

**Procedures for Related Party Transactions**

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## Art. 1 - Definitions

1.1 The terms listed below shall have the following meanings in the present procedures governing related party transactions (the "**Procedures**"):

**"Corporate Affairs"**: the Corporate Affairs department of Prysmian, in the person of the head of this department or person so charged by the latter, including for individual or specific activities;

**"Independent Directors"**: directors who satisfy the independence requirements set out in art. 148, par. 3 of TUF and by the Self-regulatory Code for listed companies promoted by Borsa Italiana S.p.A. adopted by Prysmian S.p.A. in accordance with art. 123-*bis* TUF;

**"Unrelated Directors"**: directors who are not counterparties to a particular transaction and are not its Related Parties;

**"Shareholders' Meeting"**: general meeting of the shareholders of Prysmian S.p.A.;

**"Committee"**: the committee referred to in art. 6 of the Procedures, all of whose members are Independent Directors and which is responsible for expressing an opinion on Related Party Transactions;

**"Market Equivalent or Standard Terms"**: terms similar to those usually applied to unrelated parties for transactions of a corresponding nature, size and risk, or based on regulated rates or fixed prices or those applied to parties with whom the Company is obliged by law to contract at a specific price;

**"Board"** or **"Board of Directors"**: the Board of Directors of Prysmian S.p.A.;

**"Consob"**: Commissione Nazionale per le Società e la Borsa, Italy's Stock Exchange Commission;

**"Related Party List"**: the database containing the names of individuals and companies classified as Related Parties of Prysmian along with their personal/company details;

**"Prysmian Group"**: the group of companies headed by the Company;

**"Related Party Transactions"**, **"Transaction"** or **"Transactions"**: any transfer of resources, services or obligations between Related Parties, regardless of whether a price is charged;

**"Minor Transactions"**: transactions identified as such under art. 12.2;

**"Less Material Transactions"**: Related Party Transactions other than Minor Transactions which fall below the materiality thresholds identified in art. 5 of the Procedures;

**"Ordinary Transactions"**: transactions carried out in the ordinary course of business or financial activities related thereto;

**"Material Transactions"**: Related Party Transactions which are above the materiality thresholds identified in art. 5 of the Procedures;

**"Related Parties"**: the parties identified as such in art. 3 of the Procedures;

**"Issuer Regulations"**: the regulations approved under Consob resolution 11971 of 14 May 1999, and subsequent amendments and additions thereto;

**"Related Party Regulations"** or **"Regulations"**: the regulations containing provisions relating to related party transactions approved by Consob on 12 March 2010 under resolution 17221 and subsequent amendments and additions thereto;

**"Unrelated Shareholders"**: parties with the right to vote who are not counterparties to a particular transaction and are not related to either the counterparty to a particular transaction or to the Company;

**"Company"** or **"Prysmian"**: Prysmian S.p.A., a company with registered offices in Viale Sarca 222, Milan, Italy, and tax code, VAT number and Milan Companies Register number 04866320965. Unless otherwise specified, Prysmian or the Company means the Board of Directors or a representative of the Company with due authority;

**"Responsible Officers"**: persons in charge of Prysmian head office functions who report directly to the Chief Executive Officer and persons holding the position of Region/Country

Chief Executive Officer, the head of Business Areas and the head of Integrated Business Units;

"By-laws": the by-laws of Prysmian S.p.A.;

"TUF": Testo Unico della Finanza (Italy's Unified Financial Act) ie. Italian Legislative Decree 58 of 24 February 1998 and subsequent amendments and additions thereto.

## **Art. 2 - Preamble and scope of application**

Italian Legislative Decree 310 dated 28 December 2004 on «*Additions and corrections to company and banking law*» has introduced in art. 2391-*bis*<sup>①</sup> of the Italian Civil Code, specific provisions concerning related party transactions undertaken by companies which have recourse to risk capital markets<sup>②</sup>, and has charged Consob with the task of defining "general principles" on the basis of which the governing bodies of such companies must adopt procedures for governing such transactions in terms of transparency and substantive and procedural fairness.

Consob has approved the Related Party Regulations in implementation of this requirement.

The provisions of these Regulations are designed to govern the transparency of market disclosures and the principles of transparency and of substantive and procedural fairness in the conduct of related party transactions; such provisions complement, on the one hand, the general principles of procedural fairness contained in the "Self-regulatory Code" for listed companies and, on the other, the financial reporting requirements for this type of transaction contained in the Italian Civil Code (articles 2423 *et seq.*), and in articles 77 *et seq.* of the Issuer Regulations, as also mentioned in art. 96.

The primary objective of the Regulations is to provide greater safeguards for minority shareholders and other stakeholders by preventing any abuses that might arise from related party transactions involving a potential conflict of interests. The Regulations call for a structured set of rules containing:

- the procedures that companies must adopt to ensure fairness throughout the entire process of undertaking related party transactions;
- the obligations regarding market disclosure for this type of transaction.

In compliance with art. 4 of the Regulations, the Board of Directors has therefore adopted the present Procedures for governing - in compliance with the requirements of art. 2391-*bis* of the Italian Civil Code and of the Regulations, and any subsequent amendments thereto - Related Party Transactions, undertaken by the Company directly or through its subsidiaries, in order to ensure the transparency and substantive and procedural fairness of such transactions.

The present Procedures also comply with the requirements of Italian Legislative Decree

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<sup>①</sup> Art. 2391-*bis* of the Italian Civil Code addresses "Related party transactions" and states as follows:

«1. The governing bodies of companies which have recourse to risk capital markets shall adopt, in accordance with the general principles indicated by Consob, rules that ensure the transparency and substantive and procedural fairness of related party transactions, which shall be disclosed in the directors' report; they may, for this purpose, seek the assistance of independent experts, depending on the nature, value or characteristics of the transaction.

2. The rules referred to in the preceding paragraph shall apply to transactions undertaken directly or through subsidiaries and shall govern the decision-making responsibility, reasons and documentation relating to such transactions. The oversight body shall monitor compliance with the rules adopted under the preceding paragraph and report accordingly to shareholders in general meeting».

<sup>②</sup> In accordance with art. 2325-*bis* of the Italian Civil Code, companies which have recourse to risk capital markets mean Italian companies whose shares are listed on regulated markets or whose shares are widely held among the general public.

231/01 and therefore constitute an integral part of the organisation, management and control Model envisaged by this decree.

### **Art. 3 - Identification of Related Parties**

**3.1** Related Parties are identified with reference to the definition of such contained in **Appendix 1**.

**3.2** In view of the definitions contained in **Appendix 1**, the Company has identified the following types of Related Parties, taking account of the current composition of the Prysmian Group and the Prysmian shareholder structure as well as any future changes in such composition:

- a) members of the Company's Board of Directors and standing members of its Board of Statutory Auditors;
- b) key management personnel of Prysmian Group as any time individually appointed by the Board of Directors;
- c) companies which Prysmian controls directly or indirectly, or through a trustee or an intermediary;
- d) a party who, directly or indirectly, including through subsidiaries, trustees or one or more intermediaries:
  - i. controls, is controlled by, or is under common control with, the Company;
  - ii. has an interest in the Company that gives it significant influence over the Company;
  - iii. has joint control over the Company with others;
- e) joint ventures in which Prysmian is a venturer;
- f) close members of the family of any individual referred to in a), b) or d);
- g) companies that are controlled, jointly controlled or significantly influenced by, or for which significant voting power (ie. not less than 20%) resides with any individual referred to in a), b) or f);
- h) companies that are associates of Prysmian;
- i) collective or individual supplementary Italian or foreign pension funds for the benefit of employees of the Company, or of any other entity that is a related party of the Company.

### **Art. 4 - Procedural rules**

**4.1** The names of Related Parties, and revisions thereto, shall be identified with reference to a Related Party List, kept and updated by Corporate Affairs.

**4.2** Corporate Affairs shall conduct a census of Related Parties based on information and documentation available to the Company; for this purpose it shall request from all direct Related Parties, or through them in the case of indirect Related Parties, the information required for inclusion in the Related Party List, by sending them for compilation the specific declaration found in **Appendix 2** to these procedures.

**4.3** Direct Related Parties shall be responsible for informing Corporate Affairs of any changes or revisions to the information previously communicated, including with reference to indirect Related Parties. The Related Party List shall be updated whenever necessary and shall nonetheless be reviewed at least once a year by requesting direct Related Parties to confirm the information provided the previous year or to communicate any changes, including with reference to indirect Related Parties.

**4.4** Corporate Affairs shall collate the information provided by Related Parties in the declaration in **Appendix 2** and send the resulting Related Party List to:

- all the persons in charge of Prysmian head office functions who report directly to the Chief Executive Officer,
- all the persons holding the position of country Chief Executive Officer.

Corporate Affairs shall also send the Related Party List to the above Responsible Officers whenever it is amended and highlight the changes.

The Responsible Officers shall be in charge of distributing the Related Party List to those of their staff that they believe might be in the position to conduct or know of the possible conduct of Related Party Transactions.

**4.5** Access to the Related Party List may be requested by: the Directors, the Statutory Auditors, the Committee referred to in art. 6, members of the Monitoring Board, the independent auditors and persons holding the position of (i) manager responsible for preparing corporate accounting documents, (ii) head of the Company's administration (iii) and head of the Company's internal audit.

**4.6** Before undertaking any transaction, the Responsible Officers must check, including through their staff, whether the transaction qualifies as a Related Party Transaction under these Procedures, and must also ascertain in which of the categories identified below the Transaction should be classified. If these checks indicate that the Related Party Transaction must be disclosed – in accordance with procedures described later on –, the Responsible Officers shall use the form in **Appendix 3** to these Procedures to immediately communicate to Corporate Affairs all the information concerning the Transaction, – such as, by way of example, the name of the Related Party, a description of the Transaction and its terms, substantive fairness and underlying reasons and any risks for the Company and/or its subsidiaries –. The form in **Appendix 3** and any supporting documentation must be provided to Corporate Affairs in due advance of undertaking the Transaction.

**4.7** The Responsible Officers shall perform the above checks by carrying out, as a minimum, the following activities:

- Check whether the counterparty is a Related Party included in the Related Party List.
- Check the transaction's value<sup>③</sup>. If this value is less than Euro 250,000, there are no disclosure or prior authorisation requirements.
- Check whether the transaction falls within the company's ordinary activities and is being completed under market or standard terms. If this is the case, it is not necessary to authorise the Transaction beforehand but it must be disclosed if it is a Material Transaction. The Responsible Officers must therefore send in the form in **Appendix 3**, together with objective supporting documentation, within 3 days of carrying out the Transaction.
- Check whether the transaction qualifies as a Material Transaction or Less Material Transaction on the basis of the materiality thresholds defined in art. 5.
- Check whether the counterparty, apart from being included in the Related Party List, is also classified, in this List, as a subsidiary or associate of Prysmian (i.e. intragroup transactions). If this is the case, except as specified in art. 12.3, it is not necessary to authorise the Transaction beforehand but it must be disclosed if it is a Material Transaction. The related information must nonetheless be disclosed in the manner and time required by the "*Procedures for fulfilling the obligations under art. 150, par.1 of TUF*"

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<sup>③</sup> In order to determine which elements of the transaction should be considered for the purposes of determining its value, reference should be made to the definitions contained in art. 5 "Materiality thresholds".

adopted by the Prysmian Board of Directors on 31 July 2007 and to which reference should be made.

The Responsible Officers shall also provide updates to information already supplied, whenever this is necessary and/or appropriate.

**4.8** Based on the information provided by Responsible Officers, Corporate Affairs shall check which body is responsible for deciding or authorising the reported Transaction and shall also identify the procedure to follow according to the type of Transaction and nature of the related party relationship. In order for Corporate Affairs to be able to provide the competent bodies with complete, adequate and timely information, Corporate Affairs can request Responsible Officers at any time to supplement and/or clarify the information and documentation already supplied. As a result of the checks carried out, Corporate Affairs shall inform Responsible Officers as soon as possible of (i) the procedures to be followed for examining the Transaction in question and (ii) the estimated time expected to complete these procedures.

## **Art. 5 - Materiality thresholds**

**5.1** For the purposes of the present Procedures, Material Transactions are those for which at least one of the following materiality ratios, applicable according to the type of Transaction, has a value of 5% or more:

**a) *Transaction materiality ratio:*** this is the ratio between the amount of the Transaction and the higher of (i) the amount of consolidated equity reported in Prysmian's latest published consolidated balance sheet and (ii) the Company's capitalisation at the end of the last trading day included in the period covered by latest published financial report (annual or half-year financial report or interim management statement).

If the economic terms of the Transactions have been determined, the amount of the transaction is defined as:

- i) for components in cash, the amount paid to/by the other party;
- ii) for components comprising financial instruments, the fair value determined at the transaction date, in accordance with the international accounting standards adopted under Regulation (EC) 1606/2002;
- iii) for loans or guarantees, the maximum amount payable.

If the economic terms of the Transaction depend entirely or partly on amounts that are not yet known, the amount of the transaction is defined as the maximum amount receivable or payable under the related agreement.

**b) *Assets materiality ratio:*** this is the ratio between the total assets of the entity involved in the Transaction and the Company's total consolidated assets. The figures used must be taken from the Company's latest published consolidated balance sheet; where possible, similar figures should be used for determining the total assets of the entity involved in the Transaction.

For transactions involving the acquisition and disposal of equity interests that affect the scope of consolidation, the value of the numerator is the total assets of the investee, regardless of the percentage of capital being acquired/sold.

For transactions involving the acquisition and disposal of equity interests that do not affect the scope of consolidation, the value of the numerator is:

- i) in the case of acquisitions, the transaction amount plus any of the acquired company's liabilities assumed by the purchaser;
- ii) in the case of disposals, the consideration for the interest being sold.

For transactions involving the acquisition and disposal of other assets (other than the acquisition of an equity interest), the value of the numerator is:

- i) in the case of acquisitions, the higher of the consideration and the carrying amount that will be attributed to the asset;
- ii) in the case of disposals, the carrying amount of the asset being sold.

**c) *Liabilities materiality ratio:*** this is the ratio between the acquired entity's total liabilities and the Company's total consolidated assets. The figures used must be taken from the Company's latest published consolidated balance sheet; where possible, similar figures should be used for determining the total liabilities of the acquired company or business.

**5.2** Once the annual and interim consolidated balance sheets are approved, Corporate Affairs shall receive from Administration and Financial Reporting the reference parameters needed to calculate the materiality ratios in art. 5.1 a), b) and c) - namely consolidated equity and total consolidated assets – and from Investor Relations the parameter relating to the Company's market capitalisation required under art. 5.1 a). Once Corporate Affairs has this information, it shall inform the Responsible Officers accordingly.

## **Art. 6 - Committee**

**6.1** The Committee referred to in art. 4.3 of the Related Party Regulations shall be the Control and Risks Committee set up by the Prysmian Board of Directors. For the purposes of the present Procedures, this Committee shall be comprised solely of non-executive Independent Directors, and shall be charged with issuing the opinions required under articles 7, 8, 10, 12 and 15 and with generally acting to achieve compliance with the Procedures themselves.

**6.2** As for the Committee's general rules of procedure, reference should be made to the regulations governing the duties, activities and operation of the Control and Risks Committee.

**6.3** If, in relation to a specific Transaction, one or more members of the Committee are not unrelated Independent Directors, also notwithstanding the regulations of the Control and Risks Committee, the following remedies shall apply:

- if, in the case of a Less Material Transaction, one of the Committee's members is a Related Party, the work of the Committee shall be carried out by its other members. These members may also request the Related Party member of the Committee to absent him/herself temporarily from meetings or to abstain from discussions and/or resolutions about the Transaction;
- if the Committee does not have at least three unrelated Independent Directors in the case of a Material Transaction, or two unrelated Independent Directors in the case of a Less Material Transaction, the work of the Committee shall be carried out by an independent expert identified by the Board of Directors from persons of recognised experience and expertise in the matters concerned and who have been evaluated for their independence and absence of conflicts of interest.

## **Art. 7 - Rules applying to Less Material Transactions**

**7.1** If the Responsible Officers, or their staff, intend to carry out a Less Material Related Party Transaction, they must promptly inform the Board of Directors and the Committee, following the procedures set out in art. 4.

**7.2** Except as provided in art. 10, Less Material Transactions shall be the prerogative of the Board of Directors or of unrelated executive directors in possession of general operational powers. In the latter case, the unrelated directors shall act severally, within the scope and limits

of their general powers and with the duty to report on their doings at the next meeting of the Board of Directors.

**7.3** Before approving a Less Material Transaction, the Committee must express a reasoned, non-binding opinion on the Company's interest in carrying out the Transaction and on the benefits and substantive fairness of the related terms.

**7.4** For the above purposes, the Committee shall be entitled to seek the assistance of one or more independent experts of its choice, at the Company's expense.

**7.5** Unless the Chief Executive Officer makes an explicit exception on a case-by-case basis, the cost of any independent experts, called in under art. 7.4, shall not exceed 1% of the individual transaction amount, and in any case shall be limited to no more than Euro 25,000.

**7.6** For the purposes of implementing the above, the Committee and the body responsible for resolving on the Less Material Transaction shall receive full and sufficient information about the Transaction in due advance.

**7.7** If the Transaction carries Market Equivalent or Standard Terms, the documentation prepared shall include objective supporting information.

**7.8** If the competent decision-making body is the Board of Directors, or another board, the minutes of resolutions approving Less Material Transactions shall contain adequate reasons as to the Company's interest in carrying out the Transaction and as to the benefits and substantive fairness of the related terms.

**7.9** The Chief Executive Officer shall provide the Board of Directors and Board of Statutory Auditors, at least every quarter, with a full account of the Less Material Transactions carried out.

**7.10** Without prejudice to other disclosure obligations, the Company shall make publicly available, within fifteen days of the end of each quarter, at its registered office and in the manner required by law, a document containing details of the counterparties, object and consideration relating to Less Material Transactions approved in that quarter for which the Committee expressed a negative opinion, and the reasons why it was decided not to accept this opinion. This opinion shall be made publicly available within the same term, as an appendix to the above document or on the Company's website.

## **Art. 8 - Rules applying to Material Transactions**

**8.1** If the Responsible Officers, or their staff, intend to carry out a Material Related Party Transaction, they must promptly inform the Board of Directors and the Committee, following the procedures set out in art. 4.

**8.2** Except as provided in art. 10, the Company shall observe the following rules in respect of Material Transactions:

- a) Material Transactions are the exclusive prerogative of the Board of Directors;
- b) the Board of Directors can approve Material Transactions only if the Committee has issued a reasoned, favourable opinion on the Company's interest in carrying out the Transaction, and on the benefits and substantive fairness of the related terms;
- c) the Committee must be involved in the process of negotiation and preliminary

- examination, through the receipt of full and timely information, and shall be entitled to request information and present observations to other delegated bodies and persons involved in conducting negotiations or preliminary examination;
- d) for the above purposes, the Committee shall be entitled to seek the assistance of one or more independent experts of its choice, at the Company's expense. There shall be no spending limit on the cost of any independent experts appointed to examine Material Transactions;
  - e) for the purposes of implementing the above, the Committee shall receive full and sufficient information about the Transaction in due advance;
  - f) if the Transactions carries Market Equivalent or Standard Terms, the documentation prepared shall contain objective supporting information;
  - g) the minutes of resolutions adopted by the competent body to approve Material Transactions shall contain adequate reasons as to the Company's interest in carrying out the Transaction and as to the benefits and substantive fairness of the related terms;
  - h) the Chief Executive Officer shall provide the Board of Directors and Board of Statutory Auditors, at least every quarter, with a full account of the Material Transactions carried out.

**8.3** The provisions of this article shall apply even when, during the year, the Company carries out with the same related party, or with parties related both to the latter and to the Company itself, similar Transactions or those that are part of a single design, even though not individually classifiable as Material Transactions, which cumulatively exceed the materiality thresholds identified in art. 5.1. In these circumstances, the materiality of each transaction is assessed on the basis of the applicable ratio or ratios specified in art. 5.1. In order to check whether the thresholds have been exceeded, the results for each ratio are summed together. For the purposes of disclosure obligations, transactions that are exempt under art. 12 of these Procedures shall be excluded from the cumulative calculation.

**8.4** If so permitted by the By-laws, the Board of Directors can approve Material Transactions despite the Committee's adverse opinion, provided the conduct of such Transactions is authorised by the Shareholders' Meeting, which shall decide in compliance with the provisions of art. 10 of these Procedures.

## **Art. 9 - Rules applying to Transactions undertaken by subsidiaries**

**9.1** The provisions of art. 7 and art. 8 for Less Material Transactions and Material Transactions shall also apply to Transactions undertaken by subsidiaries<sup>④</sup> with Related Parties.

**9.2** For this purpose, subsidiaries must promptly notify Corporate Affairs, through the Responsible Officers and following the procedures set out in art. 4, of their intention of carrying out a Transaction falling under the scope of articles 7 and 8.

**9.3** Such communication must be sent to Corporate Affairs using the form in **Appendix 3**.

## **Art. 10 - Transactions referable to Shareholders' Meetings**

**10.1** A Transaction shall be referred to the Shareholders' Meeting or must be authorised by it in compliance with the provisions of law or of the By-laws.

**10.2** If a Less Material Transaction is referable to the Shareholders' Meeting or requires its

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<sup>④</sup> The companies controlled by Prysmian (ie. its subsidiaries) are identified as such in the Related Party List.

authorisation, the rules in art. 7 shall apply to the process of preparation and approval of the proposal for submission to the Shareholders' Meeting.

**10.3** If a Material Transaction is referable to the Shareholders' Meeting or requires its authorisation, the rules in art. 8.2 shall apply to the process of negotiation, preparation and approval of the proposal for submission to the Shareholders' Meeting.

**10.4** The Shareholders' Meeting can approve resolutions relating to Material Transactions even when the Committee has expressed an adverse opinion. In this case, the Material Transaction shall not be completed under any circumstances if a majority of Unrelated Shareholders present at the meeting vote against the Transaction. The Transaction may be prevented only if the Unrelated Shareholders present at the meeting represent at least 10% of the Company's share capital with voting rights.

**10.5** If the By-laws so expressly allow, the Board of Directors may depart from the provisions of this article for Transactions referable to the Shareholders' Meeting that must be completed in urgent circumstances arising from a crisis situation.

## **Art. 11 - General resolutions**

**11.1** The Board of Directors may adopt, but still in compliance with the provisions of articles 7 and 8 of the Procedures, general resolutions relating to a series of similar transactions with certain categories of Related Parties, specified on a case-by-case basis by the Board of Directors.

**11.2** Such general resolutions shall be effective for no more than one year and shall:

- refer to sufficiently identified transactions, including at least the maximum expected amount of transactions to be undertaken in the period and the reasons for the expected terms;
- require a full report on the implementation of such general resolutions to be made to the Board of Directors at least every quarter.

**11.3** The provisions of articles 7 and 8 shall apply to such general resolutions, according to the maximum expected amount of the cumulative transactions covered by the specific general resolution.

**11.4** The Responsible Officers, in implementation of the procedures under art. 4, shall inform Corporate Affairs of the possibility that a series of similar Transactions with certain categories of Related Parties might be carried out and which could be covered by general resolutions. The execution of each general resolution must be communicated by the Responsible Officers directly concerned to the Chief Executive Officer who will report accordingly to the Board of Directors at least every quarter.

## **Art. 12 - Exemptions**

**12.1** The provisions of the present Procedures shall not apply to resolutions by the Shareholders' Meeting concerning the fees of members of the Board of Directors and, if it exists, of the Executive Committee (under art. 2389 of the Italian Civil Code), or to resolutions relating to the fees of members of the Company's Board of Statutory Auditors (under art. 2402 of the Italian Civil Code).

**12.2** The provisions of the present Procedures shall not apply to Minor Transactions, defined

as those with a negligible impact on the Prysmian Group's assets and liabilities, results of operations and financial position. Upon approving the present Procedures, the Company's Board of Directors has identified such transactions as those whose amount does not exceed Euro 250,000, including on a cumulative basis.

**12.3** Without prejudice to the disclosures required in interim and annual financial reports, the provisions of the present Procedures shall not apply to Transactions with or between Prysmian's subsidiaries or associates (i.e. intragroup transactions), identified as such in the Related Party List. This exemption shall apply if there are no significant interests of other related parties of the Company in the subsidiaries or associates involved in a specific Transaction.

Significant interests are those arising from shareholdings in the Company's subsidiary or associate involved in a specific Transaction, where such a relationship is such as to direct the decisions by the subsidiary or associate towards satisfying, on an exclusive or priority basis, the interests of the Related Party. Significant interests may exist when:

- (i) in addition to simply sharing one or more directors or other key management personnel, such persons benefit from share-based incentive plans (under which a portion of remuneration is nonetheless variable) that depend on the results attained by the subsidiaries or associates with whom the transaction is carried out,
- (ii) the entity which controls the Company or has significant influence over it also has an investment in the subsidiary or associate and the investment held by such entity in the Related Party exceeds the effective weight of the investment<sup>⑤</sup> held by the same entity in the Company.

The Responsible Officers directly involved in the intragroup transaction shall be initially responsible for assessing and reporting the application or otherwise of the exemption of intragroup transactions from the procedural and transparency obligations contained in these Procedures. Another safeguard are the disclosures required under the "Procedures for fulfilling the obligations under art. 150, par. 1 of TUF", through which Administration and Financial Reporting is informed of intragroup transactions qualifying as material under art. 5 of the Procedures.

Intragroup transactions which cannot be exempted under the present article shall follow the provisions of articles 7 and 8, depending on the maximum expected amount of the Transactions.

**12.4** The provisions of the present Procedures shall not apply to:

- a) share-based compensation plans approved by the Shareholders' Meeting in accordance with art. 114-bis of TUF and related implementation guidelines;
- b) resolutions, other than other indicated in art. 12.1, relating to the remuneration of directors and directors with particular responsibilities, and to other key management personnel, provided:
  - i) the resolutions are consistent with the remuneration policy adopted by the

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<sup>⑤</sup> For illustrative purposes only, the examples given by Consob in resolution 17389 dated 23 June 2010 to clarify the concept of "effective weight of the investment" are reproduced below:

(i) Company A controls 50% of the voting power of company B (a listed company), which in turn controls with the same percentage company C (an unlisted company). A also directly holds the other 50% of C. In a transaction between company B and company C, company A holds a significant interest in C because the effective weight of the investment in C is equal to  $50\% + (50 \times 50\%) = 75\%$ , while the weight of the investment in B is equal to 50%: there is therefore an incentive for a net transfer of resources from B to C.

(ii) Company A controls 30% of the voting power of company B (a listed company), which in turn controls 50% of the voting power of company C (an unlisted company). A also directly holds 10% of C. In a transaction between company B and company C, company A does not hold a significant interest in C because the effective weight of the investment in C is equal to  $10\% + (30 \times 50\%) = 25\%$ , while the weight of the investment in B is equal to 30%: in the absence of other significant interests, there is therefore no incentive for a net transfer of resources from B to C.

- Company;
- ii) the remuneration policy has been defined with the favourable opinion of the Compensation and Nominations Committee. If the composition of this committee does not satisfy the requirements of the Regulations, the above opinion shall be issued by the Committee referred to in art. 6.1 of the present Procedures, also in compliance with the safeguards envisaged by art. 6.3;
- iii) a report describing the remuneration policy has been submitted for the approval or consultative vote of the Shareholders' Meeting.
- c) Ordinary Transactions completed under Market Equivalent or Standard Terms. In the event of exemption from the disclosure requirements applying to Material Transactions:
  - i) the Company shall notify Consob of the counterparty, the object and consideration for the Transactions that benefited from the exemption;
  - ii) the Company shall disclose in its interim and annual financial reports which of the Transactions subject to disclosure requirements have been completed by applying the exemption permitted in the present article.

**12.5** If a Transaction is not referrable to the Shareholders' Meeting and does not have to be authorised by it, a Transaction may be exempted from the provisions of articles 7 and 8 of these Procedures in urgent circumstances, provided the By-laws so permit and provided:

- a) if the proposed Transaction falls under the responsibility of a Chief Executive Officer or of the Executive Committee (if formed), the Chairman of the Board of Directors and members of the Committee in art. 6 are informed before the Transaction takes place of the reasons for such urgency;
- b) such Transactions are, without prejudice to their validity, subsequently the subject of a non-binding resolution at the next possible ordinary Shareholders' Meeting;
- c) the Board of Directors prepares a report containing suitable justification for the urgency. The Board of Statutory Auditors shall report to the Shareholders' Meeting its opinion of whether there were urgent reasons or not;
- d) the report and opinion in c) shall be made publicly available, at least twenty-one days before the date set for the Shareholders' Meeting, at the registered office and following the procedures required by law;
- e) within one day after the Shareholders' Meeting, the Company shall make publicly available, following the procedures required by law, the results of the vote, with particular regard to the total number of votes cast by Unrelated Shareholders.

## **Art. 13 - Disclosure of Related Party Transactions**

**13.1** The Company must prepare an information memorandum in compliance with the requirements of the Regulations for any Material Transactions, including those carried out by its Italian or foreign subsidiaries. The information memorandum shall be published and sent to Consob in accordance with the timing and procedures contained in the Regulations.

**13.2** The information memorandum in 13.1 must also be prepared if cumulative transactions under art. 8.3 exceed the materiality thresholds.

**13.3** The Company shall publish and send to Consob, together with the above information memorandum, any opinions by the Committee and any independent experts that might be involved in the Transaction.

**13.4** As required by art. 154-*ter* of TUF, the Company shall disclose information in its interim and annual financial reports about:

- a) individual Material Transactions completed in the reporting period;

- b) any other individual Related Party Transactions completed in the reporting period, which have had a material impact on the Company's balance sheet and results;
- c) any other change or development in the Related Party Transactions described in the latest annual financial report which has had a material impact on the Company's balance sheet and results in the reporting period.

**13.5** The preparation and publication of the information memorandum referred to in art. 13.1, as well as its transmission to Consob, shall be coordinated by Corporate Affairs, starting with the information collected under the procedures in art. 4, as subsequently integrated and completed to ensure that the information memorandum satisfies all the Regulations' requirements. In order for Prysmian's head office functions and/or subsidiaries, involved in the Transaction described in the information memorandum, to be able to provide the information needed to prepare this document, Corporate Affairs can request their assistance at any time and their direct contribution in preparing the information memorandum.

#### **Art. 14 - Related Party Transactions and disclosures under art. 114, par. 1 of TUF**

**14.1** If a Related Party Transaction is also subject to the disclosure requirements under art. 114, par. 1 of TUF, the public communication shall contain the following information, in addition to the other information to be published in accordance with such article:

- a) the fact that the Transaction counterparty is a Related Party and a description of the nature of the relationship;
- b) the name or company name of the Transaction counterparty;
- c) whether the Transaction exceeds or not the materiality thresholds identified in art. 5 and whether an information memorandum will be subsequently published;
- d) the procedures that have been or will be followed for approving the Transaction and, in particular, whether the Company has made use of any permitted exemptions;
- e) whether the Transaction has been approved despite the Committee's adverse opinion.

#### **Art. 15 - Monitoring and revision of the Procedures**

**15.1** The present Procedures, as well as any amendments thereto, shall be approved by the Board of Directors, after obtaining the Committee's reasoned favourable opinion.

**15.2** The Board of Statutory Auditors shall monitor compliance of the adopted Procedures with applicable laws and regulations, and compliance with the Procedures and shall report to the Shareholders' Meeting accordingly.

**15.3** The present Procedures and related amendments shall be published without delay on the Company's website, without prejudice to the requirement to publicise these procedures in the annual financial report, including by making reference to the website.

#### **Art. 16 - Final provisions**

**16.1** These Procedures applies from 1<sup>st</sup> January 2011 and then amended by the Board of Directors on 19<sup>th</sup> December 2013 and on 10<sup>th</sup> May 2016.

**16.2** The Company shall inform all the addressees that these Procedures have been issued and of any amendments and additions thereto. In particular, the Chief Executive Officer shall see that a copy of the Procedures is sent to all the Responsible Officers in charge of distributing the Procedures to function heads and their other staff who might be a position to be able to verify and identify the possible conduct of Related Party Transactions. The

Procedures shall be published on the Company's website for ease of access by all addressees. Corporate Affairs shall be responsible for monitoring the adequacy of the Procedures over time and for presenting any proposed revisions to the Committee and Board of Directors.

**16.3** In order to ensure coordination with the administrative and accounting procedures under art. 154-bis of TUF, the present Procedures complement the "*Procedures for fulfilling the obligations under art. 150, par. 1 of TUF*" adopted by the Prysmian Board of Directors on 31 July 2007 and subsequent amendments and additions thereto.

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## APPENDICES

## APPENDIX 1 - (Definitions of Related Parties and Related Party Transactions and associated definitions)

### 1. Definitions of Related Parties and Related Party Transactions

For the purposes of art. 3.1 of these Procedures, the following definitions shall apply:

#### *Related Parties*

A party is a *related party* to Prysmian if:

- (a) directly or indirectly, including through subsidiaries, trustees or one or more intermediaries, the party:
  - (i) controls, is controlled by, or is under common control with, the Company;
  - (ii) has an interest in the Company that gives it significant influence over the Company;
  - (iii) has joint control over the Company with others;
- (b) the party is an associate of the Company;
- (c) the party is a joint venture in which the Company is a venturer;
- (d) the party is a member of the key management personnel of the Company or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power (ie. not less than 20%) in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);
- (g) the party is a collective or individual supplementary Italian or foreign pension fund for the benefit of employees of the Company, or of any other entity that is a related party of the Company.

#### *Related Party Transactions*

A *related party transaction* is any transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Related party transactions also include:

- mergers, spin-offs for absorption or non-proportional spin-offs, if undertaken with related parties;
- any decision relating to the grant of remuneration and economic benefits, in any form, to the Company's Directors, Statutory Auditors or members of its key management personnel.

### 2. Definitions relating to those of Related Parties and Related Party Transactions

For the purposes of the above definitions, the terms "control", "joint control", "significant influence", "close family members", "key management personnel", "subsidiary", "associate" and "joint venture" are defined as follows:

#### *Control and joint control*

*Control* is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Control is presumed to exist when a party owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Control also exists when a party owns half or less of the voting power of an entity when there is:

- (a) power over more than half of the voting rights by virtue of an agreement with other investors;
- (b) power to govern the financial and operating policies of the entity under a statute or an agreement;
- (c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body;
- (d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body, and control of the entity is by that board or body.

*Joint control* is the contractually agreed sharing of control over an economic activity.

#### *Significant influence*

*Significant influence* is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.

If an investor owns, directly or indirectly (e.g. through subsidiaries), 20% or more of the voting power of the investee, it is presumed to have significant influence, unless it can be clearly demonstrated otherwise. Conversely, if the investor owns, directly or indirectly (e.g. through subsidiaries), less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

The existence of significant influence by an investor is usually evidenced in one or more of the following ways:

- (a) representation on the board of directors or equivalent governing body of the investee;
- (b) participation in policy-making processes, including participation in decisions about the dividend or other distributions;
- (c) material transactions between the investor and the investee;
- (d) interchange of managerial personnel;
- (e) the provision of essential technical information.

*Key management personnel*

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) of that company.

*Close family members*

*Close members of the family of an individual* are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

They may include:

- (a) the individual's spouse, unless legally separated, or domestic partner;
- (b) the children and other dependants of the individual, or of the individual's spouse, unless legally separated, or domestic partner.

*Subsidiary*

A *subsidiary* is an entity, including an unincorporated entity such as a partnership, that is controlled by another entity.

*Associate*

An *associate* is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

*Joint venture*

A *joint venture* is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

**3. Principles of interpreting the definitions**

**3.1.** When examining each related party relationship, attention must be given to the substance of the relationship and not merely its legal form.

**3.2.** The above definitions shall be interpreted with reference to the international accounting standards adopted in accordance with the procedure established in art. 6 of Regulation (EC) 1606/2002.

**APPENDIX 2 - (Form for notifying Related Party relationship)**

For the attention of the  
**Head of Corporate Affairs Department**  
Prysmian S.p.A.  
Viale Sarca 222 – Milan (Italy)

By e-mail or fax (number \_\_\_\_\_)

**Re: related party declaration**

The undersigned (surname and first name) \_\_\_\_\_,  
\_\_\_\_\_, born \_\_\_\_\_ in  
\_\_\_\_\_, on \_\_\_\_\_, nationality \_\_\_\_\_, tax code  
(if applicable) \_\_\_\_\_, resident in (address, post code, town, country)  
\_\_\_\_\_.

In his/her position as:

- A) Director of Prysmian S.p.A.
- B) Standing Statutory Auditor of Prysmian S.p.A.
- C) Key manager of Prysmian S.p.A.
- D) Entity which controls Prysmian S.p.A.
- E) Representative of the Company which controls Prysmian S.p.A.  
Company name \_\_\_\_\_, VAT number \_\_\_\_\_, Registered  
office (address, post code, town, country) \_\_\_\_\_  
\_\_\_\_\_,
- F) Other (specify the nature of the relationship) \_\_\_\_\_  
\_\_\_\_\_.

for the purposes of the regulations for related party transactions approved by Consob on 12 March 2010, under resolution 17221 and subsequent amendments and additions thereto, knowing the definition of a related party<sup>①</sup> contained in the stated Consob regulation and acknowledging the "Procedures for Related Party Transactions" adopted by the Board of Directors of Prysmian S.p.A.,

**DECLARES**

that he/she **does not have** control<sup>②</sup>, joint control<sup>③</sup>, significant influence<sup>④</sup>, or does not hold significant voting power (ie. not more than 20%) over any company or entity,

or,

that he/she **has** control, joint control, significant influence, or significant voting power (ie. more than 20%) over the companies/entities listed below:

Company/Entity Name	Country	Registered Office	VAT number

(only for parties in A, B, C and D)

**ALSO DECLARES**

that he/she **has no** close family members<sup>⑤</sup> relevant for the purposes of the rules in question,

or,

that his/her **close family members** relevant for the purposes of the rules in question are:

Ref.	Nature of	Surname and First Name	Date and Place of Birth	Tax Code

	Relationship			
1.				
2.				
3.				

and that the same:

- do not have** control, joint control, significant influence, or does not hold significant voting power (ie. not more than 20%) over any company or entity,
- or,
- have** control, joint control, significant influence, or significant voting power (ie. more than 20%) over the companies/entities listed below:

Company/Entity Name	Country	Registered Office	VAT number	Ref. close family member

The undersigned person (i) undertakes to promptly inform Prysmian S.p.A. of any future change/addition to the information provided herein, (ii) declares that they have taken note of the information under art. 13 Legislative Decree 196/2003 appended to this form, (iii) confirms that they have obtained the personal data of their close family members in compliance with the provisions of Legislative Decree 196/2003.

**Place, Date**

**Signature**

① A party is a **related party** to Prysmian if:

- (a) directly or indirectly, including through subsidiaries, trustees or an intermediary, the party:
- (i) controls, is controlled by, or is under common control with, the Company;
  - (ii) has an interest in the Company that gives it significant influence over the Company;
  - (iii) has joint control over the Company with others;
- (b) the party is an associate of the Company;
- (c) the party is a joint venture in which the Company is a venturer;
- (d) the party is a member of the key management personnel of the Company or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power (ie. not less than 20%) in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);
- (g) the party is a collective or individual supplementary Italian or foreign pension fund for the benefit of employees of the Company, or of any other entity that is a related party of the Company.

② **Control** is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when a party owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Control also exists when a party owns half or less of the voting power of an entity when there is:

- (a) power over more than half of the voting rights by virtue of an agreement with other investors;
- (b) power to govern the financial and operating policies of the entity under a statute or an agreement;
- (c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body;
- (d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body, and control of the entity is by that board or body.

③ **Joint control** is the contractually agreed sharing of control over an economic activity.

④ **Significant influence** is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.

If an investor owns, directly or indirectly (e.g. through subsidiaries), 20% or more of the voting power of the investee, it is presumed to have significant influence, unless it can be clearly demonstrated otherwise. Conversely, if the investor owns, directly or indirectly (e.g. through subsidiaries), less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

The existence of significant influence by an investor is usually evidenced in one or more of the following ways:

- (a) representation on the board of directors or equivalent governing body of the investee;
- (b) participation in policy-making processes, including participation in decisions about the dividend or other distributions;
- (c) material transactions between the investor and the investee;
- (d) interchange of managerial personnel;
- (e) the provision of essential technical information.

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- ⑤ *Close members of the family of an individual* are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. They may include:
- (a) the individual's spouse, unless legally separated, or domestic partner;
  - (b) the children and other dependants of the individual, or of the individual's spouse, unless legally separated, or domestic partner.

**APPENDIX 3 - (Form for reporting information about Related Party Transactions)**

In compliance with art. 4.6 of the Procedures, this form must contain the following information as a minimum:

- the name of the Related Party with whom the transaction is being undertaken;
- the type and subject of the transaction (including a brief description of its characteristics, manner of execution, terms and conditions);
- an indication of the reasons for the transaction and of its substantive fairness;
- the economic value of the transaction;
- the method of determining the price and assessments of its fairness;
- any risks for the Company and/or its subsidiaries arising from the transaction;
- any materiality thresholds exceeded from which derives the material nature of the transaction.

Issuer/Reporting Company:	
Related Party:	
Type and subject of transaction:	
Reasons:	
Economic value of transaction:	
Method of determining price:	

- the transaction qualifies as a **Less Material Transaction (art. 5)**
- the transaction, although qualifying individually as a **Less Material Transaction**, if **taken cumulatively** could result in the materiality thresholds being exceeded (**art. 8.3**)
- the transaction qualifies as a **Material Transaction** because it has exceeded the materiality thresholds (**art. 5**)  
*(describe the calculation made)* \_\_\_\_\_
- despite being an **intragroup transaction**, it is not exempt from disclosure requirements because of the possible presence of a **significant interest by another Related Party** of the Company (**art. 12.3**)  
*(indicate the other Related Party and describe the possible significant interest)* \_\_\_\_\_
- the transaction qualifies as an **Ordinary Transaction completed under Market Equivalent or Standard Terms** (see the "**Definitions**" contained in the Procedures) *(send objective supporting documentation together with this form)*
- the transaction may form part of a **series of similar transactions with certain categories of Related Parties** and could therefore be the object of a specific **general resolution (art. 11.1)**.

**Other observations, explanations and/or details:**

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