

**PROCEDURE
FOR THE IMPLEMENTATION OF DUTIES
UNDER ART. 150,
PARAGRAPH 1, OF THE LEGISLATIVE
DECREE NO. 58/1998 (“UFA”)**

SUMMARY

I.	Introduction	
1.1.	Legal framework	p.3
1.2.	Purposes	p.3
II.	Transactions potentially involving conflict of interest. Definitions	p.3
2.1.	Intra–group transactions	p.3
2.2.	Transactions with related parties other than the intra-group transactions	p.4
III.	Type of information	p.5
3.1.	Activities performed	p.5
3.2.	Transactions potentially involving a conflict of interest	
3.2.1.	Intra–group transactions	p.5
3.2.2.	Transactions with directly and indirectly related parties	p.6
3.3.	Most significant economic and financial transactions	p.6
IV.	Procedure for the gathering of information	p.7
4.1.	Ways to gather information	p. 7
V.	Final Note	p.8
	Annex A)	
	Annex B)	

I. Introduction

1.1. Legal framework

Article 150, paragraph 1, of the Legislative Decree of 1998, no. 58 as amended (hereinafter, “**Unified Financial Act**”) provides that: “*At least each quarter the directors shall promptly report to the Board of Statutory Auditors, in accordance with the bylaws, on the activities and the most significant economic and financial transactions carried out by the company or its subsidiaries; in particular, they shall report on any transactions in which they have an interest, for their own account or on behalf of any third party, or that are influenced by the person who performs the activity of direction and coordination*”¹.

In order to implement said article 150, and in compliance with Consob’s resolutions on company controls, this procedure (hereinafter, the “**Procedure**”) defines subjects and transactions that are involved with the information addressed to the members of the Board of Statutory Auditors of Prysmian S.p.A. (hereinafter “**Prysmian**” or the “**Company**”), and the relevant steps and timetable. In particular, the Procedure defines:

- type, time and content of information;
- ways to gather information.

1.2. Purposes

The main purpose of the procedure is to grant sufficient conditions to provide to Statutory Auditors the functional information for carrying out the auditing activity provided under article 149 of the Unified Financial Act.

In addition, the Procedure also intends to put into effects the corporate governance measures that are necessary to implement the recommendations provided under the Italian self-governance code for listed companies. Supporting transparency in managing the Company, the Procedure allows each director to be more aware and informed in managing the Company.

II. Transactions potentially involving a conflict of interest. Definition.

For the purpose of the Procedure, transactions potentially involving a conflict of interest are both the intra–group transactions and the transactions with directly and indirectly related parties other than the intra–group transactions. For the purpose of the definition and of the related regulation on the related parties transactions, the document named “*Rules of conduct for related party transactions*” approved by the Company must be taken into consideration.

2.1 Intra–group transactions

For the purpose of the Procedure, intra–group transactions shall mean transactions which are executed by Prysmian or by any of its subsidiary with:

¹ This provision is mirrored in article 17, paragraph 4, of Company’s Bylaws providing that: “the Board of Directors, also through authorised bodies, if appointed, shall prepare the reports required by law, and in this context shall report to the Board of Statutory Auditors on the matters referred to in Art. 150, paragraph 1, of the legislative decree 58/98. The report shall be addressed to the Board of Statutory Auditors at least every quarter and may take place directly or at the meetings of the Board of Directors and Executive Committee, if appointed.”

- 1) companies that, directly or indirectly, also by means of a trust company or nominee, control Prysmian, pursuant to article 93 of the UFA;
- 2) companies that, directly or indirectly, also by means of a trust company or nominee, are controlled by Prysmian, pursuant to article 93 of the UFA;
- 3) companies that exercise a significant influence over Prysmian (connecting relations) provided that at least one Prysmian board member, as provided under the bylaws, has been selected from the slate proposed by such companies and has been voted by the latter. This influence is presumed in case of shareholdings with voting rights equal to or higher than 10% of the Prysmian share capital exercisable during the ordinary shareholding meetings;
- 4) companies on which Prysmian exercises a significant influence - as defined under item 3 above - (connecting relations), provided that at least one board member of such companies has been elected by Prysmian. Such connecting relations does not exist with related companies of a related company;
- 5) companies that, directly or indirectly, also by means of a trust company or nominee, are controlled by the same companies under item 1 above, and companies controlled by the same companies under item 3 above.

2.2 Transactions with related parties other than intra-group transactions

For the purpose of the Procedure, transactions with related parties shall mean transactions executed by Prysmian or by any of its subsidiary with parties directly or indirectly related to Prysmian.

Shall be considered transactions with parties directly related to Prysmian, any transaction executed by Prysmian or by any of its subsidiary with:

- a) natural persons who hold, directly or indirectly, also by means of a trust company or nominee, an interest equal to or higher than 10% of the share capital represented by Prysmian ordinary shares with voting rights;
- b) companies that, although are not included under the provisions of § 2.1, n°3 above and natural persons that, although are not included under the provisions of item a) above, nonetheless, by virtue of disclosed shareholders' agreements, hold the majority of the voting rights exercisable in the Prysmian ordinary shareholdings' meeting or can, individually or jointly with the other participants in the agreements, appoint the majority of the members of the Prysmian's board of directors;
- c) Directors, permanent members of the board of Statutory Auditors and the secretary of the board of directors of Prysmian;
- d) Managers responsible of the Prysmian's functions Energy Business and Telecom Business.

Shall be considered transactions with parties indirectly related to Prysmian, the transactions:

- e) executed by Prysmian or by any of its subsidiary with non-separated spouses, dependent children, dependent relatives and dependent relatives-in-law within the second degree of consanguinity of persons referred to at items a) to d) above;
- f) executed by Prysmian or by any of its subsidiary with companies which have in common with Prysmian the majority of the members of the board of directors;
- g) executed by Prysmian or by any of its subsidiary with companies in which the persons referred to at items a) to d) above have a strategic management role and subsidiaries of such companies;

- h) executed by Directors and permanent Statutory Auditors of Prysmian with companies controlled by Prysmian where such Directors and permanent Statutory Auditors are at the same time directors or permanent statutory auditors, or where the same are managers with a strategic role of planning, direction and control, of such companies and vice versa;
- i) executed by Prysmian or by any of its subsidiary with companies in which the persons referred to at items a) to d) hold, directly or indirectly, also by means of a trust company or nominee, an interest equal to or higher than 10%, if listed company, or 20%, if non-listed company, of the share capital represented by shares having voting rights in the ordinary shareholders' meeting.

III. Type of Information

The Board of Directors, through the CEO, shall quarterly report to the Board of Statutory Auditors (hereinafter, the "**Report**") on the following:

- a) the activity carried out;
- b) transactions potentially involving a conflict of interest, that is to say:
 - b.1) intra-group transactions;
 - b.2) directly or indirectly related parties' transactions, other than intra-group transactions;
- c) most significant economic, financial and patrimonial transactions;
- d) any other activity or transaction which it is considered appropriate to reported to the Board of Statutory Auditors.

The information supplied shall refer to the activity performed and to the transactions executed during the period of time (of a maximum of three months) following the length of time (of a maximum of three months) that has been the object of the previous Report.

The transactions that, in order to obtain a preventive approval, are specifically reported at the meeting of the Board of Directors may not be included in the Report.

3.1 Activity performed

The information regards the activities performed, as well as the actions carried out by the committees created within the frame of the Board of Directors.

3.2 Transactions potentially involving a conflict of interest

3.2.1 Intra-group transactions

Two classes of intra-group transactions are objects of information:

- a) transactions with subsidiary in which Prysmian holds the entire share capital or less than it, provided that each third shareholder of the above mentioned subsidiary, severally or also by virtue of the disclosed shareholders agreement, hold a participation equal to or lower than the 10% of the share capital with voting right. In such case specific details shall be given of transactions whose value exceeds 50 million euros and of transactions which, although individually below the quantitative threshold indicated

above, are interconnected within one and the same strategic or executive structure and therefore, when considered as a whole, exceed it.

- b) transactions with subsidiary controlled by and related to Prysmian, in which every third shareholder, severally or also by virtue of the disclosed shareholders agreements, hold a participation equal to or lower than the 10% of the share capital with voting right.

In such case specific details shall be given of transactions whose value exceeds 500,000 euros and of transactions which, although individually below the quantitative threshold indicated above, are interconnected within one and the same strategic or executive structure and therefore, when considered as a whole, exceed it.

The information related to the two above mentioned classes of intra-group transactions shall illustrate the nature of such related party relationship, the conditions to the execution of the transactions, including economic terms, evaluating process applied, interest, underlying reasons and risks (if any) arising for the Company.

3.2.2 Transactions with, directly and indirectly, related parties

Are object of information the transactions with directly or indirectly related parties whose value exceeds 500,000 euros and the transactions which, although individually below the quantitative threshold indicated above, are interconnected within one and the same strategic or executive structure and therefore, when considered as a whole, exceed it.

The information related to such directly or indirectly related parties transactions shall illustrate the nature of such related party relationship, its aims and the reason behind, the conditions to the execution of the transactions, including economic terms, evaluating process applied, interest, underlying reasons and risks (if any) arising for the Company.

3.3 Most significant economic and financial transactions

For the purpose of this procedure, in addition to the transactions reserved to the Board of Directors pursuant to Article 2381 of the Italian Civil Code, Bylaws and the Self Governance Code of the listed companies, the following shall be considered transactions having a most significant economic and financial impact:

- issuing of financial instruments having an aggregate value of 50 million euros;
- Purchasing, selling and disposal of shareholdings business or branch of business, for amounts exceeding a value of 50 million euros;
- purchasing, selling and disposal of assets and trademarks, for amounts exceeding a value of 50 million euros;
- incorporation of companies, joint ventures or similar entities and execution of partnerships or strategic alliances;
- execution of company restructuring and re-organization process;
- financial facilities and guarantees, in any form granted: (i) in favour of or on behalf of any third parties, for amounts exceeding 50 million euros; (ii) in favour of or on behalf of any subsidiaries for amounts exceeding a value of 50 million euros;
- financial transactions for amounts exceeding a value of 50 million euros;

- purchasing, selling and disposal of interests, business or going concerns;
- merger or de-merger transactions involving at least one listed company.

The Report also regards transactions which, even though the amount of each single transaction does not exceed the above thresholds, if applicable, or the thresholds determining the exclusive competence of the Board of Directors, are connected or linked to each other within a unique strategic or executive structure and accordingly exceed the relevant thresholds.

The Information relates to the most significant economic and financial transactions and in particular shall illustrate:

- strategic aims, also taking into consideration the benefit of the group;
- coherence with the budget and business plan of the group;
- execution of terms and conditions (including economic terms and conditions);
- developments, effects (if any) and implications that said transactions may have on the activity of the group.

IV. Procedure for the gathering of information

4.1 Ways to gather information

The Board of Directors reports to the Board of Statutory Auditors through the CEO. The information report on the above mentioned information shall be forwarded to the CEO in accordance with the following procedure.

The manager responsible for the execution of the transactions shall report, on a quarterly basis, to the Administration, Financial, Control & IT department, with copy forwarded to the General and Legal Affairs department, by duly filling in the information report, attached hereto as Annex A, containing relevant information on transactions potentially involving conflict of interest pointing out whether involving intra-group transaction or transaction with, directly or indirectly related parties.

The manager responsible for the execution of the transactions shall also report to the Administration, Financial, Control & IT department, with copy forwarded to the General and Legal Affairs department, by duly filling in the information report, attached hereto as Annex B, containing relevant information on the most significant economic and financial transactions

Administration, Finance, Control & IT department shall collect the information reports received and where appropriate shall gather together such reports for homogeneous typologies. Afterwards the Administration, Finance, Control & IT department shall quarterly send the information reports and the possible summary prospect to the CEO, with copy to the General and Legal Affairs department.

Information on activities carried out by Internal Control and Compensation Committees, and other Committee, if created, shall also be formally reported to the Board of Statutory Auditors pursuant to the Procedure. Such information shall be provided and quarterly passed by respective Secretary, to the CEO, with copy to the General and Legal Affairs department.

The above mentioned documentation, once exposed by the CEO to all the Directors and permanent Statutory Auditors, shall be kept in the Company archives.

V. Final note

In conclusion, it has to be mentioned that from the present Procedure are excluded the “**Significant Related Parties Transactions**” as better defined in the document named “*Rules of conduct for related party transactions*” that is atypical or unusual transaction or transactions not concluded at arm’s length conditions (“*transactions which, by their subject or nature, arise outside the ordinary course of business of the Company or which raise particular issues due to their features or the risks related to the nature of the counterparty, or the time of their execution. Arm’s length transactions shall mean transactions that are made on terms and conditions equivalent to those that prevail in transactions made on same terms and conditions by the Company with any third parties*”).

It has to be reminded that the Significant Related Parties Transactions must be evaluated and approved in advance by the Company Board of Directors.

Information report

Report whether

Intra-group transactions

Transactions with, directly or indirectly, related parties

The information report shall contain:

- a summary of the characteristics, methods, terms and conditions of the transaction;
- indication of the Related Party with which the transaction is being carried out;
- indication of the reasons and economic value of the transaction;
- the methods of calculating the price and the evaluations regarding its adequacy;
- any fairness opinion made by independent experts.

For this purpose, in accordance with § 3.2.1, 3.2.2 and 4.1 of the Procedure, the following format shall be used:

DEPARTMENT/SUBSIDIARY	
RELATED PARTY/COUNTERPART	
Nature of the relationship	
Type and subject of the contract	
Reasons	
Economic value of the transaction	
Evaluation of adequacy of the price	
Any other important contractual conditions	
Any possible fairness opinion	

Information report

Most significant economic and financial transactions

The information report shall contain:

- a summary of the characteristics of the transaction;
- indication of the reasons and strategic aims of the transaction, also taking into consideration the benefit of the group;
- coherence with the budget and business plan of the group;
- execution of terms and conditions (including economic terms and conditions);
- developments, effects and implications that said transactions may have on the activity of the group.

For this purpose, in accordance with § 3.3 and 4.1 of the Procedure, the following format shall be used:

DEPARTMENT/SUBSIDIARY	
COUNTERPART	
Type and subject of the contract	
Reasons and strategic aims	
Economic value of the transaction	
Coherence with the budget and business plan of the group	
Terms, conditions and execution methods	
Any other important contractual conditions	
Developments, effects and implications on the activity of the group	