

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

**(approved by the Board of Directors of Prysmian S.p.A. on 31<sup>st</sup> July 2007  
and following amended on 10<sup>th</sup> November 2010<sup>1</sup>)**

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<sup>1</sup> The amendments approved by the Board of Directors on November 10th, 2010, are effective as from January 1st, 2011.

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## I. Introduction

### 1.1 Legal framework

Article 150, paragraph 1, of the Legislative Decree of 1998, no. 58 as amended (hereinafter, “**Unified Financial Act**”) provides that: *“At least each quarter the directors shall promptly report to the Board of Statutory Auditors, in accordance with the bylaws, on the activities and the most significant economic and financial transactions carried out by the company or its subsidiaries; in particular, they shall report on any transactions in which they have an interest, for their own account or on behalf of any third party, or that are influenced by the person who performs the activity of direction and coordination”*<sup>2</sup>.

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

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

### 1.2 Purposes

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

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

## II. Type of Information

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

- a) the activity carried out;
- b) intra-group material transactions
- c) most significant economic, financial and patrimonial transactions;
- d) any other activity or transaction which it is considered appropriate to reported to the Board of Statutory Auditors.

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

The transactions that are specifically reported at the meeting of the Board of Directors may not be included in the Report.

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<sup>2</sup> This provision is mirrored in article 17, paragraph 4, of Company’s Bylaws providing that: “the Board of Directors, also through authorised bodies, if appointed, shall prepare the reports required by law, and in this context shall report to the Board of Statutory Auditors on the matters referred to in Art. 150, paragraph 1, of the legislative decree 58/98. The report shall be addressed to the Board of Statutory Auditors at least every quarter and may take place directly or at the meetings of the Board of Directors and Executive Committee, if appointed.”

## 2.1 Activity performed

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

## 2.2 Intra-group material transactions

### 2.2.1 Intra-group transactions

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

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

### 2.2.2 Materiality criteria of the Intra-group transactions

Are object of Report the intra-group transactions in which the ratio between the amount of the transaction and the net equity drawn from the latest published consolidated balance sheet or, if greater, the capitalization of the Company at the end of the last trading day included in the period covered by the latest accounting periodical published document (or semi-annual financial report or the interim financial report), is greater than the 5% threshold.

Should the economic conditions of the transaction be determined, the amount of the transaction shall be:

- i) for the cash component, the amount paid to or from the contract;
- ii) for the component in financial instruments, the *fair value* determined at the date of the transaction, in accordance with international accounting standards adopted by Regulation (EC) No. 1606/2002;
- iii) for funding transactions or grant of guarantees, the maximum amount payable.

If the economic conditions of the operation depend, in whole or in part, on magnitudes not yet known, the amount of the transaction is the maximum admissible or payable value under the agreement.

### 2.2.3 Transactions with related parties different from intra-group material transactions (cross-reference)

Information about transactions with related parties different from intra-group material transactions, are regulated by the document named "Procedure for related parties transaction".

## 2.3 Most significant economic and financial transactions

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

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

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

### **III. Procedure for the gathering of information**

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

#### **3.1 Ways of procedure beginning**

The Administration, Financial, Control & IT department, within the day 20th of the last month of each quarter, asks the Chief Financial Officers and the other possible persons in charge for administration and balance sheet departments of Prysmian Group companies, for providing the necessary information for the Report. Together with such request, the Administration, Financial, Control & IT department provide the abovementioned subjects with the data and the information required to identify the intra-group material transactions, pursuant to paragraph 2.2.2.

The lack of a written answer (pursuant to the following ways) by the recipients of the abovementioned request, within the term every time defined by Administration, Financial, Control & IT department, will be considered as a lack of relevant information for the purposes of the Report.

#### **3.2 Ways of sending information**

##### ***3.2.1 Sending of information about intra-group material transactions***

The manager responsible for the execution of the transactions shall report, on a quarterly basis, to the Administration, Financial, Control & IT department, with copy forwarded to the

Corporate Affairs department, by duly filling in the information report, attached hereto as Annex A, containing relevant information on intra-group material transactions. The information report shall be sent by e-mail to the account sa.relate01IT ([relatedpart.fs@prysmian.com](mailto:relatedpart.fs@prysmian.com)).

The information related to the intra-group material transactions shall illustrate:

- name of counterpart and nature of the relationship;
- type and subject of the transaction (with a possible summary of the characteristics, methods, terms and conditions);
- indication of the economic reasons and the opportunity of the transaction;
- economic value of the transaction;
- the methods of calculating the price and the evaluations regarding its adequacy;
- any fairness opinion made by independent experts.

### ***3.2.2 Sending of information about most significant economic and financial transactions***

The manager responsible for the execution of the transactions shall also report, on a quarterly basis, to the Administration, Financial, Control & IT department, with copy forwarded to the Corporate Affairs department, by duly filling in the information report, attached hereto as Annex B, containing relevant information on the most significant economic and financial transactions. The information report shall be sent by e-mail to the account sa.relate01IT ([relatedpart.fs@prysmian.com](mailto:relatedpart.fs@prysmian.com)).

The information related to the most significant economic and financial transactions shall illustrate:

- name of counterpart;
- type and subject of the transaction, with a possible summary of the characteristics, methods, terms and conditions;
- indication of the reasons and aims of the transaction;
- economic value of the transaction;
- coherence with the budget and business plan of the group;
- developments, effects and implications that said transactions may have on the activity of the group.

### ***3.2.3 Sending of information about activity carried out by Committees***

Terms and ways for sending information about the activities carried out by the Internal Control Committee, the Compensation and Nomination Committee and any other established committee, follow either the procedure contained into the regulation of each committee or the instructions provided by the Board of Directors.

Anyway, if consistent with the committees regulations, either the members or the secretaries of the same committees, inform the Board of Statutory Auditors about the activities carried out and the decision taken, during the first useful meeting of the Board of Directors. Such information can also be provide either by the members or by the secretaries of the committees to CEO, in order to allow the fulfillment of the duties under art. 150, par.1, of Unified Financial Act.

### ***3.2.4 Sending of other information about which is however appropriate to provide to the Board of Statutory Auditors***

The information regarding either transactions or activities, different from the ones under paragraphs 3.2.1, 3.2.2 and 3.2.3, and about which is however appropriate to provide information to the Board of Statutory Auditors, under art. 150, par.1, of Unified Financial Act, shall be sent to the CEO,

The information related to the transactions of the present paragraph shall illustrate:

- name of counterpart;
- type and subject of the transaction, with a possible summary of the characteristics, methods, terms and conditions;
- indication of the reasons and aims of the transaction;
- economic value of the transaction.

### **3.3 Ways to gather information**

Administration, Finance, Control & IT department shall collect the information reports together with other information received, pursuant to paragraphs 3.2.1 and 3.2.2 and where appropriate shall gather together such reports for homogeneous typologies. Afterwards the Administration, Finance, Control & IT department shall quarterly send the information reports and the possible summary prospect to the CEO, with copy to the Corporate Affairs department.

Any further documentation regarding the paragraphs 3.2.3 and 3.2.4 shall be provided, other than to the CEO, even to Corporate Affairs department, in order to make such documentation available during the Board of Directors meetings in which will be provide such information.

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

## **IV. Final note**

In conclusion, it has to be reminded that from the present Procedure are excluded the related parties transactions different from intra-group material transactions (above paragraph 2.2), which are regulated by the document named "Procedure for related parties transaction".

Less material amendment and integration to the Procedure ca be authorized by the CEO; material amendment and integration shall be approved by the Board of Directors.

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**Annex A)**

**Information report in relation to Intra-group Material Transactions**

(par.2.2 of the procedure for the implementation of duties under art. 150, par.1, of UFA)

The information report shall contain:

- name of counterpart and nature of the relationship (par. 2.2.1 of the Procedure);
- type and subject of the transaction (with a possible summary of the characteristics, methods, terms and conditions);
- indication of the economic reasons and the opportunity of the transaction;
- economic value of the transaction;
- the methods of calculating the price and the evaluations regarding its adequacy;
- any fairness opinion made by independent experts.

For this purpose, in accordance with paragraph 3.2.1 of the Procedure, the following format shall be used:

COMPANY:	
COUNTERPART:	
Nature of the relationship:	
Type and subject of the transaction:	
Reasons:	
Economic value of the transaction:	
Evaluation of adequacy of the price:	
Any possible fairness opinion:	

Further information:

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**Annex B)**

**Information report in relation to Most significant economic and financial transactions**

(par.2.3 of the procedure for the implementation of duties under art. 150, par.1, of UFA)

The information report shall contain:

- name of counterpart;
- type and subject of the transaction (par. 2.3 of the Procedure), with a possible summary of the characteristics, methods, terms and conditions;
- indication of the reasons and aims of the transaction;
- economic value of the transaction;
- coherence with the budget and business plan of the group;
- developments, effects and implications that said transactions may have on the activity of the group.

For this purpose, in accordance with paragraph 3.2.2 of the Procedure, the following format shall be used:

COMPANY:	
COUNTERPART:	
Type and subject of the transaction:	
Reasons and aims:	
Economic value of the transaction:	
Coherence with the budget:	
Terms, conditions and execution methods:	
Developments, effects and implications on the activity of the group:	

Further information:

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