From 1995 to 2001 he worked in a number of 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 of Fiat Auto's Consumer Services business unit, leaving in 2003 to become CFO of Benetton Group, a post he held until November 2006. He has been a member of the Prysmian Board of Directors since February 2007. With reference to the current mandate, he was elected at the Shareholders' Meeting on 18 April 2012 from the slate presented by the Board of Directors, which obtained the majority of votes.

#### **Fritz Fröhlich**

*Non-Executive Director.*

He holds a degree in Economics from the University of Cologne, Germany. He has published a number of articles as well as a book on managing multinational companies. He has had a long international career, starting with a post in the administration department of Firestone Tire & Rubber Co. in the United States. In Germany, he served as Export Sales Manager with Fichtel & Sachs AG and Chairman of Sachs-Dolmar GmbH, subsequently becoming Chairman of Krupp Widia GmbH. In 1991 he joined Akzo, the Dutch chemicals and pharmaceuticals multinational, as Chairman of the Fibers Group in Wuppertal, Germany. In 1993 he became a Member of the Management Board with responsibility for the Fibers business. In 1998 he was appointed Chief Financial Officer and Deputy Chairman of the Akzo Nobel Management Board, a position he held until 2004. In 2004 he received the European Award for Financial Management Excellence from Chemical Week Associates. Reuters Institutional Investor Research voted him best CFO in the European chemicals industry in 2003 and 2004 and best Dutch listed company CFO in 2000. In 2004 he was also awarded the Dutch royal honour of "Officer in the Order of Orange-Nassau". Fritz Fröhlich currently sits on the Supervisory Boards of several international companies. He has been a member of the Prysmian Board of Directors since March 2011. With reference to the current mandate, he was elected at the Shareholders' Meeting on 18 April 2012 from the slate presented by the Board of Directors, which obtained the majority of votes.

The Board of Directors has verified that Mr. Fröhlich satisfies the requirements set out in art. 148, par. 3 of TUF and in articles 3.C.1. and 3.C.2. of the Code, to be able to qualify as an independent director of the Company.

**Fabio Ignazio Romeo**

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

He graduated in Electronic Engineering from Milan's Polytechnic University in 1979 and obtained an MS and later a Ph.D in Electronic Engineering and Computer Sciences from the University of California, Berkeley, in 1986 and 1989 respectively. He began his career in 1981 with Terna (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 Honeywell's CEO. He moved to Magneti Marelli's Electronics division in 1989 with the position of Innovation Manager. In 1995 he was appointed Managing Director of Magneti Marelli's rearview mirrors division, and in 1998, he took over the same position in the electronic systems division of Magneti Marelli. In 2001 he moved to the Pirelli Group as Director of the Truck division of the Pirelli Tyre business and, a year later, he took up the position of Utilities Director of the Pirelli Cables division. In December 2004 he became Head of the Group's Energy Cables and Systems business unit, a position he held under December 2013 when he assumed responsibility for Corporate Strategy and Development.

He has been a member of the Prysmian Board of Directors since February 2007. With reference to the current mandate, he was elected at the Shareholders' Meeting on 18 April 2012 from the slate presented by the Board of Directors, which obtained the majority of votes.

**Giovanni Tamburi**

*Non-Executive Director.*

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 in the Italian Stock Exchange's STAR segment and an independent investment/merchant bank focused on developing outstanding mid-size Italian corporates. He has been active in corporate finance since 1977, first in the Bastogi Group and then, from 1980, in 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 Board Director of Amplifon S.p.A., Datalogic S.p.A., Interpump S.p.A. and Zignago Vetro S.p.A and a member of the Supervisory Board of the Roche Bobois Group. He was a member of the commission to study Law 35/92 set up by the Finance Ministry (the so-called "Privatisations Commission") and a member of the advisory board for privatisations by the City of Milan. He has taught Corporate Finance at LIUC (Castellanza - Varese) and Special Finance at LUISS University in Rome. He is the author of "Buying a company, how and why", the co-author of "Privatisation, choices, implications and mirages", "Methods and Techniques of Privatisation", "Privatisations and Unemployment, Local Development

Clusters", "Privatising with Project Financing", "Employee Share Ownership and Stock Options", "Corporate Finance" and "Corporate Governance", and a columnist for the major national newspapers.

He has been a member of the Prysmian Board of Directors since 18 April 2012, and was elected on the slate presented by the shareholder Clubtre, which obtained the second highest number of shareholder votes after that presented by the Board of Directors.

The Board of Directors has verified that Mr. Tamburi satisfies the requirements set out in art. 148, par. 3 of TUF and in articles 3.C.1. and 3.C.2. of the Code, to be able to qualify as an independent director of the Company.

**Maximum number of appointments allowed in other companies**

The Board of Directors has preferred not to express an opinion on the maximum number of appointments that are compatible with effective performance of office by the Issuer's directors; this is because it believes that such a judgement rests firstly with the shareholders when designating directors and secondly with the individual director when accepting office.

**Induction Programme**

In view of the appointment of the new members of the Board of Statutory Auditors and the positive feedback about this programme in the past, the Chairman arranged for an induction meeting to be organised with the aim of increasing the knowledge of the Directors and Statutory Auditors about the dynamics of the Prysmian Group's business. This meeting involved, among other things, a visit to two of the Group's factories in France, in Gron and Paron respectively. The Chairman also organised a meeting with Directors and Statutory Auditors to expand their knowledge about the Prysmian Group's economic sector of operation. Some of the Group's managers were invited to this meeting in order to present and describe the areas of business under their management.

### 4.3. ROLE OF THE BOARD OF DIRECTORS (art. 123-bis, par. 2.d), TUF)

In 2013 the Board of Directors held 9 meetings, lasting an average of one hour and fifty minutes each. The Directors averaged an 88% attendance record at these meetings, while the Statutory Auditors, in office during different periods of the Year, reported an 81% attendance record.

As required by current regulatory rules, the Company has published, in a press release issued on 21 January 2014, the dates of the Board meetings scheduled in 2014 to examine its financial results, in accordance with the following calendar:

- **25 February 2014:** consolidated financial statements of the Prysmian Group, draft statutory financial statements of Prysmian S.p.A. for the year ended 31 December 2013;
- **8 May 2014:** interim management statement at 31 March 2014;
- **31 July 2014:** half-year financial report at 30 June 2014;
- **6 November 2014:** interim management statement at 30 September 2014.

During the current year the Board held one meeting before the one that approved the present Report.

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The management of the Company is the sole responsibility of the Directors, who undertake the necessary operations to implement its business purpose. The Board of Directors has the broadest possible powers of ordinary and extraordinary administration of the Company, except for those powers 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 by art. 2505, art. 2505-bis and art. 2506-ter of the Italian Civil Code; (ii) transfer of the registered office within Italy; (iii) establishment or closure of secondary offices; (iv) indication of which Directors may represent the Company; (v) reductions in share capital following shareholder withdrawal; and (vi) updating of the Company By-laws to comply with legislation (art. 17 of the By-laws).

For Board resolutions to be valid, it is necessary for the majority of the Directors in office to be present and that the resolutions are passed with the favourable vote of the majority of the Directors present. In the case of a tie, the Chairman's vote is final. The Directors cannot delegate the exercise of their vote (art. 18 of the By-laws).

The Board of Directors can delegate all or part of its powers, within legal limits, to one or more of its own members, who will thus become Directors with delegated powers, and/or to an Executive Committee, and can establish the limits of the delegation. The Board of Directors remains exclusively responsible for the following matters which, under the By-laws, cannot be delegated:

- (a) examination and approval of the strategic, business and financial plans of the Company and of the Group it heads,

- the corporate governance system of the Company and the corporate structure of the Group which the Company heads;
- (b) examination and approval of transactions - including investments and divestments - which, by their nature, strategic importance, size or the commitments which they may entail, have an important strategic, economic, equity or financial impact on the Company and/or the Group it heads, with particular reference to related party transactions;
- (c) checking the adequacy of the organisational, administrative or general accounting structure of the Company and of the Group it heads;
- (d) granting and withdrawal of delegated powers to Directors and to the Executive Committee, if established, setting their limits, method of exercise and the frequency, normally no more than quarterly, with which the executive bodies must report to the Board on how their delegated powers were used in the period;
- (e) determination, after examining the proposals of the relevant Committee and having consulted the Board of Statutory Auditors, of the remuneration of Directors with delegated powers, as well as the division of the overall amount due to the individual members of the Board of Directors and of the Committees, should the Shareholders' Meeting not have already done so;
- (f) review of general operating performance, taking into account, in particular, the information received from Directors with delegated powers, the Executive Committee, if established, and the Control and Risks and Corporate Governance Committee, as well as periodically comparing actual results against budget.

The Board of Directors can appoint general managers, whose delegated powers must be established. In addition, subject to obligatory consultation with the Board of Statutory Auditors, the Board of Directors appoints, on the basis of the minimum requirements established by the By-laws, the Manager responsible for preparing corporate accounting documents. The Board establishes the length of the appointment, the duties and powers in compliance with current regulatory provisions (art. 19 of the By-laws).

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

The Board of Directors has adopted by Board resolution certain quantitative parameters, differentiated by type of transaction or category of transactions, to determine which transactions other than intragroup ones, are considered to have an important economic, strategic, equity or financial impact and so should be subject to specific examination by the Board itself, even when the transaction is undertaken by a group subsidiary.

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The Chairman calls 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 Directors with delegated powers, 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 by law (art. 16 of the By-laws).

In line with the recommendations of art. 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 so as to ensure the effective and efficient performance of its functions. The Chairman of the Board of Directors, with the assistance of the Board Secretary, informs the Directors and Statutory Auditors beforehand of the matters to be discussed at Board meetings and, if necessary, sees that adequate information is provided in due advance on the matters to be examined (art. 16 of the By-laws).

At the Chairman's instruction, the Board Secretary emails the documentation illustrating the matters to be discussed to the Directors and Statutory Auditors, according to different notice periods depending on the subject to be discussed and generally not less than two days before the relevant meeting, except for urgent situations or when it is necessary to preserve special confidentiality; in these circumstances, a full discussion of these subjects is nonetheless guaranteed.

The Managers responsible for preparing corporate accounting documents attend meetings of the Board of Directors which address matters falling under their responsibility. The Chief Executive Officer alerts heads of departments of the need for or mere possibility of their participation in Board meetings during discussion of the issue falling under their remit, so that they can contribute to the discussion. The persons mainly called upon to speak at Board meetings to provide further information are the Head of Internal Audit, for discussion of issues relating to the internal control and risk management system, the Head of Human Resources and Organisation, for discussion of remuneration-related matters, and the Managers responsible for preparing corporate accounting documents, for discussion of accounting matters and the financial statements. The General Counsel, in his capacity as Board Secretary, attends all Board meetings, providing the required information for the matters under his responsibility.

During the meeting called to examine the draft statutory financial statements at 31 December 2012, 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. The Board also expressed a positive opinion on the size, composition and operation of the Board itself and of its committees. These conclusions were supported by positive opinions issued by the Board's own internal committees, which had previously carried out the same reviews within their own spheres of responsibility.

With regard to the performance of self-assessment during the Year, the Board decided to engage a leading firm of consultants which, among other things, conducts professional analyses of the structure, operation and efficiency of listed company Boards of Directors and their committees.

The consulting firm engaged by the Board of Directors for the purposes of self-assessment, also provides the Group with search and selection services for executive-level personnel and advice on succession planning for senior positions.

The Board self-assessment process for 2012 was carried out early in 2013 and was divided into three phases:

- individual discussion, based on a questionnaire. Those involved were the 11 Directors and the Chairman of the Board of Statutory Auditors, in office at the time of self-assessment;
- review with the Chairman of the Board of Directors of the main points and comments made;
- provision of support to the Chairman of the Board of Directors in the preparation of a final report to the Board, incorporating the main results and a proposed plan of action.

At the end of the process all those concerned were sent a report, divided into two parts:

- (i) an Executive Summary, containing an overview of the strengths and areas for improvement that emerged in the course of this activity.
- (ii) Possible Actions, proposed by the Chairman of the Board after consultation with the Company's management and with the support of the consultant appointed to assist the Board in this matter.

Having noted the positive results of the evaluations expressed during the self-assessment process, the Board of Directors and the Compensation and Nominations Committee have expressed a "generally adequate" opinion on the organisational, administrative and accounting structure of the Company and the Group and the size, composition and operation of the Board of Directors and its committees. In particular, the Board's composition was considered to present a balanced mix between Independent Directors and line management, and to be in keeping with Prysmian's structure as a public company. The large presence of Independent Directors with different characteristics and profiles was also seen as an additional guarantee for shareholders, as well as an excellent support to management in running the business.

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Based on figures reported in the financial statements at 31 December 2012 and quantitative criteria adopted in previous years, 7 companies directly or indirectly controlled by the Issuer have been identified as strategically important.

The quantitative criteria used for this identification is based on the ratio of the following three parameters for each individual company to the consolidated amount for the Group:

- consolidated value of net sales;
- net value of fixed assets;
- value of working capital.

Every company for which at least one of the three parameters was greater than 5% of the consolidated total has been treated as strategically important.

The outcome of this quantitative analysis had led to the identification of seven strategically important subsidiaries, as follows:

- Prysmian Cavi e Sistemi S.r.l.,
- Draka Holding N.V.,
- Prysmian Cables et Systemes France S.A.S.,

- Prysmian Treasury (The Netherlands) B.V.,
- Prysmian Cables & Systems Limited,
- Prysmian PowerLink S.r.l.,
- Prysmian Metals Limited.

The identification, or confirmation, of the criteria for determining the strategically important subsidiaries takes place periodically at the time of examining and approving the annual corporate governance report.

Non-Executive Directors and Statutory Auditors are able to evaluate the general results of operations thanks to the continuous provision of information organised by the Chief Executive Officer. This occurs during each Board meeting and specifically in the meetings called to examine the interim management statements.

### 4.4 EXECUTIVE BODIES

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

#### Chief Executive Officer

The Board of Directors of 18 April 2012 conferred the office of Chief Executive Officer and General Manager on Valerio Battista, and delegated him all the authority and powers of ordinary administration needed or useful to carry out the business of the Company, including the following powers:

- to enter into, with all the necessary clauses, modify, terminate, transfer and terminate by withdrawal, any contract or any other deed with direct or indirect subsidiaries;
- to 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 euro) per individual transaction;
- to 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 euro) per individual transaction;
- to 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 euro) per individual transaction;
- to 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 euro) per individual transaction;
- to grant loans or credit lines on behalf of and/or in the interests of any subsidiary;
- to 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 euro) per individual transaction;
- to grant guarantees, issue comfort letters, indemnity letters etc. or to 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 euro) per individual transaction;
- to 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 euro) per individual transaction;
- to issue bonds, guarantees etc., up to a maximum limit of Euro 50,000,000 (fifty million euro) per individual 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;
- to subscribe, issue, purchase, modify, sell, repay and transfer financial instruments, bonds etc., up to a maximum limit of Euro 10,000,000 (ten million euro) per individual transaction;
- to purchase and sell companies and/or business lines, up to a maximum limit of Euro 10,000,000 (ten million euro) per individual transaction;
- to purchase, sell and/or subscribe to investments in companies, up to a maximum limit of Euro 10,000,000 (ten million euro) per individual transaction;
- to employ and dismiss staff, including those of management grade;
- to sign, pay and undertake any act incidental to or necessary to carry out share capital transactions, including capital contributions in favour of subsidiaries;
- to sign, pay and undertake any act incidental to or necessary to carry out share capital transactions in favour

of investee companies, including capital contributions, up to a maximum limit of Euro 5,000,000 (five million euro) per individual transaction.

Mr. Battista qualifies as the “Chief Executive Officer”, described in the Self-Regulatory Code. It should be noted in this regard that no interlocking directorate situation exists because Mr. Battista does not hold any directorships in another issuer whose Chief Executive Officer is a director of Prysmian S.p.A..

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#### Chief Financial Officer

At its meeting on 18 April 2012, the Board of Directors also appointed the Director Pier Francesco Facchini as Chief Financial Officer, and delegated him the following authority and powers:

- to represent the Company in all its dealings with State administrative authorities and with any other Italian or foreign public administration in matters concerning the powers hereby assigned, including tax matters in particular; to sign petitions, claims and appeals, to fulfil all formalities required by law, to represent the Company before the relevant Offices;
- to sign and present tax declarations and returns in general (including for VAT); to 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 euro);
- to sign payment orders in favour of public entities or their agents in relation to tax or social security payments;
- to sign communications to Chambers of Commerce, Stock Exchanges, Commodities Exchanges and companies regarding obligations applying to the Company under laws and regulations;
- to sign ordinary correspondence with customers and suppliers relating to payments to be made respectively to and by the Company;
- to acquire grants, accept the conditions thereto, sign the necessary documents and issue the related receipts;
- to sign, with all the necessary clauses, modify, terminate or transfer any contract with companies which are directly or indirectly controlled by the Company pursuant to art. 26 of Legislative Decree 127 of 9 April 1991, provided that the contract falls within the ordinary course of business, with no maximum value limits provided that these contracts comply with the general Prysmian Group policies in force regarding intragroup transactions;
- to sign with all the necessary clauses, modify, and terminate the following:
  - connected and subsequent acts, including the issue of receipts and notification of cancellation, as well as rental contracts and leases for movable assets including for periods of more than five years, 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 euro);
- insurance contracts of all kinds (including guarantee policies), provided that the related annual premium does not exceed Euro 1,000,000 (one million euro), undertaking all the connected and subsequent acts including the payment of premiums, the agreement of the payment of damages and claims and any appointments to this end of technical experts, doctors, claim agents and lawyers;
- contracts involving the acquisition and/or provision of services of any kind and performance of work, including of an intellectual nature;
- consulting agreements.
- to collect receivables and any other sum due to the Company and to issue the related receipts;
- to endorse, cash, collect and present sums, mandates, treasury bills, money orders, cheques and credit instruments of any kind, and to issue the related receipts;
- to 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; to draw drafts;
- to make deposits, including guarantee deposits, in cash or securities at the Cassa dei Depositi e Prestiti and at the provincial branches of the Treasury, and receive receipts and deposits;
- to request the issue of banker’s drafts; to bank cheques and endorse them for collection;
- to sign payment orders in favour of the Company itself (for funds transfer);
- to undertake at Customs Offices, at the Italian state railways (Ferrovie dello Stato • Società di Trasporti e Servizi per Azioni), 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; to sign and approve invoices, circulation certificates, and the requests and statements necessary for the aforementioned operations; to sign petitions, appeals, claims;
- to represent the Company in any bankruptcy proceedings, compulsory administrative liquidation and receivership or extraordinary administration and to promote such declarations; to provide proof of receivables; to attend meetings of creditors; to accept and reject proposals for composition with creditors and requests to enter receivership or extraordinary administration regimes; to issue receipts and acquittances relating to these procedures;
- to represent the Company in tax and currency audits, inspections and reports of assessment and verification and to sign the related reports;
- to represent the Company before Tax Commissions of any

level; to appeal, take part in the proceedings, elect domicile, deposit briefs and documents, take part in hearings, discuss and accept the related conclusions; to appeal, including in the case of cross appeals; to appeal to the Court of Appeal and for reversal of judgement; to appoint lawyers and proxies with all the necessary powers; to elect domicile;

- to represent the Company in court, with all the necessary powers including those as per art. 183 and art. 547 of the Code of Civil Procedure, for the matters regarding the powers hereby conferred; to start and abandon 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 starting 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 euro); to resist in such proceedings; to appoint lawyers, attorneys and technical experts with all the necessary powers; to elect domicile;
- to 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 50,000,000 (fifty million euro) per individual transaction;
- to 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 50,000,000 (fifty million euro) per individual transaction;
- to 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 euro) per individual transaction;
- to grant guarantees, to issue comfort letters, indemnity letters etc. or to 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 euro) per individual transaction;
- to subscribe, issue, purchase, modify, sell, repay and transfer financial instruments, bonds etc., up to a maximum limit of Euro 8,000,000 (eight million euro) per individual transaction;
- to sign, pay and undertake any act incidental or necessary to carry out share capital transactions, including capital contributions in favour of subsidiaries, up to a maximum limit of Euro 20,000,000 (twenty million euro) per individual transaction;
- to sign, pay and undertake any act incidental or necessary to carry out share capital transactions in favour of investee companies, including capital contributions, up to a maximum limit of Euro 2,000,000 (two million euro) per individual transaction;
- to issue, within the limits of the powers granted, special mandates for acts or series of particular acts.

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#### 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.

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#### 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 art. 150, par.1 of Legislative Decree 58/98; this reporting obligation has always been fulfilled during meetings of the Board of Directors.

Pursuant to art. 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 and 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 company that exercises direction and coordination. The provision of such information to the Board of Directors and the Board of Statutory Auditors has always taken place during meetings of the Board of Directors.

As required by law, as well as by the Code, the Company has established a procedure, which may be consulted on the Company website [www.prysmiangroup.com](http://www.prysmiangroup.com) under *Investor Relations/Corporate Governance*, which defines the parties and transactions about which information must be provided to the Company's Board of Directors and Board of Statutory Auditors and when. In particular, the procedure defines (i) the type, frequency and contents of the information, and (ii) how it should be obtained.

The Chief Executive Officer has also established the practice, at every Board meeting and regardless of how long has elapsed since the previous meeting, of providing information 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

By virtue of the positions they held within the Company and the Group during the Year, Valerio Battista, Frank Dorjee, Pier Francesco Facchini and Fabio Ignazio Romeo are all regarded as Executive Directors.

Valerio Battista is an executive director by virtue of his appointments as Chief Executive Officer and General Manager of the Company (see section 4.4) and as Chairman with executive powers of Prysmian Cavi e Sistemi S.r.l., one of the Issuer's strategically important subsidiaries.

Pier Francesco Facchini is an executive director by virtue of his appointment as CFO of the Company (see section 4.4), and as Chairman of the Audit Committee of Prysmian Cables et Systemes France S.A.S., one of the Issuer's strategically important subsidiaries.

Fabio Ignazio Romeo is an executive director by virtue of his appointment as the Group's Senior Vice President Energy Business up until 31 December 2013, and by virtue of his current position as Head of Corporate Strategy and Development, and as a member of the Audit Committee of Prysmian Cables et Systemes France S.A.S., one of the Issuer's strategically important subsidiaries.

Lastly, Frank Dorjee was an executive director during the Year by virtue of his appointment as the Group's Chief Strategy Officer until 31 December 2013, as a member of the Audit Committee of Prysmian Cables et Systemes France S.A.S., as a Director of Prysmian Cables & Systems Ltd. and as CEO of Draka Holding N.V., all of which strategically important subsidiaries of the Issuer.

## 4.6. INDEPENDENT DIRECTORS

Seven of the eleven Directors appointed by the Shareholders' Meeting on 18 April 2012 declared, at the time of presenting their candidacy for the renewal of the Board of Directors, that they possess the independence requirements under art. 148, par. 3 of TUF and art. 3.C.1. and art. 3.C.2. of the Code. At the meeting of the Board of Directors immediately following the above Shareholders' Meeting, the Board assessed, based on (i) the statements provided when presenting their candidacy, (ii) the information provided verbally by the interested parties 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 present at the meeting were expressly asked to report any changes after submitting their candidacy, that could have changed their independent status. They were also asked to report to the Board any relationships with the Company, or persons related to it, in order to let the Board assess whether such relationships could potentially affect their independent judgement.

Upon completion of this verification process, the Board was of the opinion that the Directors Maria Elena Cappello, Cesare d'Amico, Claudio De Conto, Giulio Del Ninno, Fritz Fröhlich and Giovanni Tamburi were in possession of the requirements to be considered as "independent", under art. 148, par. 3 of TUF as well as art. 3.C.1. and art. 3.C.2. of the Code.

The Board was also of the opinion that the Director Massimo Tononi was in possession of the requirements needed to be considered independent under art. 148, par. 3 of TUF, but not under the Code as a result of his appointment as Chairman of the Board of Directors, making him a "principal representative" of the Issuer under art. 3.C.2 of the Code.

The Independent Directors have also undertaken to inform the Board of Directors promptly of the occurrence of any circumstances which invalidate this qualification. Once a year, during the meeting to approve the Corporate Governance Report, the Board of Directors invites the directors concerned to reconfirm their independence and examines any further information they may have supplied.

The Board has also determined that a director is not usually considered to be independent if, during the previous financial year, they have or have had commercial, financial or professional dealings with the Company, its subsidiaries, or with any of their principal representatives or with a party that controls the Issuer, or with its related principal representatives, if the total value of such dealings is greater than: (i) 5% of the turnover of the legal entity, organisation or professional practice, of which the director has control or in which he/she is a principal 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 practice, of which the director has control or in which he/she is a principal representative or partner.

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

During the Year two meetings were held of just those directors in possession of the independence requirements under TUF. During these meetings, the independent directors confirmed that they did not think it necessary to propose to the Board

of Directors the appointment of a Lead Independent Director; they also carried on the discussion of topics raised in Board meetings and evaluated the opportunity of recommending to the Board other topics for discussion in addition to those already addressed.

### 4.7. LEAD INDEPENDENT DIRECTOR

Since 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 has not identified a Lead Independent Director from among its independent members.

## 5. TREATMENT OF CORPORATE INFORMATION

### Internal management and external communication of documents and information regarding the Company

The Board of Directors has adopted a set of regulations for internal management and external communication of documents and information regarding the Company, with particular reference to price sensitive information. These regulations include the definitions of price sensitive information and confidential information contained in law, and clarifications provided by Consob and standard practice. The regulations also define how information falling under these definitions should be managed and identify the company managers who manage and coordinate the flows of information through until disclosure to the market in compliance with procedures dictated by current law. These regulations can be consulted on the Company website [www.prysmiangroup.com](http://www.prysmiangroup.com) under *Investor Relations/Corporate Governance*.

The above regulations have been supplemented by internal operating rules and a set of procedures for preparing and disclosing financial information. These instruments make for more effective governance of the roles, responsibilities and methods of managing price sensitive information, with regard to verifying such information, updating the register of insiders, its handling, internal circulation and communication to third parties (where particular conditions must be observed), as well as market disclosure in compliance with the terms and methods laid down by current legal requirements. These regulations must be observed by members of the governing bodies, employees and partners of the Company, as well as of subsidiaries which may have access to price sensitive information.

### Register of Insiders

In compliance with art. 115-bis of Legislative Decree 58/98, the Board of Directors has established a register of insiders for persons with access to price sensitive information. Entries and updates to the register of insiders may be made on a permanent or occasional basis; function managers are

responsible for identifying those people within their own field of competence whose names must be communicated to the office responsible for maintaining the register for permanent or occasional entry therein.

### Internal Dealing

Pursuant to art. 114, par. 7 of TUF, art. 152-sexies, art. 152-septies and art. 152-octies of the Consob Issuer Regulations, the Company has adopted a "Code of Conduct for Internal Dealing", aimed at disciplining the reporting obligations for transactions in financial instruments undertaken by persons who, by virtue of the position they hold, have access to relevant information (so-called Internal Dealing). This code of conduct 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 per cent (10%) of the Company's share capital, (v) directors and statutory auditors of relevant subsidiaries, parties who carry out direction activities and managers of relevant subsidiaries (pursuant to the above code) and lastly (vi) the so-called "Persons Closely Related to Relevant Persons". The legal provisions governing the subject matter of the current paragraph have been incorporated in the "Code of Conduct

for Internal Dealing", a copy of which can be consulted on the Company website [www.prysmiangroup.com](http://www.prysmiangroup.com) under *Investor Relations/Corporate Governance*.

The above Code of Conduct for Internal Dealing also identifies blackout periods during which Relevant Persons and Persons Closely Related to Relevant Persons cannot buy, sell, subscribe or exchange shares issued by Prysmian and/or financial instruments linked to its shares. The blackout periods are as follows:

- 30 (thirty) calendar days preceding public announcement of approval of the Company's draft annual financial statements and its half-year financial report;
- 15 (fifteen) calendar days preceding public announcement of approval of the Company's interim management statements.

This exclusion does not apply to the exercise of rights granted under the Company's stock option plans, without prejudice to the ban on transactions in the financial instruments which are the subject of these rights during the blackout periods specified in the relevant regulations of the aforementioned plans. However, the Board of Directors, or, in urgent cases, the Chief Executive Officer, has the power (i) to identify further periods or circumstances in which the conduct of transactions by

Relevant Persons and Persons Closely Related to Relevant Persons is subject to limits or conditions, by immediately informing the Relevant Persons and the person responsible for implementation of the Code, and (ii) to allow a Relevant Person and a Person Closely Related to 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 have made any exceptions to the ban on dealing during blackout periods.

## 6. BOARD COMMITTEES

(art. 123-bis, par. 2.d), TUF)

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

- (i) Control and Risks Committee,
- (ii) Compensation and Nominations Committee.

The composition, functions, duties, resources and activities of the Committees in (i) and (ii) are described in subsequent sections of this Report.

## 7. COMPENSATION AND NOMINATIONS COMMITTEE

The Company's Board of Directors has set up a committee to provide advice and proposals on (i) the compensation of Directors and senior management, (ii) the appointment/replacement of independent directors and (iii) the evaluation of the size and composition of the Board itself, and has also approved a set of rules governing this committee's operation.

### COMPOSITION AND OPERATION OF THE COMPENSATION AND NOMINATIONS COMMITTEE (ART. 123-BIS, PAR. 2.D), TUF)

The Board of Directors has appointed the following Directors as members of the Compensation and Nominations Committee:

- Claudio De Conto, *Non-executive director qualifying as independent under the Code and TUF;*
- Giulio Del Ninno, *Non-executive director qualifying as independent under the Code and TUF;*
- Massimo Tononi, *Non-executive director qualifying as independent under TUF.*

The Committee's membership must comprise solely Non-Executive Directors, of whom at least two are independent. The Committee has appointed Giulio Del Ninno as its Chairman and the Head of Group Human Resources and Organisation as its Secretary.

The Committee's membership did not change during the course of the Year.

As stated in its rules of procedure, which can be consulted on the Company website [www.prysmiangroup.com](http://www.prysmiangroup.com) under *Investor Relations/Corporate Governance/Committees*, the Compensation and Nominations Committee has the following duties:

- A) to evaluate and make proposals to the Board of Directors regarding the remuneration policy proposed by the Company for Directors and Key Managers;
- B) to evaluate and make proposals to the Board of Directors regarding 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) to make proposals or express opinions to the Board of Directors, in the absence of the interested 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 that comply with the remuneration policy. The Committee may also make proposals and express opinions on (i) 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 (ii) 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) to make proposals to the Board of Directors, in the absence of the interested parties, for the remuneration of Non-Executive Directors, which must be commensurate with the commitment required from each of them, 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 justified decision by the Shareholders' Meeting;
- E) to 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) to propose to the Board of Directors candidates for the office of Director in the event of co-optation, when it is necessary to replace Independent Directors;
- G) to 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) to 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 a Director of the Company, also taking into account directors' participation on Board Committees;
- I) to express opinions in support of the Board of Directors' judgement concerning specific matters for which there is a prior, general authorisation to make an exception to the non-compete provisions of art. 2390 of the Italian Civil Code;
- J) to 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.

The Committee is permitted to make use of consultants, including external ones, in order to obtain information on market standards for compensation systems.

In 2013, the Committee held 8 meetings, lasting an average of 120 minutes each, during which, inter alia:

- (i) it developed proposals for presentation to the Board concerning both the fixed and variable remuneration of Executive Directors and Key Managers;
- (ii) it 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;
- (iii) it 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;
- (iv) it presented the Board of Directors with a proposal to submit for shareholder approval a plan to allow Prysmian Group employees to buy company shares at a discounted

price, along with proposals for the plan's rules and method of implementation; the Company duly introduced this plan during the Year.

- (v) it took part in the process of reviewing and planning the succession for senior positions in the Group;
- (vi) it reviewed and approved the terms of the severance package for an executive member of the Board of Directors.

The Chairman and one member of the Committee were present at all eight meetings, while the third member of the Committee was present at seven meetings. These meetings were also attended by the Head of Group Human Resources and Organisation in his role as committee secretary.

For additional information about the Compensation and Nominations Committee, please refer to the Remuneration Report published in accordance with art. 123-ter of TUF.

## 8. REMUNERATION OF DIRECTORS

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

The Executive Directors (Valerio Battista, Frank Dorjee, Pier Francesco Facchini, Fabio Ignazio Romeo) and the Key Managers in service at 31 December 2013 are beneficiaries of the long-term share-based incentive scheme for 2011-2013 discussed in section 2 paragraph i) of the present Report. Valerio Battista, Pier Francesco Facchini and Fabio Ignazio Romeo have also joined the discounted share purchase plan open to Prysmian Group employees, introduced by the Company during the Year. 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. Details of the execution of this scheme are set out in the Company's Annual Report in the section entitled "Incentive Plans" forming part of the Directors' Report, in the related information memorandum prepared in accordance with art.84-bis of the Consob Issuer Regulations, and in the Remuneration Report, all of which can be found on the Company website [www.prysmiangroup.com](http://www.prysmiangroup.com) under *Investor Relations/Corporate Governance/Remuneration Policy/Incentive Plans*.

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The remuneration of Directors is determined in accordance with art. 2389 of the Italian Civil Code by the Shareholders' Meeting which may also determine an overall sum for the remuneration due to Directors, including those with particular responsibilities. In this case, the Board of Directors examines the Compensation Committee's proposals and consults the Board of Statutory Auditors, after which it then divides up the overall sum determined by the Shareholders' Meeting between its members. Directors are eligible for reimbursement of the expenses incurred to carry out their duties (art. 14 of the By-laws).

The Shareholders' Meeting of 18 April 2012 awarded the Board, in addition to reimbursement of expenses incurred in the interests of the Company, an overall gross fee of Euro 430,000 for each of the years it remains in office, to be divided on a pro-rata 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 has accepted the recommendation presented by the Compensation and Nominations Committee, establishing the following division for the overall annual emoluments:

- (i) Euro 30,000 to the Chairman of the Board of Directors,
- (ii) Euro 40,000 to each of the 7 Non-Executive Directors

qualifying as independent under TUF and (iii) Euro 20,000 to each of the 6 members of the Board Committees.

For additional information about the remuneration policy of the Directors and Key Managers, please refer to the Remuneration Report published in accordance with art. 123-ter of TUF.

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### INDEMNITY OF DIRECTORS IN THE EVENT OF RESIGNATION, DISMISSAL OR TERMINATION FOLLOWING A PUBLIC TENDER OFFER

(art. 123-bis, par. 1.i), TUF)

With reference to agreements between the Issuer and the Directors which provide for indemnity in the event of resignation, dismissal/termination without just cause or if the working relationship ceases following a public tender offer, it is reported as follows:

- Valerio Battista, the Chief Executive Officer and General Manager, is also an employee of Prysmian S.p.A., with a permanent contract as a manager since 1 June 2006. His length of service and his appointment to management status date back to 1 January 1989, while his employee indemnity liability runs from 1 July 2005. Should the Company terminate the relationship without just cause or adequate disciplinary reasons for such termination, it will pay Valerio Battista the gross sum of Euro 4.5 million.
- Pier Francesco Facchini, a Director as well as CFO, is also an employee of Prysmian S.p.A., with a permanent contract as a manager since 8 January 2007. Should the Company terminate the relationship without just cause or adequate disciplinary reasons for such termination, and also in the case of dismissal with just cause, the Company will pay Pier Francesco Facchini indemnity in lieu of notice corresponding to 24 months' salary, calculated taking into account just his fixed annual remuneration at the time employment ceases.
- Frank Dorjee, a Director as well as an employee of a Group company and Chief Strategy Officer until 31 December 2013, was employed under a permanent contract as a manager from 1 March 2011. On 31 December 2013, the employment contract binding him to the Prysmian Group was terminated, as a result of which Mr. Dorjee has received compensation of Euro 2.5 million for the early termination of his employment contract. This compensation was payable whether the contract was terminated by the Company or at the initiative of Mr. Dorjee himself, and had no specific link to performance criteria. If the Company had terminated the employment contract for just cause, this clause would not have applied.

In the event of early termination of employment of the above Executive Directors, who are also the Company's employees, payment of the above indemnities is not explicitly excluded when employment is terminated for objectively poor

performance since these indemnities replace those provided under the national collective employment agreement for senior managers of companies producing goods and services, which would be payable even when termination is due to poor performance.

Apart from those disclosed above, there are no other agreements between the Issuer and the other Directors which provide for indemnity in the event of resignation, dismissal/ termination without just cause or if the working relationship ceases following a public tender offer.

## 9. CONTROL AND RISKS COMMITTEE

The Board of Directors has set up a Control and Risks Committee (known as the “Internal Control Committee” up until 8 November 2012), with the functions of providing advice and proposals to the Board itself.

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

### COMPOSITION AND OPERATION OF THE CONTROL AND RISKS COMMITTEE (art. 123-bis, par. 2.d), TUF)

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

- Maria Elena Cappello, *Non-executive director qualifying as independent under the Code and TUF*;
- Claudio De Conto, *Non-executive director qualifying as independent under the Code and TUF*;
- Fritz Fröhlich, *Non-executive director qualifying as independent under the Code and TUF*.

The Committee’s membership must comprise solely Non-Executive Directors, of whom at least two are independent. The Committee has appointed Claudio De Conto as its Chairman, and the Head of Internal Audit as its Secretary. The Committee’s membership did not change during the course of the Year. Its current composition was determined after renewing the Board of Directors at the Shareholders’ Meeting on 18 April 2012.

The Chairman of the Board of Statutory Auditors, or the other standing Statutory Auditors in his place, has attended every meeting of the Control and Risks Committee; employees and experts, including representatives of the independent auditors, have also been invited to attend committee meetings in a consultative capacity.

The Control and Risks Committee has the following duties:

- A) to support, with adequate preliminary work, 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) to provide its prior 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 Head of Internal Audit;
  - (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 the letter of recommendations and in the report on key matters arising from the statutory audit;
  - (vi) the appointment and removal of the Head of Internal Audit, 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) to assist the Board of Directors by:
    - (i) evaluating, together with the Manager 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 internal audit;
    - (iv) monitoring the independence, adequacy, effectiveness and efficiency of internal audit;
    - (v) being able to request internal audit to perform tests on specific operating areas, informing the Chairman of the Board of Statutory Auditors at the same time;
  - D) to report to the Board of Directors, at least every six months, at the time of approving the annual and half-year financial reports, on the work performed and on the adequacy of the internal control and risk management system and to present proposals to the Board of Directors in this regard;
  - E) if identified by the Board of Directors as the committee responsible for certain functions required by current rules on related party transactions, to provide prior opinions to the body responsible for approving specific related party transactions undertaken by the Company, or its subsidiaries, in accordance with the procedures adopted by the Company governing related party transactions;
  - F) to monitor compliance with the Code of Ethics adopted by the Company.

Legislative Decree 39/2010 has identified the Board of Statutory Auditors as the “Internal Control and Financial Audit Committee”, meaning that some of the supervisory duties falling to the Control and Risks Committee are now

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 new 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 putting them into effect.

In 2013, the Control and Risks Committee held 8 meetings, lasting an average of 1 hour and 45 minutes each.

All the members of the Committee were present at the meetings held during the Year.

During these meetings the Committee examined, inter alia:

- the consolidated financial statements for 2012, the half-year financial report for 2013 and the related results of the financial audits, as well as the interim management statements;

- the internal audit plan, internal audit activities carried out, risk assessment activities for the Group, the status of the internal audit plan for 2013 and related results, as well as the structure and role of the Internal Audit Department;
- the project to develop an Enterprise Risk Management process.

During the Year, in its role as a committee entirely made up of independent directors with competency to advise on related party transactions, the Committee: (i) evaluated whether it was necessary to update or amend the *Procedures for Related Party Transactions* adopted by the Company and concluded that no such action was required, (ii) reviewed and gave a favourable opinion on a "less material" related party transaction and (iii) expressed its approval of an amendment to the above Procedures in order to implement a new policy adopted by the Company for identifying Key Managers.

## 10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Board of Directors has defined guidelines for the internal control system, so that the main risks facing the Issuer and its subsidiaries are correctly identified, as well as adequately measured, managed and monitored, also determining how such risks are compatible with sound, correct management of the business.

During 2012, in the context of the ordinary continuous updating of the internal control system, the Group commenced a process aimed at making the current system compliant with new relevant provisions of the Self-Regulatory Code and, therefore, inter alia, at implementing an integrated risk management system. On 27 February 2013, the Board of Directors defined and approved the guidelines of the new integrated System of Internal Control and Risk Management that already from 2013 permitted the Board of Directors to define in a structured manner (using an Enterprise Risk Management, "ERM", approach) the nature and level of risks consistent with the strategic objectives of the Group. The establishment of the new system was finalised during 2013, and a Chief Risk Officer, reporting to an Internal Risk Management Committee comprised of the Senior Management of the Group, was appointed to manage the ERM process.

The Board of Directors has also appointed the Head of Internal Audit, with responsibility for verifying, independently and objectively, that the internal control and risk management system, including the ERM process, is operating adequately and effectively.

The Head of Internal Audit reports directly to the Prysmian Board of Directors, as well as to the Control and Risks Committee.

The Internal Audit Department draws up an annual audit plan based on an assessment of risks. Risk factors are analysed and revised every year to ensure that the audit plan properly covers the risks to which the Group is exposed. In accordance with the Code and international best practices, the ERM process directly informs the audit planning activity by providing a systematic and structured framework for risk identification and analysis. The planning activity also includes specific interviews with senior management in order to identify further risks, uncertainties or specific audit requests to be taken into consideration. The results of previous internal audit activities are analysed to identify potential trends, any widespread weaknesses in internal control and similar recommendations which may indicate areas requiring additional focus. The implementation status of previous internal audit recommendations is also reviewed. During these activities, risks related to business planning and financial reporting are always considered as one of the main areas of risk to which the business is exposed. Once these activities are completed, the Annual Internal Audit Plan is submitted for approval, first by the Control and Risks

Committee and then by the Board of Directors.

In conducting internal audit activities, the Head of Internal Audit and the Internal Audit Department are given complete access to all relevant data, documentation, information and personnel to enable them to perform each audit.

The Head of Internal Audit attends every meeting of the Control and Risks Committee. The results of internal auditing activities are reported to the committee along with key findings and remediation actions. The status of the audit plan is reported during each meeting and any significant deviations or anticipated deviations are discussed and confirmed. The implementation status of audit recommendations or remediation actions is reported to the Control and Risks Committee.

The Board of Directors has evaluated the internal control system's adequacy, effectiveness and actual operation during the course of the Year and on 25 February 2014 confirmed that the operation of the system was satisfactory.

### MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM OVER THE FINANCIAL REPORTING PROCESS (art. 123-bis, par. 2.b), TUF)

Internal controls for managing financial reporting risks form part of the overall system of internal control, and the Prysmian Group maintains a system of administrative and accounting procedures to ensure the soundness, accuracy, reliability and timeliness of financial information. The Company uses policies, procedures and operating instructions to guarantee an effective flow of information from its operating companies. These include the Group Accounting Manual (rules for the use and application of accounting policies), the Administrative Processes Manual, the procedures for creating and publishing financial information and other procedures for the preparation of the consolidated financial statements and interim financial reports (including the chart of accounts, the consolidation procedures and procedures for related party transactions). Prysmian Group head office functions are responsible for distributing this documentation to operating companies, all of whom can access these accounting policies, procedures and rules through the Group's intranet site. The operating companies also issue local policies, procedures and rules that comply with the Company's guidelines.

The Company has adopted a centrally coordinated evaluation system and attestation process for the purposes of assessing the adequacy and effectiveness of the internal control system, which includes controls over the financial reporting process, and in order to comply with Law 262/05 (Investor Protection Act).

This system was developed using the COSO framework to

identify key risks and thus the required key controls to be established to mitigate the risks identified and to ensure the internal control system operates effectively. A scoping exercise was also carried out to identify the Prysmian Group's critical processes and sub-processes and the relevant head office functions and material reporting entities to be included within the system. This exercise was updated in 2011 following the acquisition of the Draka business and is subject to ongoing review and revision in response to organisational changes and developments.

The Internal Audit Department implements the system and independently tests, during the implementation phase, the key controls identified for each of the Group's processes and reporting entities, as identified in the scoping exercise. Areas for improvement are reported to the Company's Senior Management and also to the Control and Risks Committee. Action plans are agreed with each process owner or reporting entity to strengthen existing controls or rectify any weaknesses. The Internal Audit Department monitors the implementation status of these action plans and updates Senior Management and the Control and Risks Committee accordingly.

The Chief Executive Officer and Chief Financial Officer of every Group operating company, and the directors of the relevant head office functions and departments, are responsible for maintaining an adequate internal control system and this includes periodically testing the key controls identified and tested by the Internal Audit Department during the

implementation phase to confirm that they continue to operate effectively and efficiently. These officers are required to submit an attestation every six months confirming that the internal control system is operating properly. This signed attestation is sent to Prysmian Group's Chief Financial Officer, the Managers Responsible for Preparing Corporate Accounting Documents, and to the Head of Internal Audit. To support this attestation the officers must also confirm that they have specifically tested the operation of key controls and that evidence supporting their conclusions has been retained for future independent review. To achieve this, Prysmian requires each operating company to submit a detailed "Internal Control Questionnaire" (ICQ). These ICQs document the key controls for each critical business and financial process, describe how the control works in that operating unit and what type of tests have been performed in the reporting period to confirm the adequacy of the control. The owner of each business and financial process must update the ICQ every six months. The Internal Audit Department reviews the ICQ submissions and may select a number of operating companies or processes for detailed follow-up audits to confirm the integrity of the submission. The results of these audits are reported in accordance with the Internal Audit reporting process. The Company believes this ensures that the number of processes and material reporting entities incorporated within the evaluation system and attestation process is sufficient to sustain reliable controls over financial reporting and its ongoing Law 262/05 obligations.

## 10.1. DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Board of Directors has appointed Valerio Battista, the Chief Executive Officer and General Manager, as Director in Charge of supervising the operation of the internal control and risk management system. This choice is in line with the provisions of the Self-Regulatory Code, best practice and the Company's organisational structure.

As required by the Code, the Board of Directors has given the Director in Charge of supervising the operation of the internal control and risk management system responsibility for all the duties and functions that the Code associates with this

role. In particular, the holder of this position is responsible for identifying the principal business risks, by implementing the policy guidelines established by the Board of Directors, and for managing the internal control and risk management system, by constantly monitoring its adequacy and effectiveness; the holder of this position can also request the Internal Audit Department to carry out specific auditing and testing activities for the purposes of the periodic reports to be provided to the Chairmen of the Board of Directors, of the Control and Risks Committee and of the Board of Statutory Auditors.

## 10.2. HEAD OF INTERNAL AUDIT

In order to guarantee an adequate system of internal control and risk management, the Company has set up an Internal Audit Department, the head of which is responsible for all the duties attributed to this position by the Code.

The Head of Internal Audit, Mr. Martin Gough, has been appointed by the Board of Directors at the proposal of the Director in Charge of supervising the operation of the internal control and risk management system and after consulting the Control and Risks Committee. The Board of Directors has also determined the remuneration of the Head of Internal Audit, in line with company policy and following consultation with the Control and Risks Committee and the Board of Statutory Auditors.

The Head of Internal Audit shall verify, both on a continuous basis and in relation to special needs, in conformity with international professional standards, the adequacy and effective functioning of the internal control and risk management system, through an audit plan, to be approved by the Board of Directors. Such a plan shall be risk based and be developed with direct reference to the formalised and structured analysis and ranking of the main risks identified by the ERM process.

The Head of Internal Audit has had direct access to all the information needed to perform his duties; he has reported on his activities to the Chairmen of the Board of Statutory Auditors, of the Control and Risks Committee and of the Board of Directors, as well as to the Director in Charge of the internal control and risk management system and is not

accountable to line managers.

He also acts as the Secretary to the Control and Risks Committee, and so takes part in this Committee's meetings and coordinates its work.

If requested by the Board of Statutory Auditors, he reports during their quarterly inspections on the matters falling under his responsibility.

During 2013 the Head of Internal Audit fulfilled his responsibility for overseeing the execution of the risk-based Annual Internal Audit Plan, and any approved deviations arising from specific risk events or scenarios arising during the year.

In some instances the audits performed were investigatory in nature and related to alleged instances of fraudulent behaviour or breaches of internal or external laws and regulations.

The Head of Internal Audit also defined and monitored the information technology internal audit activities performed by external experts in the conduct of the risk-based Annual Internal Audit Plan.

In order to further enhance the capability and effectiveness of the Internal Audit function, and to further strengthen the overall adequacy of the system of risk management and internal control, the Head of Internal Audit also assisted in the further development of the ERM process and the ongoing communication of, and monitoring of adherence to, the ethical and compliance policies and procedures of the Company.

## 10.3. ORGANISATIONAL MODEL (Legislative Decree 231/2001)

In view of developments in the Company's corporate governance system and for the purposes of ensuring its compliance with intervening changes in the law, during the Year the Group undertook work to update the organisational models adopted by its Italian companies, according to their specific characteristics and different operations.

By resolution of the Board of Directors on 24 January 2006, the Company adopted an organisational model (the "Model") in compliance with the requirements of Legislative Decree 231/2001. As a result of constant revisions and updates, the Board of Directors approved a new version of this Model on 27 August 2008 whose revisions were primarily for compliance with intervening legislative changes.

Revision of the Model has taken account of the extension of corporate administrative liability to new types of offences, and of changes in the Company's organisational structure after adopting the original organisational model.

A Model has therefore been developed for the Company that fully complies with the guidelines identified by analysing and mapping business processes at risk of criminal offence and

that is consistent with the Company's specific characteristics, and thus able to satisfy the effectiveness requirements demanded by law.

The Model adopted by the Company is reflected in the following documents:

- (a) *Code of Ethics*. This sets out the general principles (transparency, integrity and fairness) which underpin the conduct of business and which are also relevant for the purposes of Legislative Decree 231/2001; it also indicates the goals and values which characterise the Company's operations. This document is published on the Prysmian website [www.prysmiangroup.com](http://www.prysmiangroup.com) under *Investor Relations/Corporate Governance* and on the Group's intranet. For the purposes of its widest possible distribution, the Code of Ethics has been translated into 13 languages and displayed at every one of the Group's member companies. The contents of the Code of Ethics have also been publicised through specific training sessions.
- (b) *Rules of Conduct*. These contain specific rules for dealing

with public officials and are designed to satisfy the specific requirements of Legislative Decree 231/2001 with regard to the prevention of potential risk situations. These guidelines set out types of conduct to be actively adopted and conduct to be avoided, thus translating the contents of the Code of Ethics into practical guidelines.

(c) *Rules of Governance*. This is a descriptive document structured as follows:

- *Introduction*: this contains a description of the business and organisation of Prysmian, with the purpose of putting the Model into its specific business context.
- *Section One*: this contains a general description of the contents of the Decree and the purpose of the Model.
- *Section Two*: this provides details of the Model's specific rules of governance.

This document contains, inter alia, a list and description of the offences, an organisation chart, contractual clauses and a list of procedures. It also describes how the Model is distributed and publicised, how its users are instructed and how it is adopted and continuously updated. It also contains a specific chapter on the Monitoring Board (duties, reasons for members being ineligible, removal, disqualification and suspension of

members, spending budget for its work).

(d) *Decision-making and control procedures*. These have the purpose of governing for all the relevant risks mapped:

- roles and responsibilities of persons involved;
- decision-making/authorisation processes;
- how activities at risk are managed and controlled.

#### **Monitoring Board**

This is the body appointed by the Board of Directors in compliance with Legislative Decree 231/2001; its task is to monitor the Model's operation and compliance therewith, as well as to oversee its updating, by presenting the Board of Directors with proposed revisions and changes to the existing Model.

The Monitoring Board reports at least once every six months to the Board of Directors on the Model's application and effectiveness.

The Monitoring Board currently in office comprises the Head of Internal Audit, a consultant who is also a former statutory auditor of Prysmian and other Prysmian Group Italian companies, and a consultant with expertise in the application of Legislative Decree 231/01.

## **10.4. INDEPENDENT AUDITORS**

In accordance with law, the independent statutory audit of the financial statements is carried out by a firm of auditors registered with Consob. The By-laws state that this engagement must be conferred by the Shareholders' Meeting at the justified proposal of the Board of Statutory Auditors. The serving independent auditors are PricewaterhouseCoopers S.p.A., who were engaged by the Shareholders' Meeting of 16

January 2007 to carry out the independent statutory audit of the Company's separate 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 2007-2015. The engagement will end with the approval of the financial statements for the year ended 31 December 2015.

## **10.5. MANAGER RESPONSIBLE FOR PREPARING CORPORATE ACCOUNTING DOCUMENTS**

Among the duties the By-laws attribute to the Board of Directors is that of appointing the Manager responsible for preparing corporate accounting documents and determining this person's term in office, functions and powers in accordance with current legal requirements. The Board of Directors must consult the Board of Statutory Auditors before making this appointment. The Board of Directors can also remove this manager from office if necessary.

According to art. 19 of the By-laws, the Manager responsible for preparing corporate accounting documents must be chosen on the basis of professional ability and competence from persons with no less than three years of experience in at least one of the following activities:

- administration, control or executive duties in a business environment;
- professional activities in the field of credit, finance, securities or insurance;
- university lecturing on subjects relating to law or economics;
- 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 the duties involved managing economic and financial resources.

Bearing in mind the Prysmian Group's organisational structure, the Board of Directors has jointly appointed the heads of the two functions "Financial Statements & Compliance" and

“Planning & Controlling” as Managers responsible for preparing corporate accounting documents. In making this appointment, the Board of Directors took account of the best practice adopted by other listed companies, also supported by an interpretation published by Assonime (Italy’s listed company association) which recommends keeping the office of Manager responsible for corporate accounting documents separate from that of Board director, on the basis that the two offices have different, autonomous responsibilities.

In accordance with the above, during the Year the position of Manager responsible for preparing corporate accounting documents was jointly held by Carlo Soprano, Head of Financial Statements & Compliance, and Andreas Bott, Head of Planning & Controlling.

The Managers responsible for preparing corporate accounting documents, together with the Chief Executive Officer, attest

in a specific report attached to the Company’s separate and consolidated financial statements and its half-year condensed financial statements, that the administrative and accounting processes have been adequate and effectively applied, and that these documents correspond to the underlying accounting records and books of account and are able to provide a true and fair view of the Company’s balance sheet, results of operations and financial position and of the group of companies included in the consolidation.

The Managers responsible for preparing corporate accounting documents also issue specific statements attesting that interim financial information (eg. interim management statements and/or press releases issued to the market) corresponds to the underlying accounting records and books of account of the company and group of companies included in the consolidation.

### 10.6. COORDINATION BETWEEN PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Head of Internal Audit and the Control and Risk Committee perform a critical role in the co-ordination of the parties involved in the system of internal control and risk management.

The Head of Internal Audit reports on his activities to the Director in Charge of the internal control and risk management system, to the Control and Risks Committee and, as required, to the Chairmen of the Boards of Directors of the Prysmian Group’s Italian companies; in addition, he is a member of the Monitoring Boards of each of the Italian entities within the Prysmian Group and attends all meetings of the Internal Risk

Management Committee.

The Control and Risks Committee meets regularly, including at least once a quarter prior to the Board of Directors to approve the financial results of the Company. The Statutory Auditors are invited to attend each and every meeting of the Control and Risks Committee and receive all reports provided by the Head of Internal Audit to the Board of Directors, the Control and Risks Committee and the Director in Charge. The Managers responsible for preparing corporate accounting documents attend the Control and Risks Committee meetings at least twice a year.

## 11. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

In view of the instructions 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 can be consulted on the Company website [www.prysmiangroup.com](http://www.prysmiangroup.com) under *investor relations/corporate governance/Related Parties Regulation*. These procedures govern, inter alia: (i) the roles of the different bodies 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 publication of information concerning the Prysmian list of related parties; (iii) how transactions that the Company intends to carry out with related parties should be reviewed 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 in certain circumstances.

During the Year, 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.

These procedures have nonetheless been updated, with the approval of the relevant committee, in order to implement the new policy adopted, at the recommendation of the Board of Directors, for identifying Key Managers.

Related party transactions are examined in the explanatory notes to the financial statements in the note entitled "Related party transactions", which lists and discusses such transactions.

## 12. APPOINTMENT OF STATUTORY AUDITORS

The appointment of the Statutory Auditors takes place on the basis of slates presented by shareholders who, alone or together with other shareholders, hold shares representing at least 2% of share capital with voting rights, or such lower percentage established by law or regulation. These slates must be filed at the registered offices at least twenty-five 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. Consob Resolution 18775 of 29 January 2014 has set the minimum shareholding requirement for presenting candidate slates at 1% for 2014.

The By-laws (art. 21) contain procedures for the submission of slates, for compliance with applicable legislation concerning gender balance, for the conduct of elections and 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 from both genders, so that 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 belong to the less well represented gender in that slate.

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 gender balance, 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 re-election. 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.

In accordance with the By-laws, members of the Board of Statutory Auditors must fulfil the requirements of professional and personal standing and independence contained in the applicable legislation. In particular, for the purposes of art. 1, par. 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.

On the occasion of the appointment of the current Board of Statutory Auditors on 16 April 2013, the Shareholders' Meeting elected the new statutory auditors using the slate voting system.

On this occasion, the Shareholders' Meeting appointed the Board of Statutory Auditors for the next three years (until approval of the financial statements for the year ended 31 December 2015), and set the annual fee for the Board's Chairman at Euro 75,000 and at Euro 50,000 for each of the standing members.

Based on the two slates presented, the following persons have been appointed as members of the Board of Statutory Auditors:

- Paolo Francesco Lazzati (Standing statutory auditor),
  - Maria Luisa Mosconi (Standing statutory auditor),
  - Marcello Garzia (Alternate statutory auditor),
- elected from the slate submitted by the shareholder Clubtre (this slate received votes from the majority of those eligible to attend the meeting, equal to approximately 81% of the capital present or represented);
- Pellegrino Libroia (Chairman of the Board of Statutory Auditors),
  - Claudia Mezzabotta (Alternate statutory auditor),
- elected from the slate submitted jointly by a group of shareholders comprising asset management companies and institutional investors (this slate received votes from the minority of those eligible to attend the meeting, equal to approximately 15% of the capital present or represented). The composition of the Board of Statutory Auditors has not undergone any changes since the close of the Year.

## 13. STATUTORY AUDITORS

(art. 123-bis, par. 2.d), TUF)

As required by art. 2409-*bis* of the Italian Civil Code, the independent statutory audit of the accounts has been 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 memorandum of association, as well as the observance of 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.

Legislative Decree 39/2010 has identified the Board of Statutory Auditors as the "Internal Control and Financial Audit Committee", meaning that it now 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.

In 2013 the Board of Statutory Auditors held 8 meetings, attended by an average of 96% of its members in office during different periods of the Year. The Statutory Auditors also ensured their presence at the only Shareholders' Meeting held in the Year, and at meetings of the Board of Directors and of the Control and Risks Committee.

At the date of the present Report, the Board of Statutory Auditors had held 2 meetings during 2014, and has planned 5 more meetings before the end of the.

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### Personal and professional details of each statutory auditor.

There now follows a short curriculum vitae for each Statutory Auditor, describing their personal details, field of expertise and past experience of business management.

#### **Pellegrino Libroia**

*Chairman of the Board of Statutory Auditors*

He has a degree in Economics and Business, obtained in 1970, from the University of Pavia. He qualified as a professional accountant in 1977 and has been an authorised statutory auditor since 1995. From 1970 to 1977, he worked in audit 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 Ernst & Young, in which he held the position of audit 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 flotation of Italian companies on the Milan Stock Exchange. From 2005 until 2010, he was Chairman of 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, in which he is still a partner. The various appointments he currently holds include those as Chairman of the Board of Statutory Auditors of Davide Campari Milano S.p.A., of Campari Wines S.r.l., of Ethica Corporate Finance S.p.A. and of Palladio Leasing S.p.A., as standing statutory auditor of COMPASS S.p.A., as Chairman of the Board of Statutory Auditors of SELMABIPIEMME Leasing S.p.A. and Director of Duemme SGR S.p.A.

He has been a member of Prysmian's Board of Statutory Auditors since 16 April 2013, having been elected on 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 Statutory Auditor*

He has a degree in Economics and Business, with a specialisation in Business Administration, from the Università Cattolica del Sacro Cuore (Sacred Heart Catholic University) in Milan. He is a registered professional accountant and a member of the Register of Auditors and has been a visiting lecturer 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 and Associates" in 1990 as an associate. He has worked as an independent practitioner since 2000, primarily serving companies and/or groups, including those in the processes of reorganisation, expansion and restructuring.

He has been a member of Prysmian's Board of Statutory Auditors since 16 April 2013, having been elected on the slate submitted by the shareholder Clubtre, which got the majority of votes in the Shareholders' Meeting.

#### **Maria Luisa Mosconi**

*Standing Statutory Auditor*

She has a degree in Economics and Business, obtained in 1988, from the "Luigi Bocconi" University in Milan. She qualified as a professional accountant in 1992 and has been listed in the Register of Statutory Auditors since 1995. She has been listed in the Court Register of Technical Consultants since 1997 and is a member of the NED Community, an Italian association for independent non-executive directors. She has worked as a professional accountant for the firm of

Sole-Asnaghi-Tosi, mainly dealing with insolvency, corporate crises and appraisals. Her professional expertise also extends to corporate finance, strategy (planning, corporate restructuring and crisis), business development and corporate governance. She works with the Bankruptcy Court of Milan, serving as an official receiver, advisor and judicial liquidator. She has been a visiting lecturer at the Università Cattolica del Sacro Cuore (Sacred Heart Catholic University) in Milan for courses on "Industrial and commercial technique" with Professors Giordano Caprara and Mario Massari, and on "Financial analysis and corporate finance" with Professor Mario Massari. She has also been a visiting lecturer at the "Luigi Bocconi" University for courses on "Corporate Finance (Analysis for corporate finance transactions)" with Professor Gualtiero Brugger and "Corporate Finance" with Professors Maurizio Dallochio, Mario Massari and Gualtiero Brugger. The various appointments she currently holds include those as a member of the Supervisory Board of Banca Popolare di Milano S.c.a.r.l., as an independent director of Biancamano S.p.A., and as a standing statutory auditor of Screen Broadcasting Technologies S.p.A., SEA - Società Esercizi Aeroportuali S.p.A., The Walt Disney Company Italia S.p.A., S.A.C.B.O. S.p.A., Immobiliare Lombarda S.p.A. and MetalWork S.p.A.. She has been a member of Prysmian's Board of Statutory Auditors since 16 April 2013, having been elected on the slate submitted by the shareholder Clubtre, which got the majority of votes in the Shareholders' Meeting.

#### **Marcello Garzia**

##### *Alternate Statutory Auditor*

He obtained his diploma from the Luigi Einaudi Commercial Institute in Milan in 1967; he has been an official auditor since 1992, listed in the Register of Auditors. For 29 years, of which 18 in a managerial role, he worked for the Pirelli Group, where he held positions of responsibility in the administration and control area (Internal Audit, Group Administrative Systems and Projects). Since 1997 he has worked as a consultant for several important companies on organisation projects (special corporate operations, revision of administrative processes, implementation of internal control systems). He currently serves as a statutory auditor and member of monitoring boards, set up under Legislative Decree 231/2001, for several Prysmian Group companies.

He was elected on the slate submitted by the shareholder Clubtre, which got the majority of votes in the Shareholders' Meeting.

#### **Claudia Mezzabotta**

##### *Alternate Statutory Auditor*

She has a degree in Business Economics, gained in 1993, from the "Luigi Bocconi" University in Milan, and a Master of Arts in Industrial/Organizational Psychology, gained in 2002, from New York University's Graduate School of Arts and Science in New York, United States. She has practised 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. Since 2010 she has been a member of the IFRS SME Implementation Group, set up by the IASB in London (United Kingdom); since 2011 she has also been a member of the EFRAG SME Working Group, set up by the EFRAG in Brussels (Belgium). She is Chairman of the Accounting Standards Commission of the Milan Professional Accountants Association. She also writes extensively about national and international accounting standards for several Italian publishers, including in particular IPSOA Wolters Kluwer, EGEA and Giuffrè. She currently sits on a number of Boards of Statutory Auditors, including as Chairman in Carrara S.p.A. and Fultes S.p.A., and as an ordinary member in Sabre Italia Srl and Ottana Polimeri Srl. She is also sole statutory auditor at GE Lighting Srl. She was Chairman of the Board of Statutory Auditors of Fiat Industrial S.p.A. until 30 September 2013.

She was elected on 16 April 2013 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.

\*\*\*

Based on the statements supplied by its members, the Board of Statutory Auditors has verified that all its members meet the independence requirements that apply to directors under art. 3 of the Code. When making this assessment, the Board of Statutory Auditors has not adopted different criteria to those envisaged by the Code for the independence of directors.

\*\*\*

The Board of Statutory Auditors attended the induction meeting arranged by the Chairman of the Board of Directors with the aim of increasing the knowledge of the Directors and Statutory Auditors about the Prysmian Group's economic sector and business dynamics. This meeting involved, among other things, a visit to two of the Group's French factories, in Gron and Paron respectively.

## 14. RELATIONS WITH SHAREHOLDERS

The Board of Directors has tasked the Chief Executive Officer with identifying someone to be in charge of investor relations and with making the related appointment. Under this authority, the Chief Executive Officer has appointed Luca Caserta as Investor Relations Director, having the necessary qualifications and experience for this role.

The 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, on 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 action or decision which 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 Milan and the principal 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 can address their requests for information to the Investor Relations office:

Tel. 02.6449.1

Fax 02.6449.4509

[luca.caserta@prysmiangroup.com](mailto:luca.caserta@prysmiangroup.com)

## 15. SHAREHOLDERS' MEETINGS

(art. 123-bis, par. 2.c), TUF)

According to art.11 of the By-laws *"All shareholders entitled to attend general meetings may be represented at such meetings by issuing a written proxy, in the cases and within the limits permitted by applicable law. The proxy form for participation at the general meeting may also be notified to the company by sending it to the certified email address specified in the notice of the 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 items on the agenda.

\*\*\*

The Board of Directors resolved, in compliance with art. 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 regulations for shareholders' meetings 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 can be consulted on the Company website [www.prysmiangroup.com](http://www.prysmiangroup.com) under *Investor Relations/Shareholder 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 observations, asking for 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 a "Report on items on the agenda" and publishes it 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.

Six of the eleven Directors in office at the date of the Shareholders' Meeting on 16 April 2013 attended this meeting. Two of the Directors present were also members of the Compensation and Nominations 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 year the market capitalisation of the Company's shares did not experience any major changes, with its movements reflecting those in the Prysmian stock, whose performance did not deviate significantly from that of the FTSE/MIB (formerly S&P/MIB) index in which the stock is listed.

There were no important changes in the shareholder structure during the Year.

## 16. OTHER CORPORATE GOVERNANCE PRACTICES

(art. 123-bis, par. 2.a), TUF)

There are no other corporate governance practices to disclose other than those reported and de-scribed 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.

## TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE

Situation at 31 December 2013

### STRUCTURE OF SHARE CAPITAL

	No. shares	% of share capital	Listing
Ordinary shares	214,591,710	100.00	MTA
Shares with suspended voting rights <sup>(*)</sup>	3,039,169	1.42	MTA

(\*) Treasury shares held directly and indirectly by the Company at 31/12/2013.

### OTHER FINANCIAL INSTRUMENTS

(granting the right to subscribe for new shares)

	Listing	No. instruments outstanding	Class of shares to service conversion	No. shares to service conversion
Convertible bonds	MTF - Vienna	€ 300,000,000	Ordinary shares	13,444,113

Declarant	Direct shareholder	% of ordinary share capital (*)	% of voting share capital (*)
Clubtre S.p.A.	Clubtre S.p.A.	6.199	6.199
J.P. Morgan Chase & Co.	J.P. Morgan Securities Ltd.	1.815	1.815
	J.P. Morgan Whitefriars Inc.	0.005	0.005
	J.P. Morgan Ventures Corp.	0.008	0.008
	<b>J.P. Morgan Chase &amp; Co. (Total)</b>	<b>1.828</b>	<b>1.828</b>
Norges Bank	Norges Bank	2.174	2.174
State Street Global Advisors Ireland Ltd.	State Street Global Advisors Ireland Ltd.	2.132	2.132
T. Rowe Price Associates Inc.	T. Rowe Price Associates Inc.	2.066	2.066
Market		85.601	85.601
	<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

(\*) 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 art. 120 of TUF and the Consob Issuer Regulations, could differ from the situation presented above; this is because Consob is not required to adjust the percentage shareholdings for changes resulting from capital increases.

# TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

Situation at 31 December 2013

Board of Directors	Office held	Members	In office from	In office until	Slate (M/m)	Exec.	Non-exec.	Indep. as per Code	Indep. as per TUF	(%)*	Number other appointments **	Compensation and Nominations Committee		Control and Risks Committee	
												***	*	***	*
	Chairman	Massimo Tononi	01/01/2013	31/12/2013	M	-	X	-	X	89	7	X	100	-	-
	CEO and General Manager	Valerio Battista	01/01/2013	31/12/2013	M	X	-	-	-	100	-	-	-	-	-
	Director	Maria Elena Cappello	01/01/2013	31/12/2013	M	-	X	X	X	100	2	-	-	X	100
	Director	Cesare d'Amico	01/01/2013	31/12/2013	m	-	X	X	X	56	3	-	-	-	-
	Director	Claudio De Conto	01/01/2013	31/12/2013	M	-	X	X	X	100	2	X	88	X	100
	Director	Giulio Del Ninno	01/01/2013	31/12/2013	M	-	X	X	X	100	1	X	100	-	-
	Director	Frank Franciscus Dorjee	01/01/2013	31/12/2013	M	X	-	-	-	67	1	-	-	-	-
	Director	Pier Francesco Facchini	01/01/2013	31/12/2013	M	X	-	-	-	100	2	-	-	-	-
	Director	Friedrich Wilhelm Froehlich	01/01/2013	31/12/2013	M	-	X	X	X	78	3	-	-	X	100
	Director	Fabio Ignazio Romeo	01/01/2013	31/12/2013	M	X	-	-	-	89	1	-	-	-	-
	Director	Giovanni Tamburi	01/01/2013	31/12/2013	m	-	X	X	X	89	6	-	-	-	-

## DIRECTORS WHO VACATED OFFICE DURING THE YEAR

-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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On occasion of the most recent appointment of the Board of Directors on 18 April 2012, the minimum shareholding for presenting candidate slates was 1.5% of share capital.

Number of meetings held during the Year:

BOD: 9	CRC: 8	CNC: 8
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(\*) This column reports the percentage 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 in office).

(\*\*) This column reports the number of appointments held by the person concerned 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 2013 is appended to this Report (Appendix A), indicating whether the company in which the appointment is held is a member of the Prysmian Group.

(\*\*\*) This column indicates with an "X" the director's membership of this committee during the Year.

## TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Situation at 31 December 2013

### Board of Statutory Auditors

Office held	Members	In office from	In office until	Slate (M/m)	Indep. as per Code	(%)*	Number other appointments**
Chairman	Pellegrino Libroia	16/04/2013	31/12/2013	m	X	100	10
Standing Statutory Auditor	Paolo Francesco Lazzati	16/04/2013	31/12/2013	M	X	100	63
Standing Statutory Auditor	Maria Luisa Mosconi	16/04/2013	31/12/2013	M	X	100	16
Alternate Statutory Auditor	Marcello Garzia	16/04/2013	31/12/2013	M	X	N/A	6
Alternate Statutory Auditor	Claudia Mezzabotta	16/04/2013	31/12/2013	m	X	N/A	7

### STATUTORY AUDITORS WHO VACATED OFFICE DURING THE YEAR

Chairman	Marcello Garzia	01/01/2013	16/04/2013	N/A	X	75	-
Standing Statutory Auditor	Luigi Guerra	01/01/2013	16/04/2013	N/A	X	100	-
Standing Statutory Auditor	Paolo Burlando	01/01/2013	16/04/2013	N/A	X	100	-
Alternate Statutory Auditor	Giovanni Rizzi	01/01/2013	16/04/2013	N/A	X	N/A	-
Alternate Statutory Auditor	Luciano Rai	01/01/2013	16/04/2013	N/A	X	N/A	-

On occasion of the most recent appointment of the Board of Statutory Auditors on 16 April 2013, the minimum shareholding for presenting candidate slates was 1% of share capital.

Number of meetings held during the Year: 8

(\*) This column reports the percentage of meetings of the Board of Statutory Auditors attended by the statutory auditors (no. attendances/no. meetings held during an auditor's effective period in office).

(\*\*) This column reports the number of appointments held as a director or statutory auditor that are relevant for the purposes of art. 148-bis TUF. The complete list of appointments held by the Chairman of the Board of Statutory Auditors and the other standing statutory auditors is published by Consob, in accordance with art. 144-quinquiesdecies of the Consob Issuer Regulations.

## APPENDIX A) LIST OF APPOINTMENTS HELD BY DIRECTORS IN OFFICE AT 31 DECEMBER 2013

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

NAME	OFFICE HELD	COMPANY
Massimo Tononi	Director	Mittel S.p.A.
	Director	Sorin S.p.A.
	Director	London Stock Exchange
	Chairman of BoD	Borsa Italiana S.p.A.
	Chairman	ISA - Istituto Atesino di Sviluppo S.p.A.
	Chairman	Cassa di Compensazione e Garanzia S.p.A.
	Director	Castello SGR S.p.A.
Maria Elena Cappello	Member of Management Board	A2A S.p.A.
	Director	Sace S.p.A.
Cesare d'Amico	Director	d'Amico International Shipping S.A.
	Deputy Chairman	Tamburi Investment Partners S.p.A.
	Director	The Standard Steamship Owners' Protection and Indemnity Association (Bermuda) Limited
Claudio De Conto	Chairman	Star Capital SGR S.p.A.
	CEO	Artsana Group
Giulio Del Ninno	Deputy Chairman	Italgen S.p.A.
Frank Dorjee	Deputy Chairman	Oman Cables Industry S.A.O.G.
Pier Francesco Facchini	Chairman of BoD	Prysmian Treasury S.r.l. (*)
	Chairman of BoD	Prysmian Treasury (LUX) S.à r.l. (*)
Friedrich Wilhelm Fröhlich	Chairman	Randstad NV
	Director	ASML NV
	Director	Rexel SA
Fabio Ignazio Romeo	Director	Oman Cables Industry S.A.O.G.
Giovanni Tamburi	Chairman and CEO	Tamburi Investment Partners S.p.A.
	Director	Amplifon S.p.A.
	Director	Datalogic S.p.A.
	Director	Interpump S.p.A.
	Director	Zignago Vetro S.p.A.
	Member of Supervisory Board	Roche Bobois Group

(\*) Prysmian Group company.

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