

# **CORPORATE GOVERNANCE REPORT**

pursuant to articles 124 *bis* of the Consolidated Finance Act, 89 *bis* of the CONSOB Regulation for Issuers and art. IA.2.6 of the Instructions to the Borsa Italiana Regulation

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

Year to which the Report refers: 2007  
Date of approval of the Report: 7 March 2008

Information is hereby supplied (i) on Prysmian S.p.A.'s corporate governance system, taking account of the guidelines and recommendations of Borsa Italiana S.p.A., as well as of the document "Handbook on Corporate Governance Reports" issued in February 2004 by Assonime and Emittenti Titoli S.p.A. and (ii) on the ownership, as requested at art.123-*bis* of Legislative Decree no. 58 of 24 February 1998 (Consolidated Finance Act).

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## **SECTION I – Overview of the corporate governance system.**

### **1. Introduction.**

Prysmian S.p.A. (hereafter also “Prysmian” or “the Company” or “the Issuer”) is the holding Company of a group which is among the main operators worldwide in the cables industry and which is active in the development, design, production, supply and installation of a wide range of cables for various applications in the energy and telecommunications segments.

In particular, the Prysmian Group (hereafter also “the Group”) is one of the leading operators internationally in the power cables segment, which is the main market sector for cables in terms of value, as well as being one of the leading global operators in the telecom cables industry, including fibre-optic cables.

The Group also produces and supplies accessories and components for cable systems and high-added value 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 maintenance services.

The Issuer manages and coordinates the Group’s directly and indirectly controlled Italian companies pursuant to article 2497 of the Civil Code.

The Company’s Board of Directors, at the meeting of 16 January 2007, reiterated, as already stated at the meeting of 15 December 2005, that the Company is not subject to management and coordination by other companies, including by the companies which directly or indirectly control it and the companies which are required to consolidate the Company’s results in their financial statements. This is because the following indicators proving that the Company is subject to the management and coordination of another company are absent: the preparation of Group business, strategic, financial and budget plans, as well as the issuance of guidelines relating to financial and credit policy, the centralisation of functions such as treasury, administration, finance and audit, the establishment of Group growth strategies, strategic and market positioning of the Group and also of the individual companies, especially where the policy guidelines may influence and determine concrete implementation by Company management.

Prysmian directly and indirectly controls 15 companies of strategic importance as detailed hereafter.

As from 3 May 2007 Prysmian shares have been listed on the electronic share market (MTA) managed by Borsa Italiana, in the Blue Chip segment. In September 2007, the shares were admitted to the S&P/MIB index.

In light of the listing of its shares, the Corporate Governance structure adopted by the Company is based on the recommendations and the provisions indicated in the “Self-regulatory Code of the Italian Stock Exchange for Listed Companies” (hereafter also the “Self-regulatory Code” or, simply, “the Code”), to which the Company has adhered and which is prepared by the Corporate Governance Committee of Borsa Italiana S.p.A.

The corporate governance rules are the direct result of the principles and procedures which the Company has adopted and agrees to respect to guarantee that every transaction is carried out effectively and transparently.

### **2. Organisational structure of the Company.**

Traditional administration and audit model has been adopted, with the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors. The Corporate Governance system is based on the essential role of the Board of Directors (as the most senior body delegated to manage the Company in the interests of the shareholders), on the

transparency of decision-making processes, on an effective internal audit system, on strict regulations on possible conflicts of interest and on valid principles of conduct during transactions with related parties.

This system was implemented by Prysmian through the preparation and adoption of codes, standards, rules and procedures which govern and regulate the carrying out of activities of 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 the law reserves exclusively for the Shareholders' Meeting. The Board of Statutory Auditors oversees compliance with the law and the memorandum of association, as well as respect of the principles of correct administration in carrying out corporate activities and controls the adequacy of the organisational structure, the internal audit system and the administrative and accounting system of the Company.

Audit work is entrusted to a specialised Company registered with CONSOB, and specifically appointed by the Shareholders' Meeting.

### **3. Information on the ownership (ex art. 123-bis Consolidated Finance Act) at the date of (31/12/2007).**

#### **a. Share capital structure.**

Prysmian's subscribed and paid up share capital at 31 December 2007 was Euro 18,000,000 (eighteen million) divided into 180,000,000 (one hundred and eighty million) shares each with a par value of Euro 0.10 (Euro zero point one zero).

The shares cannot be divided, may be freely transferred and every share confers the right to one vote. Shareholders may exercise the shareholder and equity rights given to them by the law in force, within the limits imposed by such law.

#### **b. Restrictions on transfer of securities.**

Restrictions on the transfer of securities do not exist.

#### **c. Important share capital holdings.**

On the basis of the information available following the communications received pursuant to CONSOB resolution 11971/99, at 31 December 2007 the shareholders with stakes of over 2% in Prysmian S.p.A.'s share capital were:

<b>Direct shareholder</b>	<b>Declaring Company/person</b>	<b>% of share capital</b>	<b>% of voting capital</b>
Prysmian (Lux) II S.à r.l.	The Goldman Sachs Group Inc.	30.31	30.31
FMR CORP	FMR CORP	10.13	10.13
Taihan Electric Wire Co. Ltd.	Mr. Yoon Suk Sull	9.90	9.90
Reach Capital Management LLC	Reach Capital Management LLC	2.39	2.39
Lazard Asset Management LLC	Lazard Asset Management LLC	2.11	1.74
Goldman Sachs International	The Goldman Sachs Group Inc.	1.47	1.47
.....		.....	
Market		43.69	
	<b>Total</b>	<b>100.00%</b>	

#### **d. Securities which confer special rights.**

No securities which confer special controlling rights have been issued.

**e. Shareholdings of employees: mechanism for exercising voting rights.**

There are no mechanisms for exercising voting rights for any shareholdings held by employees, when the voting right is not exercised directly by them.

**f. Restrictions on voting rights.**

The shareholder Taihan Electric Wire, in a letter of 6 November 2007, in relation to the Company agreed:

- (a) not to hold an investment in Prysmian's share capital, including through other companies in the Taihan Group to which the shareholder belongs, of more than 10% overall;
- (b) not to exercise voting rights in Prysmian shareholders' meetings, including through other companies in the Taihan Group, of more than 10% overall of share capital with voting rights; and
- (c) not to propose any candidate for appointment to the position of director or auditor of Prysmian.

The commitments of the shareholder, which were approved by the Company on 7 November 2007, last for two years from the date of the letter in which the shareholder expressed its willingness to make the above commitments (i.e. until 4 November 2009) or, if earlier, until the date when the Taihan Group ceases its business activities which are in competition with Prysmian. It is also provided that the commitments of the shareholder are not applicable to the Prysmian shares bought by Taihan Electric Wire, Taihan Lux or other companies in the Taihan Group, following a public take-over bid proposed, together with others, for all the Prysmian shares with voting rights, following which the companies in the Taihan Group hold overall (including together with others) more than 50% of the Prysmian share capital with voting rights.

The agreement between Prysmian and Taihan will become effective only following the outcome of the related regulatory checks.

**g. Agreements among shareholders.**

For all information relating to the agreements of which the Company is aware pursuant to art. 122 of the Consolidated Finance Act, please refer to the Company website [www.prysmian.com](http://www.prysmian.com), in the Investor relations/Corporate governance/Shareholder agreements section.

**h. Appointment and replacement of directors and changes to the By-laws.**

As for provisions applicable to the appointment and replacement of directors, please refer to section II, point 1, letter e), of this report.

There are no particular procedures to make changes to the Company By-laws.

**i. Delegated powers to increase the share capital and authorisations for the purchase of own shares.**

The Shareholders' Meeting of 30 November 2006 approved a share capital increase up to a par value of Euro 310,000.00 (three hundred and ten thousand point zero zero) for a stock option plan for employees of the Company and of the companies directly and indirectly controlled by it under art. 2359 of the Civil Code, which is to be released in full on each subscription. As for the execution of the plan for allocated stock options, please refer to the financial statements and the informative documents provided pursuant to art. 84 *bis* of the CONSOB Regulation for Issuers, which can be found on the Company website [www.prysmian.com](http://www.prysmian.com) in the Investor relations/Corporate governance section.

**j. Change of control clauses.**

For all information relating to important agreements of which the Company or its subsidiaries

are part and which become effective, are modified or are terminated in the case of a change in control of the Company, as set out at art.123-*bis*, letter l), of the Consolidated Finance Act, please refer to the section of the financial statements "Other information – Transactions with subsidiaries, associates and parent companies".

**k. Compensation of directors in the case of resignation, dismissal or termination of the work relationship following a public take-over bid.**

With reference to the agreements made between the Issuer and the directors which provide for compensation in the case of resignation, dismissal/termination without just cause or if the work relationship ceases following a take-over bid, the following should be noted:

- The Chief Executive Officer Valerio Battista is also an employee of Prysmian S.p.A., and was employed on a permanent basis as from 1 June 2006 in a managerial role. The length of service and his appointment as executive officer start from 1 January 1989, while his employee indemnity liability starts from 1 July 2005. Should the Company terminate the relationship without due cause or adequate disciplinary reasons for such termination, the Company will pay Valerio Battista the gross sum of Euro 4.5 million.
- The Director, as well as Chief Financial Officer (CFO), Pier Francesco Facchini is also an employee of Prysmian S.p.A. and was employed on a permanent basis as from 8 January 2007 in a managerial role. Should the Company terminate the relationship without due 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 compensation for lack of notice of 24 months' salary.

## SECTION II - Information on the implementation of the provisions of the Self-regulatory Code.

### 1. The Board of Directors.

#### a. Composition.

Pursuant to art. 14 of the By-laws, the Company is managed by a Board of Directors consisting of no fewer than seven and no more than thirteen members, chosen also from among non-shareholders. Directors may be re-elected.

The Company is currently managed by a Board of Directors consisting of ten Directors, appointed at the Company's Ordinary Shareholders' Meeting of 28 February 2007, who will serve until the date of the Shareholders' Meeting which will be called to approve the financial statements for the year ending at 31 December 2009.

The Board of Directors consists of the following directors:

<i>FULL NAME</i>	<i>POSITION</i>	<i>ROLE</i>
<b>Paolo Zannoni</b>	Chairman	Non-executive director
<b>Valerio Battista</b>	Chief Executive Officer	Executive director
<b>Pier Francesco Facchini</b>	Director	Executive director
<b>Fabio Ignazio Romeo</b>	Director	Executive director
<b>Hugues Lepic</b>	Director	Non-executive director
<b>Michael Ogrinz</b>	Director	Non-executive director
<b>Wesley Clark</b>	Director	Independent non-executive director
<b>Giulio Del Ninno</b>	Director	Independent non-executive director
<b>Francesco Paolo Mattioli</b>	Director	Independent non-executive director
<b>Udo Günter Werner Stark</b>	Director	Independent non-executive director

For the purposes of the information given by Directors in relation to their position as Director or Auditor in the companies indicated in art. 1.C.2 of the Code, the table below shows the companies listed in regulated markets, including abroad, the finance companies, banks and insurance companies in which the directors below act as Director.

<i>FULL NAME</i>	<i>POSITION HELD</i>	<i>COMPANY</i>
<b>Paolo Zannoni</b>	Director	Sintonia S.A.
	Chairman of the Board	Dolce & Gabbana Holding S.r.l.
	Director	Gado S.r.l.
<b>Valerio Battista</b>	Deputy Chairman of the Board	Turk Prysmian Kablo ve Sistemleri AS (*)
<b>Pier Francesco Facchini</b>	Chairman of the Board	Prysmian Treasury Srl (*)
	Chairman of the Board	Prysmian Treasury (LUX) Sàrl (*)
	Director	Turk Prysmian Kablo ve Sistemleri AS (*)

<i>FULL NAME</i>	<i>POSITION HELD</i>	<i>COMPANY</i>
<b>Fabio Ignazio Romeo</b>	Director	Turk Prysmian Kablo ve Sistemleri AS (*)
<b>Hugues Lepic</b>	Chief Executive Officer	Goldman Sachs Principal Investment Area
	Director	GSCP V S.à r.l.
	Director	PagesJaunes Groupe SA
	Director	Glacier SCS GP
	Holding Director	Médiannuaire
<b>Michael Ogrinz</b>	Executive director	Goldman Sachs Principal Investment Area
	Secretary to the Board	ProXchange Limited
	Director	Get A.S.
<b>Wesley Clark</b>	Chairman of the Board	Rodman & Renshaw
	Chairman of the Board	AMG – Safeguard
	Chairman of the Board	Argyle
<b>Giulio Del Ninno</b>	Chief Executive Officer	Edipower
	Deputy Chairman of the Board	Fondazione Edison
	Deputy Chairman of the Board	WEC Italia
	Director	CESI
	Director	FRI-EL Green Power S.p.a.
	Chairman	SIAP – Sviluppo Italia Aree Produttive
<b>Francesco Paolo Mattioli</b>	Deputy Chairman of the Board	Fiat Partecipazioni SpA
	Director	International Holding Fiat
	Director	ITEDI S.p.A.
	Chairman of the Board	Capitalia Sofipa SGR S.p.A.
	Director	Beretta Holding S.p.A.
	Director	Sara Assicurazioni S.p.A.
	Director	Sara Immobili S.p.A.
<b>Udo Günter Werner Stark</b>	Chief Executive Officer	MTU Aero Engines Holding AG
	Deputy Chairman of the Board	Oystar GmbH
	Director	Bilfinger & Berger AG
	Director	Cognis GmbH

(\*) Company belonging to the Prysmian Group.

The Board of Directors has chosen not to express its view in relation to the maximum number of appointments which is compatible with effective fulfilment of the position as director of the issuer, since it has held that such a valuation rests above all with shareholders during the appointment of directors and, subsequently, with the individual director on accepting the position.

#### **b. Independent and executive directors.**

##### *Independent directors.*

The Board of Directors consists of ten Directors, seven of whom are Non-executive. In line with the recommendations of the Code, the Non-executive directors are sufficiently numerous

and have enough power to ensure that their judgment may have a significant weight in Board decision-making. Four of the Non-executive directors are also independent, meaning that they do not have and have not recently had, even indirectly, dealings with the Company or with subjects connected to it, such as to affect the independence of their judgment.

The Board of Directors has not identified among the Independent directors a lead independent director since it has held that the prerequisites provided for by the Code for such an appointment do not exist.

The procedure followed by the Board for the purposes of checking independence provides that the existence of this prerequisite is declared by the director on the appointment. The Independent director also undertakes to communicate in a timely manner to the Board of Directors the occurrence of events which invalidate the prerequisite. On an annual basis, during the approval of the Corporate Governance Report, the Board of Directors renews the request to the directors concerned and examines any further elements they may supply.

The Board of Statutory Auditors checks the correct application of the criteria and the verification procedures adopted by the Board to annually assess the independence of its members, and notifies the Shareholders' Meeting of its findings in its report.

Finally, it is noted that so far no meeting of the independent directors alone has been held, since those directly concerned do not consider it necessary.

#### *Executive directors.*

The Executive directors, by virtue of the positions they hold within the Group, are Valerio Battista, Pier Francesco Facchini and Fabio Ignazio Romeo.

The Board of Directors of 28 February 2007 conferred on Valerio Battista the position of Chief Executive Officer, and gave him all the delegated powers and powers of ordinary administration needed or useful to carry out the business of the Company, including the following powers:

- to duly enter into with all the necessary clauses, modify, terminate, transfer and have terminated by withdrawal any contract or any other deed with directly or indirectly controlled companies;
- to buy, exchange and sell in the name and on behalf of the Company and also on behalf of third parties, confer to existing or new companies, real estate of whatever kind or nature wherever they are located, up to a maximum limit of € 10,000,000 (ten million euro) per individual transaction;
- to buy, exchange and sell in the name of and on behalf of the Company and also on behalf of third parties, confer to existing or new companies, assets of whatever kind or nature wherever they are located, up to a maximum limit of € 10,000,000 (ten million euro) per individual transaction;
- to apply for loans, financing, the opening of credit lines, in whatever form from banks, finance companies and institutions, parent companies and subsidiaries, up to a maximum limit of € 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 € 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 € 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 € 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 assets or products, including the related issue of bonds, guarantees etc., up to a maximum limit of € 100,000,000 (one hundred million euro) per individual transaction;
- to issue bonds, guarantees etc., up to a maximum limit of € 50,000,000 (fifty million euro) per individual transaction, in relation to contracts regarding the “turnkey” supply of the Company’s assets or products, together with assets, products or services offered by third parties;
- to sign, issue, purchase, modify, sell, repay and transfer financial instruments, bonds etc., up to a maximum limit of € 10,000,000 (ten million euro) per individual transaction;
- to purchase and sell companies and/or Company branches, up to a maximum limit of € 10,000,000 (ten million euro) per individual transaction;
- to purchase, sell and/or subscribe for investments in companies, up to a maximum limit of € 10,000,000 (ten million euro) per individual transaction;
- to employ and dismiss staff, including managers, following the non-binding opinion of the Strategic Committee for staff designated as “senior managers” in the draft Prospectus as set out in the resolution of the Board of Directors of 16 January 2007;
- to sign, pay and undertake any act inherent to or necessary to carry out share capital transactions, including capital contributions in favour of subsidiaries;
- to sign, pay and undertake any act inherent to or necessary to carry out share capital transactions in favour of investee companies, including capital contributions, up to a maximum limit of € 5,000,000 (five million euro) per individual transaction.

Also at the meeting of 28 February 2007, the Board of Directors appointed Director Pier Francesco Facchini as Chief Financial Officer, and gave him the delegated powers and other powers listed here below:

- to represent the Company in all its dealings with State administrations and with any other Italian or foreign public administration in matters concerning the powers hereby assigned, including in particular tax matters; to sign petitions, claims and appeals, to fulfil all formalities provided for by legal provisions, to represent the Company before the relevant Offices;
- to sign and present tax declarations and reports generally (including for V.A.T.); to negotiate with Tax Offices the Company’s taxes and duties, to transact 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 € 5,000,000 (five million euro);
- to sign payment orders in favour of public bodies or their concessionaires in relation to tax or social security payments;
- to sign communications to Chambers of Commerce, Stock Exchanges, Commodities Exchanges and companies regarding obligations placed on the Company by 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 due clauses, modify, terminate or transfer any contract with companies which are directly or indirectly controlled by the Company pursuant to article 26 of Legislative Decree no. 127, of 9 April 1991, provided that the contract falls within ordinary operations, without maximum value limits provided that these contracts comply with the general Prysmian Group policies in force regarding intra-group transactions;
- to sign with all the due clauses, modify, and terminate the following:
  - rent contracts and leases of less than five years, undertaking all the connected and subsequent acts, including the issue of receipts and cancellation orders, as well as rent contracts and leases for movables including for periods longer 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 do not exceed € 1,000,000 (one million euro);
  - insurance contracts of all kinds (including insurance cover), provided that the related annual premium does not exceed € 1,000,000 (one million euro), undertaking all the connected and subsequent acts including the payment of premiums, the establishment of the payment of damages and claims and any appointments to this end of technical experts, doctors, claim agents and lawyers;
  - to collect credits 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 encashment and discount, to collect and acknowledge receipt of bills of exchange, excluding the option of accepting 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, to receive receipts and deposits;
  - to request the issue of banker's drafts; to bank cheques and endorse them for encashment;
  - to sign payment orders in favour of the Company itself (so-called "*girofondi*", bank transfers);
  - to undertake at Customs Offices, at Ferrovie dello Stato – Società di Trasporti e Servizi per Azioni, at transport companies generally and at 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 related to these procedures;
- to represent the Company in tax and currency checks, inspections and reports of

assessment and verification and to sign the related records;

- to represent the Company before Tax Commissions of any level; to appeal, take part in the proceedings, choose 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 judgment; to appoint lawyers and proxies with all the due powers; to choose domicile;
- to represent the Company in legal proceedings, with all the necessary powers including those as per article 183 of the Code of Civil Procedure, for the subjects regarding the powers thereby conferred; to start and abandon legal proceedings, including of a cautionary nature and for enforcement, including those for reversal of judgment 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 € 3,000,000 (three million euro); to oppose such proceedings; to appoint lawyers, proxies and technical experts with all the due powers; to choose domicile;
- to present requests to obtain financing, loans, opening of credit lines, in any form from banks, finance companies and institutions, parent companies and subsidiaries, up to a maximum limit of € 50,000,000 (fifty million euro) per individual transaction;
- to present requests to obtain the issue or grant of guarantees, also in the interests of subsidiaries, to banks, finance companies and institutions, up to a maximum limit of € 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 € 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 € 10,000,000 (ten million euro) per individual transaction;
- to sign, issue, purchase, modify, sell, repay and transfer financial instruments, bonds etc., up to a maximum limit of € 8,000,000 (eight million euro) per individual transaction;
- to sign, pay and undertake any act regarding or necessary to carry out share capital transactions, including capital contributions in favour of subsidiaries, up to a maximum limit of € 20,000,000 (twenty million euro) per individual transaction;
- to sign, pay and undertake any act regarding or necessary to carry out share capital transactions in favour of investee companies, including capital contributions, up to a maximum limit of € 2,000,000 (two million euro) per individual transaction;
- to issue, as part of the conferred powers, special mandates for acts or series of particular acts.

The Board of Directors, through the Chief Executive Officer, reports to the Board of Statutory Auditors on the subjects set out at art. 150, paragraph 1 of Leg. Decree 58/98; this information obligation is always fulfilled during meetings of the Board of Directors.

The Chief Executive Officer, pursuant to art. 19 of the Company By-laws, also informs the Board of Directors and the Board of Statutory Auditors of the business undertaken, the general operational performance, the outlook and the most significant operations from an income, finance and equity viewpoint undertaken by the Company or by its subsidiaries; in particular, a report is made on operations in which the companies have an interest, on their own behalf or on behalf of third parties or which are influenced by the company which carries

out management and coordination activities. The provision of the information to the Board of Directors and the Board of Statutory Auditors always occurs during meetings of the Board of Directors.

As required by the law, as well as by the Code, the Company has set up a procedure, which may be consulted on the Company website [www.prysmian.com](http://www.prysmian.com) in the Investor relations/Corporate governance section, which establishes the subjects and operations involved in the flow of information to members of the Company's Board of Directors and the Board of Statutory Auditors, as well as the stages and the timeframes which characterise such flow. In particular, the procedure defines (i) the type, frequency and contents of the information, and (ii) the means of collecting information.

The Chief Executive Officer has also established the practice, on the call of every Board of Directors meeting and regardless of the interval of time passed in relation to the previous meeting, of personally providing information to the Board and to the Board of Statutory Auditors in relation to the work and main operations undertaken by the Company and its subsidiaries which are not subject to prior approval by the Board.

### **c. Role, operations and meetings.**

The management of the Company is the exclusive responsibility of the Directors, who undertake the operations necessary to implement the Company purpose. The Board of Directors has the broadest possible powers of ordinary and extraordinary administration of the Company, except for those powers which the law reserves exclusively for the Shareholders' Meeting. The Board of Directors is also responsible for passing resolutions, to be disclosed to the public, regarding: (i) mergers or demergers in the cases provided for by articles 2505, 2505-*bis* and 2506-*ter* of the Civil Code; (ii) the transfer of the registered office within Italy (iii) the establishment or closure of secondary offices; (iv) the indication of which Directors may represent the Company; (v) reductions in share capital following the withdrawal of a shareholder; and (vi) adjustment of the Company By-laws to regulatory provisions (art. 17 of the By-laws).

For the resolutions of the Board to be valid, it is necessary that the majority of the Directors in office are 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 which, pursuant to the By-laws, cannot be delegated:

- (a) the 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 shareholding structure of the Group which the Company heads;
- (b) the 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 for the Company and/or the Group which it heads, with particular reference to dealings with related parties;
- (c) checking the adequacy of the organisational, administrative or general accounting structure of the Company and of the Group which it heads;
- (d) the granting and withdrawal of delegated powers to Directors and to the Executive Committee, where established, establishing their limits, means of application and the

frequency, normally no more than quarterly, with which the delegated bodies must report to the Board regarding the use made in the period of the delegated powers granted to them;

(e) the 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 and of the Committees, should the Shareholders' Meeting not have already done so;

(f) the verification of the general operating performance, taking into account, in particular, the information received from Directors with delegated powers, the Executive Committee, where established, and the Internal Control 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 the obligatory consultation of 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 assignments and powers in compliance with the regulatory provision in force (art. 19 of the By-laws). The Board of Directors on 8 March 2007 appointed the Director and CFO Pier Francesco Facchini as the manager responsible for preparing corporate accounting documents.

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 Chairman calls meetings of the Board whenever they consider it opportune in the interests of the Company, or when they receive a written request from one or more Directors with delegated powers, or from at least three Directors in office, or from the Board of Statutory Auditors or from one of its auditors in the cases provided for by law (art. 16 of the By-laws).

In line with recommendations of art. 1 of the Code, the Board has a central role in the Corporate Governance system of the Company. 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 informs the Directors in advance of the items to be discussed during the Board meeting and, if necessary, in relation to the items on the agenda, ensures that adequate information on the matters to be examined is provided to all the Directors well in advance (art. 16 of the By-laws).

The directors and auditors receive in advance the documentation illustrating the subjects to be discussed, except for urgent situations or when it is necessary to protect confidentiality; in this circumstance, an exhaustive treatment of the subjects is guaranteed.

With reference to the provisions of criterion 1.C.1.b of the Code, the Board, on 19 December 2007, identified 15 subsidiaries of strategic importance, on the basis of the financial statement data at 31 December 2006. To this end a threshold for quantitative analysis has been identified at 5% of the three following parameters:

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

Each Company which has surpassed the 5% threshold in at least one of the three parameters has been considered as important.

The outcome of the quantitative analysis led to the determination of 15 strategically important subsidiaries, as follows: Prysmian Cavi e Sistemi Energia Italia S.r.l., Prysmian Metals Ltd, Prysmian Cables y Sistemas S.L., Prysmian Kabel und Systeme GmbH, Turk Prysmian Kablo Ve Sistemleri A.S., Prysmian Cables et Systemes France S.A.S., Prysmian Power Cables and Systems Usa LLC, Prysmian Cavi e Sistemi Energia S.r.l., Prysmian Cable Holding B.V., Prysmian Energia Holding S.r.l., Prysmian Treasury (LUX) S.à r.l., Prysmian Energia Cabos e Sistemas do Brasil S.A., Prysmian Cables & Systems Limited, Fibre Ottiche Sud - F.O.S. S.r.l. and Prysmian Cavi e Sistemi Telecom S.r.l.

The identification of the strategically important subsidiaries will be periodically checked during approval of the financial statements and it will be the Chief Executive Officer's responsibility to report to the Board in this regard.

In 2007 the Board of Directors held eleven meetings, each lasting on average one hour and a half. The average attendance of directors at meetings was 91%, while the average attendance of auditors at these meetings was 88%. The breakdown is as follows:

<b>BOARD OF DIRECTORS</b>		<i>Attendance at Board meetings</i>	<i>Notes (*)</i>	<i>% (**)</i>
<b>IN OFFICE</b>				
1.	Paolo Zannoni (Ch.)	11		100%
2.	Battista Valerio (CEO)	11		100%
3.	Wesley Clark	9		82%
4.	Giulio Del Ninno	11		100%
5.	Pier Francesco Facchini	9	Appointed 28/02/07	100%
6.	Hugues Lepic	11		100%
7.	Francesco Paolo Mattioli	9	Appointed 28/02/07	100%
8.	Michael Ogrinz	9	Appointed 28/02/07	100%
9.	Fabio Ignazio Romeo	9	Appointed 28/02/07	100%
10.	Udo Günter Werner Stark	7	Appointed 28/02/07	78%
<b>NO LONGER IN OFFICE</b>				
11.	Christian Streiff	0	No longer in office as from 28/02/07	0%
12.	Stefan Goetz	0	No longer in office as from 28/02/07	0%
<b>BOARD OF STATUTORY AUDITORS</b>		<i>Attendance at Board meetings</i>	<i>Notes</i>	<i>(%)</i>
1.	Marcello Garzia	10		91%
2.	Luigi Guerra	11		100%
3.	Paolo Francesco Lazzati	8		73%

(\*) From 1 January 2007 to 28 February 2007, the date of the Shareholders' Meeting which renewed the composition of the Board of Directors, there were two meetings of the Board. From 28 February to 31 December 2007 there were nine meetings.

(\*\*) The percentage of attendance for each Director refers only to the meetings in which they were in office.

#### *d. Remuneration.*

The remuneration of Directors is determined pursuant to art. 2389 of the 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, having examined the proposals of the relevant Committee and having consulted the Board of Statutory Auditors, divides among its members the overall sum determined by the

Shareholders' Meeting. Directors are eligible for repayment of the expenses incurred to carry out their functions (art. 14 of the By-laws).

The Shareholders' Meeting of 28 February 2007 awarded to the Board, besides the repayment of the expenses incurred in the interests of the Company, an overall gross remuneration of euro 300,000 (three hundred thousand euro) for each year, year meaning the periods which end with the approval of the financial statements relating to the previous year, to be divided on a pro rata basis in relation to the portion of the year that they served. The Shareholders' Meeting also awarded to the Board of Directors the authority to determine the allocation of these sums to all or to just some of the individual directors, taking into account the specific responsibilities of each of them.

As a consequence of the communication sent by Directors Paolo Zannoni, Valerio Battista, Pier Francesco Facchini, Hugues Lopic, Michael Ogrinz and Fabio Ignazio Romeo waiving the respective rights and claims which each of them has in regard to remuneration from the Company for the work they have performed as directors of the Company, the Board meeting of 28 February 2007, held after the aforementioned Shareholders' Meeting, resolved to pay to each of the remaining directors Giulio Del Ninno, Francesco Paolo Mattioli, Udo Günter Werner Stark and Wesley Clark, as remuneration for the work performed in the period in which each of them will serve, an overall gross remuneration of € 75,000 (seventy five thousand) for each year.

Since the new members of the Compensation Committee were appointed during the same Board meeting which included on the agenda the determination of the remuneration due to directors, the Board considered it opportune to pass a resolution regarding the remuneration of Company directors without waiting for the Compensation Committee to express its opinion.

As recommended by the Self-regulatory Code, a significant part of the remuneration of executive directors and managers with strategic responsibilities, by which is meant those identified according to the criteria in the "Code of Conduct for Internal Dealing" adopted by the Company and which will be discussed hereafter (section II, point 2, letter c, of this report), is linked to the economic results achieved by the issuer and/or the achievement of specific objectives.

For 2007, the remuneration of executive directors and managers with strategic responsibilities was as follows:

	<i>Position/Role</i>	<i>Pay (%)</i>		
		<i>Fixed</i>	<i>Variable</i>	<i>Total</i>
<i>Valerio Battista</i>	<i>Chief Executive Officer</i>	<i>42.6</i>	<i>57.4</i>	<i>100</i>
<i>Pier Francesco Facchini</i>	<i>Director/CFO</i>	<i>46.2</i>	<i>53.8</i>	<i>100</i>
<i>Fabio Ignazio Romeo</i>	<i>Director/Head of Energy Business</i>	<i>34.2</i>	<i>65.8</i>	<i>100</i>
<i>Giovanni Battista Scotti</i>	<i>Head of Telecom Business</i>	<i>58.8</i>	<i>41.2</i>	<i>100</i>

**e. Appointment and replacement of directors.**

In consideration of the shareholding structure at the time of the admission of Prysmian's shares to listing and the changes it experienced in 2007, as well as of the composition of the Board of Directors, established just before the listing of the Company shares by the then sole shareholder, the Board did not consider it necessary in 2007 to establish internally an

appointments committee, reserving the functions which are generally recognised and attributed to such a committee to the Board as a whole.

The ordinary Shareholders' Meeting, before proceeding to the appointment of Directors, establishes their number (no fewer than 7 and no more than 13); at least one of the members of the Board of Directors, or two if the Board has more than seven members, must fulfil the independence requirements provided for **Auditors** under art. 148, para. 3, of Leg. Decree 58/98, as subsequently modified. The term of Directors ends at the date of the Shareholders' Meeting called to approve the financial statements relating to the last year of their appointment.

As for the appointment of Directors, the Company has adopted, in compliance with the provisions of Leg. Decree 58/98, a voting list system to enable, where possible, the election of a Director by the minority shareholders. The appointment of the Board of Directors will take place on the basis of lists presented by shareholders who, by themselves or with other shareholders, hold overall shares representing at least 2% of the share capital with voting rights at the ordinary Shareholders' Meeting or a lower percentage established by legal or regulatory provisions. In compliance with the provisions of CONSOB Resolution no. 16319 of 29 January 2008, for 2008 the minimum shareholding required to present lists of candidates is 1.5%.

The lists presented must be filed at the Company's offices and published in at least one national newspaper at least fifteen days before the date set for the Shareholders' Meeting in first call. Together with each list, within the aforementioned deadline, individual candidates must file statements in which they accept their candidacy and a curriculum vitae, with, if necessary, the indication of their candidacy as an independent Director.

The Company Board of Directors of 14 May 2007, called to approve the quarterly report at 31 March 2007, also approved changes to the By-laws necessary to implement the provisions of Legislative Decree no. 303 of 29 December 2006, with particular reference to the provisions relating to the appointment and replacement of independent Directors.

The procedure for the presentation of lists, for the carrying out of elections and voting as well as for the replacement of directors who have stopped serving during their mandate, is contained in the Company By-laws (art. 14) and can be consulted on the Company website [www.prysmian.com](http://www.prysmian.com) in the section Investor relations/Corporate governance/By-laws section.

The aforementioned procedure was introduced into the Company By-laws in view of the listing of Prysmian shares. Since this amendment to the By-laws was introduced before the listing, but following the renewal of the current composition of the Board of Directors, the current procedure was not applied on this last occasion, also in consideration of the shareholding structure which at the time consisted of a sole shareholder.

#### **f. Interests of directors and transactions with related parties.**

The aforementioned art. 19 of the By-laws represents a first form of compliance of the Company's Corporate Governance model with that provided for by art. 9 of the Code, since it includes, in particular, the obligation for Directors to provide sufficient and timely reporting, at least on a quarterly basis, both to the Board of Directors and to the Board of Statutory Auditors, on operations in which they have an interest on their own behalf or on behalf of third parties or which are influenced by the subject carrying out management and coordination activities, should such a subject exist.

The Company has agreed to base its own Corporate Governance model on that provided for by art. 9 of the Code, with particular reference to compliance with the criteria of substantial and procedural correctness in the management of transactions with related parties and, where

requested, to the assistance of independent experts. In particular, the Company Board of Directors of 16 January 2007 resolved to adopt the guidelines for transactions with related parties, identifying the “Significant Related Parties Transactions”, as specified in the document entitled “Guidelines for Related Parties Transactions”, which can be consulted on the Company website [www.prysmian.com](http://www.prysmian.com) in the Investor relations/Corporate governance/Related Parties Regulations section. It also established that atypical or unusual transactions or those concluded on non-standard conditions (transactions which owing to their subject or nature fall outside the Company’s normal business or which feature particular problems due to their characteristics or risks inherent to the nature of the counterpart, or to the time they are undertaken. Transactions concluded on standard conditions are those concluded on the same conditions applied by the Company to any other party) are subject to prior examination and approval by the Company Board of Directors.

The Board of Directors, for the purposes of correct and transparent management, on a substantial and procedural level, of the transactions in which a Director has an interest, on their own behalf or on behalf of third parties, and of transactions with related parties, adopted by resolution on 31 July 2007 a procedure which defines, among other things, the most important economic, financial and equity transactions which, if undertaken by the subjects defined in the procedure itself, would classify as transactions with directly or indirectly related parties. This can be consulted on the Company website [www.prysmian.com](http://www.prysmian.com) in the Investor relations/Corporate Governance section.

These provisions were introduced to further strengthen the measures already provided for by articles 2391 and 2391-bis of the Civil Code on the interests of Directors and transactions with related parties.

For a closer examination of transactions with related parties, please refer to the notes to the financial statements where they are listed and commented on.

## **2. Treatment of corporate information.**

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

As for compliance with art. 4 of the Code, the Company Board of Directors of 16 January 2007 resolved to adopt 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 inside information and confidential information provided for by law, the clarification provided by CONSOB and common practice. The regulations also define the management of information which falls under these definitions and identify the Company managers who manage and coordinate the flows of information until they are disclosed to the Market in accordance with the means provided for by the law in force.

The above regulations are supported by an internal operating provision and a procedure for preparing and the disclosure of financial information. These instruments help govern more effectively roles, responsibilities and means of managing inside 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 conditions and means provided for by the regulations in force.

The procedure must be respected by members of the corporate bodies, employees and partners of the Company, as well as of subsidiaries which may have access to inside information.

**b. Register of insiders.**

The Company Board of Directors has approved a document establishing the register of insiders, which also includes the means of managing the data contained in the register. The register has been set up and is now operative.

Specific provisions of the procedure deal with updating the register of people who have access to inside information (the “register of insiders”) set up according to the resolution of the Board of Directors of 16 January 2007, pursuant to art. 115-*bis* of Leg. Decree 58/98, and operative as from the admission to listing of the Company’s shares. The means of using the register of insiders call for that entry in the register may be on a permanent or occasional basis and that the responsibility of identifying the people to be communicated to the function responsible for maintaining the register for their permanent or occasional entry is entrusted to function managers as part of their respective areas of competence. The procedure also deals with the means of informing, updating and cancelling entries.

**c. Internal Dealing.**

On 16 January 2007, pursuant to articles 114, paragraph 7, of Leg. Decree 58/98, as subsequently amended, 152-*sexies*, 152-*septies* and 152-*octies* of the Regulations adopted under CONSOB Resolution no. 11971 of 14 May 1999, as subsequently amended, the Company Board of Directors agreed to adopt a procedure (“Code of Conduct for Internal Dealing”) aimed at disciplining the information obligations for transactions on financial instruments undertaken by people who, owing to the position they hold, have access to relevant information (so-called Internal Dealing). This regulation identifies the so-called “Relevant persons” in the persons of (i) directors, (ii) auditors of the Company as well as among persons who carry out management functions and managers who have regular access to inside information and have the power to take management decisions which can influence the Company’s development and future prospects, (iii) persons who are responsible for the Finance, Administration, Control & IT Department, Energy and Telecom businesses. In addition to these are (iv) “Relevant Shareholders”, i.e. those who have a shareholding of at least ten percent (10%) of the Company share capital, (v) the members of administration and control bodies and the persons who carry out management functions and the managers of relevant subsidiaries (pursuant to the above regulation) and finally (vi) the so-called “Persons Closely Related with Relevant Persons”. So far the Chairman of the Board of Directors and/or the Chief Executive Officer of the Company have not identified further subjects required to comply with the regulatory provisions included in the “Code of Conduct for Internal Dealing”, a document which can be consulted on the Company website [www.prysmian.com](http://www.prysmian.com) in the Investor relations/Corporate governance/Code of Conduct – Internal Dealing section.

Again in reference to the above Code of Conduct for Internal Dealing, it is noted that it also identifies the so-called blackout periods during which Relevant Persons and Persons Closely Related with Relevant Persons cannot buy, sell, underwrite or exchange shares issued by Prysmian and/or financial instruments linked to the shares. The blackout periods coincide with the following time intervals:

- (i) 30 (thirty) calendar days preceding the disclosure to the public of the approval of the Company’s draft financial statements and the half-year report;
- (ii) 15 (fifteen) calendar days preceding the disclosure to the public of the approval of each quarterly report of the Company.

This prohibition is not applicable to the exercising of the rights attributed under the Company’s stock option plans, without prejudice to the prohibition on transactions on the financial instruments which are the subject of these rights during the blackout periods provided for by the relevant regulations of the aforementioned plans.

Exception is made of the faculty of the Board of Directors, or, in urgent cases, of the Chief Executive Officer to (i) identify further periods or circumstances in which the execution of transactions by Relevant Persons and Persons Closely Related with 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) allow a Relevant Person and a Person Closely Related with Relevant Persons to undertake the transaction in periods in which the prohibition would otherwise be in force. It is noted that so far neither the Board nor the Chief Executive Officer have granted exceptions to the prohibition on undertaking transactions during the blackout periods.

### **3. Establishment and operations of committees within the Board of Directors.**

As indicated previously, the Board of Directors has not internally established a Committee for proposals to appoint Directors for the reasons expressed in section II, point 1, letter e), of this report.

The Company Board of Directors has, however, set up the following committees: an Internal Control Committee, for a description of which please refer to the section on the internal audit system of this report, a Compensation Committee and a Strategic Committee.

The Company has not planned any budgets for the work of the committees since the committees themselves consider they do not need such budgets as they can call on the help of the Company structures for the execution of their duties.

#### ***a. Compensation Committee.***

In light of the planned listing of the Company's shares, the Company Board of Directors of 16 January 2007 modified the Regulations for the operations of this Committee, which may be consulted on the Company website [www.prysmian.com](http://www.prysmian.com) in the Investor relations/Corporate governance/Committees section. This conformed the regulations to the guidelines contained in the Self-regulatory Code. The effectiveness of these regulations is subordinate to the issue of the provision for the listing of the Company's ordinary shares on the electronic share market (MTA). This was issued by Borsa Italiana on 10 April 2007.

The Company Board of Directors, in compliance with the provisions of article 7 of the Code, during the meeting held on 28 February 2007, appointed as new members of the Compensation Committee the following members:

- Hugues Lepic, Director (non-executive);
- Francesco Paolo Mattioli, Director (independent);
- Udo Günter Werner Stark, Director (independent).

The Committee consists solely of Non-executive Directors, of whom two are independent. Pursuant to its Regulations, the Compensation Committee, which may advise and make proposals to the Board of Directors, carries out the following duties:

- A) assess and formulate any proposals to the Board of Directors regarding the remuneration policies proposed by the Company for management;
- B) assess and formulate any proposals to the Board of Directors regarding share-based incentive, stock option and stock grants plans and similar plans in order to provide incentives and promote loyalty of the management and of the employees of the companies in the Group which the Company heads;
- C) formulate proposals to the Board of Directors, in the absence of those directly

concerned, on the remuneration of executive directors and managers with strategic responsibilities, as well as, on the indication of the Chairman and of the Chief Executive Officer, determine the criteria for the remuneration of the Company's senior management. The Committee may also formulate proposals relating to the portion of pay for Executive directors and managers indicated beforehand by the Board of Directors and linked to the economic results achieved by the Company;

- D) formulate proposals to the Board of Directors, in the absence of those directly concerned, for the remuneration of Non-executive directors, which must be commensurate with the commitment requested of each of them, after taking into account any involvement in one or more internal committees of the Company. Only a small part of this remuneration can be linked to the economic results of the Company. 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) periodically assess the criteria adopted for the remuneration of managers with strategic responsibilities.

The Committee may make use of consultants, including external consultants, in order to acquire information on market standards for remuneration systems.

From the date of the regulations of the Committee coming into force, as indicated above, until 31 December 2007, the Board of Directors did not discuss issues for which the Compensation Committee should make valuations or proposals. No needs arose for which the Committee would have had to meet, also taking account of information in section II, point 1, letter d), of this report.

#### **b. Strategic Committee.**

On 16 January 2007 the Board of Directors established a Strategic Committee, with the powers to advise and make proposals and the duty to assist the Board of Directors in planning the strategic choices of the Company and of the Group, as well as provide a preliminary examination of the strategic options to enhance the Group position and its business plans.

The Strategic Committee currently consists of the following members, appointed by the resolution of the Board of Directors of 28 February 2007:

- Valerio Battista, Chief Executive Officer;
- Hugues Lepic, Director (non-executive);
- Michael Ogrinz, Director (non-executive).

The Committee consists of the Chief Executive Officer and two Non-executive directors.

The Board has allocated the following duties to the Strategic Committee:

- A) examine – prior to examination by the Board of Directors – the strategic, business and financial plans of the Company and of the Group, the annual budget and year-to-year forecasts;
- B) examine – prior to examination by the Board of Directors – particularly important investment and divestment projects, the obtaining of loans and the granting of guarantees which may have a significant effect on the financial, economic and equity position of the Company and of the Group;
- C) analyse the most important problems connected to the performance of the Company and of the Group, also to enable the Board of Directors to carry out their functions and duties more effectively.

#### 4. Internal audit system.

##### a. **Manager responsible for internal audit.**

In order to guarantee an adequate internal audit system, the Company has adopted a structure dedicated to Internal Auditing, whose person in charge, Tim Leather, reports directly to the Chief Executive Officer and is the manager responsible for internal audit.

The role of manager responsible for internal audit was assigned on 19 December 2007 by the Board of Directors, on the proposal of the executive director charged with overseeing the functioning of the internal audit system and after consulting the Internal Control Committee. The Board also charged the Chairman of the Internal Control Committee and the Chairman of the Board of Statutory Auditors, after consulting the Chief Executive Officer, to determine the remuneration of the manager responsible for internal audit.

The manager responsible for internal audit reports on his work to the Executive director charged with overseeing the functioning of the internal audit system, to the Internal Control Committee and to the Board of Statutory Auditors and is hierarchically independent from managers in operational areas.

##### b. **Executive director charged with overseeing the operations of the internal audit system.**

The Board of Directors, assisted by the Internal Control Committee, on 19 December 2007 appointed Chief Executive Officer Valerio Battista as Executive director charged with overseeing the functioning of the internal audit system. This choice is in line with the provisions of the Self-regulatory Code, best practice and the Company organisational structure in which the Internal Audit Department already reported directly and hierarchically to the Chief Executive Officer.

As provided for by the Code, the Board of Directors has given the executive director charged with overseeing the functioning of the internal audit system the task of handling the identification of the main business risks, by implementing the policy guidelines established by the Board of Directors and also managing the internal audit system by constantly checking its overall adequacy, effectiveness and efficiency.

##### c. **Internal Control Committee.**

On 15 December 2005 an Internal Control Committee was established within the Company Board of Directors.

The Company Board of Directors of 16 January 2007 approved new Regulations for the operations of this Committee to make it comply with the new guidelines of the Code. The effectiveness of these regulations is subordinate to the issue of the provision for the listing of the Company's ordinary shares on the electronic share market (MTA). This was issued by Borsa Italiana on 10 April 2007.

The Company Board of Directors, in compliance with the provisions of article 8 of the Code, during the meeting held on 28 February 2007, appointed the following as new members of the Internal Control Committee:

- Francesco Paolo Mattioli, Director (independent);
- Giulio del Ninno, Director (independent),
- Udo Günter Werner Stark, Director (independent).

The Committee appointed as its Chairman Francesco Paolo Mattioli and as Secretary the Head of the Internal Auditing Department and Manager responsible for internal audit Tim Leather.

The Chairman of the Board of Statutory Auditors, or other Auditor appointed by the aforementioned Chairman, is involved in the work of the Committee, and the Chairman of the Board of Directors and the Chief Executive Officer may also attend.

The Internal Control Committee, which has the powers to advise and make proposals in relation to the Board of Directors, has the following duties:

- A) assists the Board of Directors in carrying out the duties relating to the internal audit system, in compliance with the provisions of articles 8.P.3 and 8.P.4 of the Code, as follows:
- (i) defining the guidelines for the internal audit system, so that the main risks concerning the Company and its subsidiaries are correctly identified, as well as adequately measured, managed and monitored, also determining the criteria of compatibility of such risks with sound and correct management of the Company, formulating in this regard proposals to the Board of Directors;
  - (ii) identifying an Executive director charged with overseeing the functioning of the internal audit system;
  - (iii) assessing, at least on an annual basis, the adequacy, effectiveness and actual implementation of the internal audit system;
  - (iv) describing, within the corporate governance report, the essential elements of the internal audit system, by expressing its assessment of the overall adequacy of the system;
- B) assesses, together with the manager responsible for preparing the corporate accounting documents and the auditors, the correct application of the accounting standards used and their homogeneity for the purposes of preparing the consolidated financial statements; formulates in this regard proposals to the Board of Directors;
- C) on the request of the Executive director appointed for this purpose, expresses opinions on specific aspects regarding the identification of the main business risks as well as the design, realisation and management of the internal audit system;
- D) assesses the work plan prepared by the managers responsible for internal audit as well as the periodic reports they prepare and formulates in this regard proposals to the Board of Directors;
- E) assesses the proposals formulated by the independent auditors to obtain the related engagement, as well as the work plan drawn up for the audit and the results shown in the report and in the management letter; formulates in this regard proposals to the Board of Directors;
- F) reports to the Board of Directors, at least on a six-monthly basis, on approval of the financial statements and of the half-yearly report, on the work carried out and on the adequacy of the internal audit system and formulates to the Board proposals on these aspects;
- G) oversees the effectiveness of the audit process;
- H) where requested, provides an advance view to the Board of Directors during the approval of particular transactions undertaken by the Company with related parties;
- I) carries out further duties assigned to it by the Board of Directors, with particular reference to dealings with the independent auditors;
- J) oversees compliance with the Code of Ethics adopted by the Company.

In 2007 the Internal Control Committee held 6 meetings. The average attendance of members of the Committee at the meetings was 89%. The breakdown is shown in the table below:

Internal Control Committee		Attendance at Committee meetings	Notes	%
1.	Francesco Paolo Mattioli (Ch.)	6		100
2.	Giulio del Ninno	6		100
3.	Udo Günter Werner Stark	4		67

At least one member of the Board of Statutory Auditors took part in the meetings of the Internal Control Committee.

During the aforementioned meetings, the Committee appointed Mr Mattioli as Chairman and Mr Leather (Manager responsible for internal audit and Head of the Internal Audit Department) as Secretary and also assessed the audit plan, the audit activities carried out, the related Group risk assessment activities as well as the structure and role of the Internal Audit Department.

**d. Organisational and control model pursuant to Leg. Decree no. 231/01.**

By the resolution of the Board of Directors of 24 January 2006, the Company adopted an organisational model aimed at ensuring the establishment of a system to address the specific needs arising following the coming into force of Leg. Decree no. 231/2001 concerning the administrative responsibility of companies for crimes committed by their employees. This organisational model is fully operational and takes a pyramid form which complies with the principles and procedures of Leg. Decree no. 231/2001 and which, starting from the bottom, is broken down as follows::

(a) *Code of ethics*, setting out the general principles (transparency, integrity and loyalty) which underpin the carrying on of business; it indicates the goals and values which characterise the Company's operations, with reference to the main stakeholders with whom the Company deals.

(b) *Internal audit system*, which consists of the collection of tools aimed at providing a reasonable guarantee to achieve the objectives of operational efficiency and effectiveness, reliability of the financial and operational information, respect of the laws and regulations, and protection of shareholders' equity.

(c) *Conduct guidelines*, which indicate specific rules for dealings with representatives of the Public Administration and which take the form of conduct to be actively adopted and conduct to be avoided, thus translating the content of the Code of ethics into operational guidelines.

(d) *Internal audit models*, which list the main stages of every process, the crimes which may be committed in relation to individual processes, the specific control activities to reasonably prevent the related risks of committing a crime, as well as specific information flows towards the Compliance Committee in order to highlight possible failure to comply with the procedures established in the organisational model.

(e) *Compliance Committee*, which, among other things, has the task of (i) verifying the efficiency and effectiveness of the organisational model adopted, (ii) verifying compliance with the systems and procedures provided for by the organisational model, (iii) formulating proposals to the Board of Directors for any updates and adjustments to the organisational model adopted, (iv) proposing to the Board of Directors disciplinary measures which must be imposed following confirmation of a violation of the organisational model, and (v) providing a report for the Board of Directors on the verification and control activities undertaken as well as their outcome.

## 5. Auditors.

As provided for by art. 2409-bis, paragraph 2, of the Civil Code, the audit control of the Company has been entrusted to independent auditors recorded in the register of auditors, subject to the regulation of audit work provided for listed companies and subject to CONSOB supervision.

Therefore, the Board of Statutory Auditors oversees compliance with the law and the memorandum of association, as well as observance of the principles of correct administration in carrying out its corporate activities and also controls the adequacy of the Company's organisational structure, internal audit system and administrative-accounting system.

The current Board of Statutory Auditors – appointed by the Company's ordinary Shareholders' Meeting held on 28 February 2007 following the early resignation of the previous Auditors which was presented on the same date – will serve until the date of the Shareholders' Meeting called to approve the financial statements for the year ending on 31 December 2009 and consists of the following members:

<i>FULL NAME</i>	<i>POSITION</i>
<b>Marcello Garzia</b>	Chairman of the Board of Statutory Auditors
<b>Luigi Guerra</b>	Auditor
<b>Paolo Francesco Lazzati</b>	Auditor
<b>Alessandro Ceriani</b>	Alternate auditor
<b>Giovanni Rizzi</b>	Alternate auditor

The Auditors serve for three years and their term ends at the date of the Shareholders' Meeting called to approve the financial statements relating to the third year of their appointment. They can be re-elected. The Chairman of the Board of Statutory Auditors and one of the Alternate Auditors are appointed by the Shareholders' Meeting from among the Auditors chosen by minority shareholders.

Pursuant to the Company By-laws, the members of the Board of Statutory Auditors must fulfil the requirements of professional and personal standing and independence provided for by the applicable legislation. In particular, for the purposes of art. 1, paragraph 2, lett. B) and C) of the Decree of the Ministry of Justice no. 162 of 30 March 2000, the areas considered as closely linked to the business of the Company are the business sectors and matters regarding the sector in which the Company operates, as well as the subjects regarding legal, private-law and commercial matters, economic disciplines and those related to the Company's business sector.

The appointment of Auditors takes place on the basis of lists presented by shareholders who, by themselves or with other shareholders, hold overall shares representing at least 2% of the share capital with voting rights or a lower percentage as per legal or regulatory provisions. These lists must be filed at the registered office at least fifteen days before the date set for the first call of the Shareholders' Meeting. Together with each list, statements in which the individual candidates accept their candidacy as well as a curriculum vitae will be filed. In compliance with the provisions of CONSOB resolution no. 16319 of 29 January 2008, for 2008 the minimum shareholding required to present lists of candidates is 1.5%.

The procedure for the presentation of lists, for the holding of elections and voting as well as for replacing auditors who stand down during their mandate, is contained in the Company By-laws (art. 21), and can be consulted on the Company website [www.prysmian.com](http://www.prysmian.com) in the

Investor relations/Corporate governance/By-laws section.

The aforementioned procedure was introduced into the Company By-laws in view of the admission of Prysmian's shares to listing on the Stock Exchange. Since this amendment to the By-laws was introduced before the listing but following the renewal of the current composition of the Board of Directors, the current procedure was not applied on this last occasion, also in consideration of the shareholding structure which at the time consisted of a sole shareholder.

The Board of Statutory Auditors, on the basis of the statements supplied by its members, has verified the fulfilment by all members of the Board of the independence requirements provided for directors at article 3 of the Self-regulatory Code.

In 2007 the Board of Statutory Auditors held 6 meetings. The average attendance of Committee members at meetings was 94%. The breakdown is shown in the table below:

<b>BOARD OF STATUTORY AUDITORS</b>		<i>Attendance at meetings of the Board of Statutory Auditors</i>	<i>Notes</i>	<i>%</i>
1.	Marcello Garzia	5		83
2.	Luigi Guerra	6		100
3.	Paolo Francesco Lazzati	6		100

On the basis of the communications received, the positions as director or auditor held by each Auditor in other companies, as set out in Book V, Chapter V, Sections V, VI and VII of the Civil Code are as follows.

<i>FULL NAME</i>	<i>POSITION HELD</i>	<i>COMPANY</i>
<b>Marcello Garzia</b>	Auditor	Fibre Ottiche Sud – F.O.S. S.R.L. (*)
	Auditor	Prysmian Cavi e Sistemi Energia srl (*)
	Auditor	Prysmian Cavi e Sistemi Telecom srl (*)
	Chairman of the Board of Statutory Auditors	Prysmian Energia Holding srl (*)
	Chairman of the Board of Statutory Auditors	Prysmian Treasury srl (*)
	Auditor	Maristel Spa
	Auditor	Pirelli Broadband Solutions Spa
	Chairman of the Board of Statutory Auditors	Pirelli Cultura Spa
	Auditor	Pirelli Servizi Finanziari Spa
	Auditor	Pirelli Servizi Informativi Srl
	Auditor	Lambda srl
	Auditor	SSC srl
	Auditor	Cam Immobiliare spa
	Chairman of the Board of Statutory Auditors	Tecnoservizi Padova spa in liquidation
	Auditor	Arum srl
	Chairman of the Board of Statutory Auditors	Aldai – associaz. lombarda dirigenti industriali
Chairman of the Board of Statutory Auditors		

<i>FULL NAME</i>	<i>POSITION HELD</i>	<i>COMPANY</i>
	Chairman of the Board of Statutory Auditors	Federmanager – ass. naz. dirigenti industriali Praesidium Spa
<b>Luigi Guerra</b>	Auditor	Fibre Ottiche Sud – F.O.S. S.R.L. (*)
	Auditor	Prysmian Energia Holding S.R.L. (*)
	Auditor	Prysmian Telecom S.R.L. (*)
	Auditor	Prysmian Treasury S.R.L. (*)
	Auditor	Pirelli Broadbands Solutions S.P.A.
	Auditor	Pirelli Labs S.P.A.
	Chairman of the Board of Statutory Auditors	Koinos S.C.A.R.L.
	Auditor	Tecnocosmesi S.P.A.
	Auditor	Eurofrigo Vernate S.R.L.
	Auditor	Shine Sim S.P.A.
	Auditor	Sinerga S.P.A.
	Auditor	Techmed S.P.A.
	Member of the Board of Auditors	Ordine degli Architetti P.P.C. di Milano
	Sole director	Nide@ S.R.L.
Liquidator	San Vittore 2 S.R.L. In Liquidation	
<b>Paolo Francesco Lazzati</b>	Chairman of the Board of Statutory Auditors	A.f.i. S.p.a.
	Auditor	Acquario s.r.l. In liquidation
	Auditor	Alfa s.r.l.
	Chairman of the Board of Statutory Auditors	Amiata energia s.p.a.
	Auditor	Antonio cerruti & c. Sapa
	Chairman of the Board of Statutory Auditors	Apogeo s.r.l.
	Chairman of the Board of Statutory Auditors	Aree urbane s.r.l.
	Chairman of the Board of Statutory Auditors	Baleri italia s.p.a.
	Director	Backdoor s.r.l.
	Auditor	Cam partecipazioni s.r.l.
	Chairman of the Board of Statutory Auditors	Capitolotre s.p.a.
	Chairman of the Board of Statutory Auditors	Casaclick s.r.l.
	Auditor	Castello s.r.l.
	Auditor	Co.re.com.
	Auditor	Credito artigiano
	Chairman of the Board of Statutory Auditors	Creval banking s.p.a.

<i>FULL NAME</i>	<i>POSITION HELD</i>	<i>COMPANY</i>
	Auditor	Dear s.p.a.
	Auditor	
Chairman of the Board of Statutory Auditors		Dixia s.r.l.
Chairman of the Board of Statutory Auditors		Ecla rete s.r.l.
	Auditor	Ecla s.p.a.
	Auditor	Edilnord gestioni s.p.a.
	Auditor	Effe 2005 finanziaria feltrinelli s.p.a.
	Director	Elesa s.p.a.
	Auditor	Elle servizi s.r.l.
Chairman of the Board of Statutory Auditors		Erogasmet holding s.p.a.
	Director	Fin fashion s.p.a.
	Auditor	Finaval s.r.l.
Chairman of the Board of Statutory Auditors		Finlibri s.r.l.
	Director	Finpol s.p.a.
	Director	Fondazione giangiaco feltrinelli
Chairman of the Board of Statutory Auditors		Fondazione parma capitale della musica
Chairman of the Board of Statutory Auditors		Free sim s.p.a.
	Auditor	Giangiaco feltrinelli editore s.rl.
	Auditor	Giglio real estate spa
	Auditor	Grafica sipiel s.r.l.
	Auditor	Icbpi s.p.a.
	Auditor	Icierre s.r.l.
Chairman of the Board of Statutory Auditors		Ilma plastica s.pa.
	Auditor	Imation s.p.a.
Chairman of the Board of Statutory Auditors		Iniziative immobiliari 3 s.r.l.
	Auditor	Invoicing s.p.a.
Chairman of the Board of Statutory Auditors		Ital china leather s.p.a.
	Auditor	Ivri direzione s.p.a. - Milan
	Auditor	Ivri s.p.a. - Bari
	Auditor	Ivri s.r.l. - Parma
Chairman of the Board of Statutory Auditors		Ivri s.r.l. - Piacenza
Chairman of the Board of Statutory Auditors		Ivri s.p.a. - Florence

<i>FULL NAME</i>	<i>POSITION HELD</i>	<i>COMPANY</i>
	Chairman of the Board of Statutory Auditors	Ivri s.p.a. - Genoa
	Auditor	Ivri s.p.a. - Milan
	Auditor	Kedrios s.p.a.
	Auditor	Gorj, bumbesti-jiu
	Chairman of the Board of Statutory Auditors	Lanificio f.lli cerruti s.p.a.
	Auditor	Librerie delle stazioni s.r.l.
	Auditor	Librerie feltrinelli s.r.l.
	Chairman of the Board of Statutory Auditors	M-platform
	Chairman of the Board of Statutory Auditors	Mcs & partners s.r.l.
	Chairman of the Board of Statutory Auditors	Molteni s.p.a.
	Chairman of the Board of Statutory Auditors	Monit s.p.a.
	Chairman of the Board of Statutory Auditors	Oasi s.p.a.
	Auditor	Orione immobiliare prima s.p.a.
	Chairman of the Board of Statutory Auditors	Parcchegi bicocca s.r.l.
	Auditor	Pirelli & c. S.p.a.
	Chairman of the Board of Statutory Auditors	Pirelli tyre s.p.a.
	Chairman of the Board of Statutory Auditors	Pre agency s.p.a.
	Chairman of the Board of Statutory Auditors	Pre energy s.p.a.
	Chairman of the Board of Statutory Auditors	Pre franchising servizi finanziari s.r.l.
	Auditor	Pre sgr private opportunities s.p.a.
	Auditor	Pre sgr s.p.a.
	Director	Pro juvara s.r.l.
	Director	Profida s.r.l.
	Auditor	Progetto corsico s.r.l.
	Chairman of the Board of Statutory Auditors	Progetto fontana s.r.l.
	Chairman of the Board of Statutory Auditors	Progetto nuovo sant'anna srl
	Chairman of the Board of Statutory Auditors	Progetto perugia srl
	Chairman of the Board of Statutory Auditors	Prysmian cavi e sistemi telecom s.r.l. (*)
	Chairman of the Board of Statutory Auditors	Prysmian cavi e sistemi energia s.r.l. (*)
	Chairman of the Board of	

<i>FULL NAME</i>	<i>POSITION HELD</i>	<i>COMPANY</i>
	Statutory Auditors	Prysmian powerlink s.r.l. (*)
	Chairman of the Board of Statutory Auditors	S.an.co. Scarl
	Chairman of the Board of Statutory Auditors	Sange scarl
	Auditor	Securnetwork spa
	Chairman of the Board of Statutory Auditors	Societa' degli avi s.p.a.
	Chairman of the Board of Statutory Auditors	Solar utility spa
	Chairman of the Board of Statutory Auditors	Sorocaima s.p.a.
	Director	Progetto magnolia s.r.l.
	Auditor	Stone s.p.a.
	Auditor	Tau s.r.l.
	Chairman of the Board of Statutory Auditors	Thesia s.p.a. - in liquidation
	Auditor	Uso s.r.l.
	Auditor	Vaimm sviluppo immobiliare s.r.l.
	Auditor	Verdi s.r.l. - in liquidation
	Auditor	Vivigas s.p.a.
	Auditor	Zero9 spa
	Chairman of the Board of Statutory Auditors	Zopa italia spa
<b>Alessandro Ceriani</b>	Sole director	Lucini Immobiliare SRL
	Auditor	Esse Emme SRL
<b>Giovanni Rizzi</b>	Chairman of the Board of Statutory Auditors	2b Energia s.p.a.
	Liquidator	Agfaphoto Italy srl in liquidation
	Auditor	Antonio Cerruti & c. spa
	Auditor	Atmos Solar spa
	Auditor	Baleri Italia s.p.a.
	Liquidator	Centro Sport s.r.l.
	Auditor	E.C.L.A.- ente per concessioni ai lavoratori aziendali s.p.a.
	Auditor	E.C.L.A.- rete s.r.l.
	Auditor	Effe.com srl iniziative comm.li
	Auditor	Erogasmet vendita s.p.a.
	Auditor	Fin fashion group s.p.a.
	Auditor	Finaval s.p.a.
	Auditor	Free SIM s.p.a.
	Auditor	Immobiliare Quattro s.p.a.

<i>FULL NAME</i>	<i>POSITION HELD</i>	<i>COMPANY</i>
	Auditor	I colors s.p.a.
		Librerie delle stazioni srl
	Auditor	MCS & partners s.r.l.
	Auditor	Mfo Multi Family Office s.p.a.
	Auditor	Molteni s.p.a.
	Auditor	Pietrasanta srl
	Sole director	Pino Partecipazioni spa
	Auditor	Prysmian Cavi e Sistemi Energia Italia s.r.l. (*)
	Auditor	Prysmian Powerlink srl (*)
	Auditor	Salov s.p.a
	Chairman of the Board of Statutory Auditors	STI s.p.a.
	Auditor	Stone s.p.a.
	Auditor	Thermon s.r.l. in liquidation
	Liquidator	Uso s.r.l.
	Auditor	Zero 9 spa
	Director	

(\*) Company belonging to the Prysmian Group.

## **6. Independent auditors.**

As previously indicated, pursuant to the law audit work is entrusted to independent auditors recorded in the CONSOB register. The assignment is conferred by the Shareholders' Meeting on the justified proposal of the Board of Statutory Auditors.

The serving independent auditors are PricewaterhouseCoopers S.p.A., engaged by the Shareholders' Meeting of 16 January 2007 to carry out the audit of the Company's financial statements and the consolidated financial statements for 2007-2015. The assignment will end with the approval of the financial statements at 31 December 2015.

## **7. Dealings with shareholders.**

The Board of Directors of 16 January 2007 resolved, in compliance with art. 11 of the Code, to submit to the ordinary Shareholders' Meeting a text for the regulation of shareholders' meetings which was then approved at the shareholders' meeting of 28 February 2007. The regulations for shareholders' meetings govern the orderly and functional holding of meetings and guarantee each shareholder the right to speak on the items for discussion.

In particular, the procedures are defined to verify the right to participate in Shareholders' Meetings, to enter and exit the premises where the meeting is held, to join the discussion, particularly regulating the period in which shareholders can speak when they wish to express their position on the items on the agenda and in which the members of Board of Directors and the Board of Statutory Auditors may reply.

The regulations in question also define the powers of the chair of the shareholders' meeting and the procedure for voting.

The regulations can be consulted on the Company website [www.prysmian.com](http://www.prysmian.com) in the Investor

relations/Corporate governance/Shareholders' Meeting regulations section.

On 16 January 2007, the Board of Directors, in line with article 11 of the Code, charged the Chief Executive Officer to identify, by the date planned for the listing of the Company's ordinary shares on the electronic share market (MTA), a Head of Investor Relations, and to confer the related assignment. Implementing this delegated power, the Chief Executive Officer appointed as Head of Investor Relations Luca Caserta, a person with the necessary qualifications and experience for the role entrusted to him.

Investor Relations manages relations with institutional investors and financial analysts, through transparent and timely communication.

The Company's conduct and procedures aim to provide credibility to the communication flows from the Company to the market, thus increasing the trust which the market has in the Company, promoting a long-term investment approach to the shares, avoiding information imbalances and ensuring implementation of the principle by which every investor and potential investor has the right to receive the same information to take balanced investment decisions.

In particular, on publication of the annual, half-yearly and quarterly results, the Company organises specific conference calls with institutional investors and financial analysts, allowing the specialist press also to take part. In addition, the Company forewarns shareholders and potential shareholders of every action or decision which might have an important effect as regards their investment.

The Investor Relations Department maintains constant relations with investors, organising both collective and one-to-one meetings, in Milan and in the main Italian and foreign financial centres. The Investor Relations section of the Prysmian website provides audio/video recordings of Conference Calls and presentations to the financial community besides Company documents and press releases.

## **SECTION III – Summary tables**

**TABLE 1: Structure of the Board of Directors and of the Committees.**

(situation referring to Board members following its renewal under the shareholders' meeting resolution of 28/2/2007)

Board of Directors							Internal Control Committee		Compensation Committee	Strategic Committee
Position	Members *	executive	non executive	independent	(%) attendance ****	Number of other positions **	***	****	***	***
<b>Chairman</b>	Paolo Zannoni		X		100%	3				
<b>Chief Executive Officer</b>	Battista Valerio	X			100%	1				X
<b>Director</b>	Wesley Clark		X	X	82%	3				
<b>Director</b>	Giulio Del Ninno		X	X	100%	6	X	100%		
<b>Director</b>	Pier Francesco Facchini	X			100%	3				
<b>Director</b>	Hugues Lepic		X		100%	5			X	X
<b>Director</b>	Francesco Paolo Mattioli		X	X	100%	7	X	100%	X	
<b>Director</b>	Michael Ogrinz		X		100%	3				X
<b>Director</b>	Fabio Ignazio Romeo	X			100%	1				
<b>Director</b>	Udo Günter W. Stark		X	X	78%	4	X	67%	X	
No appointments committee has been established since the related duties have been reserved for the Board as a whole.										
Number of meetings held during the year			<b>Board of Directors: 11</b>			<b>Internal Control Committee: 6</b>			<b>Compensation Committee: 0</b>	

NOTES

- \* The presence of an asterisk indicates whether the Director has been appointed through lists presented by minority shareholders.
- \*\* This column indicates the number of positions held as Director or Auditor by the person concerned in other companies listed on regulated markets, including foreign ones, in finance, banking, insurance or large companies during 2007.
- The number, if any, in brackets indicates the positions held within the Group.
- \*\*\* This column shows with an "X" where the member of the Board of Directors is part of the Committee.
- \*\*\*\* This column shows the attendance percentage of Directors at meetings respectively of the Board of Director and of the Committees.

**TABLE 2: Board of Statutory Auditors.**

(situation referring to members of the Board of Statutory Auditors following its renewal under the shareholders' meeting resolution of 28/2/2007)

Position	Members	Percentage attendance at meetings of the Board	Number of other positions**
<b>Chairman</b>	Marcello Garzia	83%	0
<b>Auditor</b>	Luigi Guerra	100%	2
<b>Auditor</b>	Paolo Francesco Lazzati	100%	0
<b>Alternate auditor</b>	Alessandro Ceriani	N/A	0
<b>Alternate auditor</b>	Giovanni Rizzi	N/A	0
Number of meetings held during the year: 6			
Quorum required for the presentation of lists by minority shareholders to elect one or more auditors (pursuant to art. 148 Leg. Decree 58/1998): 2% of the share capital with voting rights or a lower percentage as per legal or regulatory provisions.			

NOTES

\* The asterisk indicates whether the Auditor has been appointed through lists presented by the minority shareholders.

\*\* This column indicates the number of positions held as Director or Auditor by the person concerned in other companies listed on regulated Italian markets.

**TABLE 3: other provisions of the Self-regulatory Code.**

	YES	NO	Summary of the reasons for any divergence from the recommendations of the Code
<b>System of delegated powers and transactions with related parties</b>			
Has the Board attributed the delegated powers establishing their:			
a) limits	X		
b) means of exercise	X		
c) frequency of reporting?	X		
Has the Board reserved for itself the examination and approval of transactions with a particular economic, equity and financial importance (including transactions with related parties)?	X		
Has the Board established guidelines and criteria to identify “significant” transactions?	X		
Are the guidelines and criteria above described in the report?		X	The report refers to the section of the Company website where the procedure for defining the guidelines and criteria is available.
Has the Board defined specific procedures for the examination and approval of transactions with related parties?	X		
Are the procedures for the approval of transactions with related parties described in the report?		X	The report refers to the section of the Company website where the procedure for regulating transactions with related parties is available.
<b>Procedure of the most recent appointment of Directors and Auditors</b>			
Were the lists of candidates for the position of Director filed at least ten days beforehand?		X	During the most recent appointment of Directors, the Company was not listed and the By-laws did not call for the obligation to file the lists of candidates in advance.
Were candidacies for the position of Director accompanied by adequate information?	X		
Were candidacies for the position of Director accompanied by an indication of their suitability to be considered as independent?	X		
Were the lists of candidates for the position of Auditor filed at least ten days beforehand?		X	During the most recent appointment of auditors, the Company was not listed and the By-laws did not call for the obligation to file the lists of candidates in advance.
Were candidacies for the position of Auditor accompanied by adequate information?	X		
<b>Shareholders' Meeting</b>			
Has the Company approved Shareholders' Meeting Regulations?	X		
Are the Regulations attached to the report (or is it specified where they can be obtained/downloaded)?	X		
<b>Internal audit</b>			
Has the Company appointed managers responsible for internal audit?	X		
Are these managers hierarchically free from the managers of operating areas?	X		
Organisational unit for internal audit (pursuant to art. 9.3 of the Code)	Internal Audit Department		
<b>Investor relations</b>			
Has the Company appointed a Head of Investor Relations?	X		
Organisational unit and references (address/telephone/fax/email) of the Head of Investor Relations	<p align="center"><b>Luca Caserta</b>, Head of Investor Relations  Viale Sarca 222 – 20126 Milan  Tel. 02 6449.1 – Fax 02 6449.4509 <a href="mailto:luca.caserta@prvsmian.com">luca.caserta@prvsmian.com</a></p>		

