



# PRYSMIAN GROUP **2017** SUSTAINABILITY OVERVIEW

**Growing  
responsibly**

**Prysmian**  
Group

THE ROOTS OF

# SUSTAINABILITY

Prysmian is continuously strengthening its commitment to sustainability and in 2017 implemented a specific Plan consisting of priorities, objectives and concrete actions aimed at meeting the 16 quantitative Key Performance Indicators that make up the Group's Scorecard by 2020. The Group also confirmed its position in the main international sustainability indices and assessments, including FTSE4Good, Dow Jones Sustainability Index and CDP.

The identification and analysis of risks linked to environmental and social impacts has an increasing importance within the Group. During 2017 strategies and key activities were undertaken to mitigate these risks, which are constantly monitored to guarantee an adequate control and management system.

Over the years, the Group has set a clear sustainability strategy inspired by the universally recognised United Nations Sustainable Development Goals, while aligning all stakeholders through the sharing of activities and objectives with customers, suppliers, institutions and communities, within the same major projects in which integrity and responsibility play the main role.

Since 2014 we started the Multi-Stakeholder Engagement project as part of dialogue with stakeholders on sustainability issues, aimed at strengthening trust relationships based on the principles of transparency, openness and dialogue. The fourth Multi-Stakeholder Engagement event took place in 2017 in Delft, Holland, where we focused together on the evolution of the global industry context, as well as the ability to think about the future with a view to responsibility towards the environment and society.

The Group continue to pursue the economic and financial responsibility with the success of the "Your Employee Shares shareholding program, while the Human Capital Strategy", launched in 2015, has guided the development of specific actions based on pillars such as international global recruiting campaigns, enhancement of internal resources, training programmes and initiatives, while embracing and protecting diversity.

We perceive the sustainability issues in the widest possible meaning, always trying to adhere to what we believe is the foundation upon which any sustainable behaviour, from doing business to economic and social matters, is rooted into, which is, in one word, Ethics.



**Valerio Battista**  
CEO of Prysmian Group

# DRIVEN BY THE PRINCIPLES OF RESPONSIBILITY

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The **Sustainability Report**, now in its seventh editions, is aimed at informing stakeholders about results achieved not just in terms of business, but in all the social, environmental and human development issues which the Group is committed to.

Being the global leader in an industry that makes the world go round, by providing through its cables and systems the energy and information that make life and development possible for human communities across the world, our sustainability strategy represents a key aspect of our way of doing business. Our industry in fact guides the growth strategy on such key matters as sustainable, technological innovation of the solutions offered, the environmental responsibility of production processes, attention to safety at work and development of talent, as well as managing relationships with customers and local communities where we operate.

The principles of ethics, integrity, transparency, anti-corruption and respect for human rights, which characterise Prysmian's way of operating and find a concrete reference in the Code of Ethics and in the policies spread throughout the Group, remain a firm point of Reference as far as sustainability matters. The Code of Ethics represents the Group's "Constitution", being the charter of rights and moral duties that defines the ethical-social responsibilities of each participant in the organisation. Prysmian has developed a Sustainability Policy that defines the vision and the reference values for the various areas of Business Integrity, Product Responsibility, Social Responsibility and Environmental Responsibility and Governance, with the aim of providing, make public and disseminate to all Group operations and partners the guidelines and the actions needed to achieve a sustainable growth over the long run.



As the global leader in our industry, we know business excellence means the capability of **CREATING VALUE** lasting over time to the benefit of our investors, stakeholders and the entire society, thus achieving the goal of growth in a **RESPONSIBLE FASHION**

## OUR MISSION

We provide cables and systems for energy, transport and telecommunications. A strong reputation for performance and innovation helps us deliver sustainable growth and profit.

But we don't just want to be good for business. We want to be good to do business with responsibility. That's why our values are so important to us. The things we do and the way we approach them are an opportunity to show our pride in our work.





## OUR VISION

Energy and Information help communities to develop. That's why it's so important that they're always available and supplied effectively, efficiently and sustainably.

Whatever the business of our customers, wherever they are, however harsh the environment they operate in, we're committed to keeping them connected. We view every day as an opportunity to bring our vision to life in our actions. No matter how big, or small, the things we do on a daily basis build up over time and help us to deliver on our mission.



## OUR VALUES

Excellence. Integrity. Understanding.

**EXCELLENCE.** Good is never good enough. We combine rigour and business instinct to deliver innovative complete solutions for every type of business.

**INTEGRITY.** When it comes to ethics, no challenge is too big, or too small, if it means doing things right.

**UNDERSTANDING.** We have strong respect for different opinions and ideas, and a keen focus on our customers' needs.

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**TAKING ACTION**

In 2017 Prysmian implemented a Sustainability Plan containing priorities, targets and actions to meet the 16 KPIs that make up the Scorecard by 2020.

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## INVESTING INTO EXCELLENCE

In 2017 the Group has continued an industrial strategy based on products with higher added value and technological content while constantly searching for greater manufacturing efficiency.

## THE DRIVING FORCE OF ETHICS

The value of integrity is a key part of a sustainable approach to business and goes well beyond the simple observance of rules and regulations, as it permeates the entire spectrum of company life.



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**THE MEASURE OF SUCCESS**

As Customer Centricity is a pillar of Prysmian success story the company is keen to make sure that customers' needs are fully satisfied through specific surveys and reporting.

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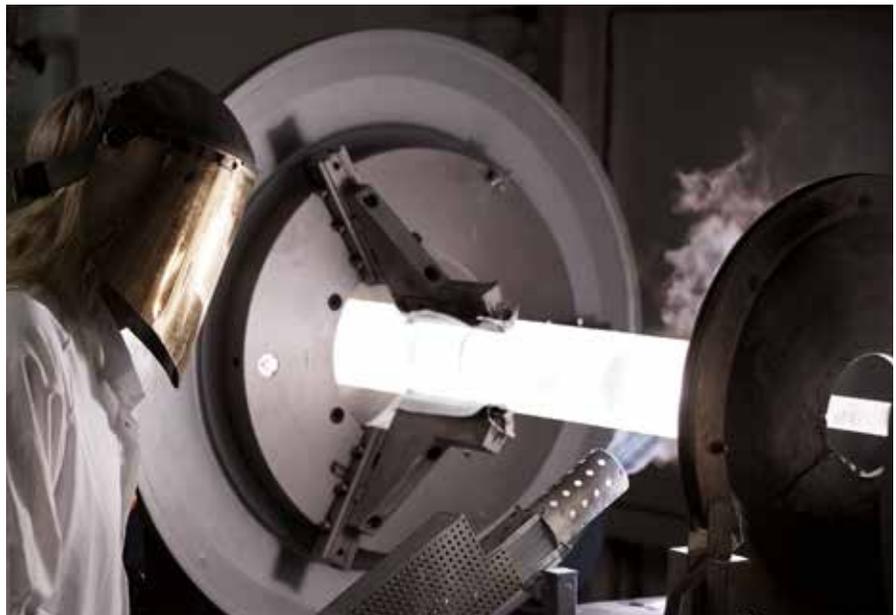
## THE HUMAN ASSET

Sustainability means preserving and increasing the internal value: the people who have built the story of the Group by transmitting their values and knowledge from one generation to another.

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## A PIONEERING SPIRIT

Our search for new technology solutions has led to many innovations that paid off in terms of sustainability.



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## ON THE ENVIRONMENT SIDE

We actively strive to safeguard and protect the environment and conserve natural resources.

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# TAKING ACTION

In 2017 Prysmian implemented a Sustainability Plan containing priorities, targets and actions to meet the 16 KPIs that make up the Scorecard by 2020.

# GROWING RESPONSIBLY

In 2017, Prysmian implemented a specific Sustainability Plan consisting of priorities, objectives and concrete actions aimed at meeting the 16 Key Performance Indicators that the Group set up in its Scorecard by 2020. Lorenzo Caruso, Corporate and Business Communications Director, tells the further important progress made to achieve the goal of a truly responsible growth.

“In 2017, Prysmian Group made further progress on its path of growth, both organically and along external lines: the more you grow, the more you have to act responsibly, in order to make your progress sustainable for all those involved”. Lorenzo Caruso believes the commitment to a sustainable growth has to be implemented with a set of specific actions aimed at reaching well defined targets within a certain time frame. That is why the Group adopted in 2017 a **Sustainability Plan** consisting of priorities, objectives and concrete actions aimed at meeting the 16 quantitative KPIs that make up the Group's **Scorecard** by 2020.

“Furthermore”, Caruso explains, “you have to measure objectively the progress you made in terms of sustainability: always in 2017 the Group confirmed its position in the main **international sustainability indices and assessments**, including FTSE4Good, Dow Jones Sustainability Index and CDP”.

Also the identification and analysis of **risks** linked to environmental and social impacts are part of the responsibility for a sustainable growth. In 2017, tells Caruso, after the Group has identified some sustainability risks to which appears to be exposed, “strategies and key activities were undertaken to mitigate these risks, which are constantly monitored by the company with an adequate management system”.

The clear **sustainability strategy adopted by the Group over the years is** inspired by the universally recognised United Nations Sustainable Development Goals. But, Caruso adds, “the direction taken has not only to be shared, but also aligned with the expectations of Prysmian's stakeholders, through the sharing of activities and objectives with customers, suppliers, institutions and communities, within the same major project in which integrity and responsibility play the main role”.



# STRATEGY

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Sustainability Policy

Sustainability Plan

Sustainability Scorecard

Human Rights Policy

Whistleblowing Procedure

Conflict mineral policy

Corporate strategy

# A YEAR OF ACHIEVEMENTS

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ECONOMIC  
VALUE

**€7,866 M**

Economic value generated and distributed

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**3rd**

3rd in the 'Electrical Components & Equipment' sector  
Dow Jones Sustainability Index

**Rating confirmed**

Carbon Disclosure Project (CDP)

**Inclusion**

STOXX® Global ESG Leaders Index

**Inclusion**

Carbon Clean 200 Report™

**70/100**

Score EcoVadis

**Rating EE+**

Standard Ethics Italian index

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INDICES

**53%**

Employee participation in the 'YES' scheme

**45,000**

Applications received for the Graduate Programme

**12,484**

Hours of training provided by the Group Academy

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PEOPLE

**€10 M**

Investment in HSE

**94%**

Production sites certified ISO 14001

**78%**

Production sites certified OHSAS18001

**-5%**

Tonnes of CO2-equivalent emissions

**-1%**

Ozone-depleting substances

**50%**

Of drums reused

ENVIRONMENT

# ALIGNING **STAKEHOLDERS** ON SHARED GOALS

In 2017, Prysmian implemented a specific Sustainability Plan consisting of priorities, objectives and concrete actions aimed at meeting the 16 quantitative KPIs that make up the Group's Scorecard by 2020.

As the identification and analysis of risks linked to environmental and social impacts has an increasingly important role within the Group, in 2017 some sustainability risks to which Prysmian appears to be consistently exposed through its business model were identified. Strategies and key activities were undertaken to mitigate

them, which are constantly monitored by the company departments guaranteeing an adequate internal control and management system.

The Group has set a clear sustainability strategy inspired by the universally recognised United Nations Sustainable Development Goals. The Group path towards sustainability was aligned with the expectations of stakeholders, through the sharing of activities and objectives with customers, suppliers, institutions and communities, within the same major project in which integrity and responsibility play the main role.



## A

**Facilitate the deployment of accessible energy and innovation in telecommunications and infrastructures**

- 1** Develop **innovative products** and solutions that support the sustainability of telecommunication energy infrastructures.
- 2** Boost the sale of high quality, reliable, affordable and **"green" products and services**.
- 3** Contribute to the universal dissemination of energy and telecommunications **via reliable and accessible infrastructures**.
- 4** Facilitate **access to clean energy**, via the development of solutions for the producers of renewable energy and support for the research into sustainable technologies.

**KPI**  
% of annual revenues from "Low carbon products"

## B

**Pursuit responsible consumption of natural resources and sustainable supply chain**

- 5** Pursuit responsible consumption of natural resources and **sustainable supply chain**.
- 6** Pursue the efficient and **sustainable use of energy and natural resources** by reducing consumption and the issue of greenhouse gases, while minimizing the generation of waste and promoting the recycling and reuse of materials.
- 7** Promote **sustainable business** practices between own suppliers and business partners.

**KPI**  
% of reduction in the emissions of greenhouse gases  
% of total waste recycled  
% of suppliers assessed on specific areas exposed to sustainability risk

## C

**Contribute to the development of people and communities reference**

- 8** Contribute to the **development of people** and communities of reference.
- 9** Participate and contribute to the **socio-economic development** of the communities in which the Group operates through the adoption of an appropriate Corporate Citizenship and Philanthropy policy.
- 10** Deliver **ethical behavior, protect workers' rights and diversity**, develop a healthy environment for work, training and the professional growth.
- 11** Develop effective, **transparent and responsible communication with stakeholders**.

**KPI**  
No. of sustainable projects supported via the donation of Prysmian cables.  
% of satisfied workers  
% of women executives

# OUR AMBITION 16 TARGET AT 2020

## Sustainability scorecard table

	GOAL	KPI	Baseline 2016	2017	TARGET 2020
<b>A</b> 	<b>A.1</b>	Percentage of product families (cables) covered by carbon footprint calculation	0%	5% <sup>3</sup>	<b>100%</b>
	<b>A.2</b>	Percentage of recyclable production materials purchased annually supporting circular economy	80%	80%	<b>Maintain over 80%</b>
	<b>A.3</b>	Percentage of annual revenues from products considered as "Low carbon products" <sup>4</sup>	39%	37%	<b>40%</b>
<b>B</b> 	<b>B.4</b>	Percentage reduction of Greenhouse Gas emissions (Scope 1 and 2)	683,562 tCO <sub>2</sub> eq	649,299 tCO <sub>2</sub> eq	<b>-15%</b>
	<b>B.5</b>	Percentage reduction of energy consumption	6,261,714 GJ	6,327,887 GJ	<b>-4.5%</b>
	<b>B.6</b>	Percentage of total waste recycled	30%	50%	<b>40%</b>
	<b>B.7</b>	Percentage of drums reused annually	40%	40%	<b>Maintain</b>
	<b>B.8</b>	Percentage of total spending covered by an evaluation of sustainability practices	50%	55%	<b>60%</b>
	<b>B.9</b>	Percentage of suppliers assessed over specific areas of sustainability risk	0% of mica suppliers	20% of mica suppliers	<b>100% of mica suppliers</b>
	<b>B.10</b>	Number of sustainability audits conducted based on supply chain sustainability risk	0	5	<b>20</b>
	<b>C</b> 	<b>C.11</b>	Number of working hours to be donated in 4 years through volunteering	0	40
<b>C.12</b>		Number of sustainable projects supported through the donation of cables	1 project per yearly	1 project per yearly	<b>Maintain</b>
<b>C.13</b>		Percentage of key management positions filled annually through internal promotion	85%	80%	<b>Maintain</b>
<b>C.14</b>		Percentage of employees satisfied (with an Engagement Index above 5, out of 7)	60%	52%	<b>70%</b>
<b>C.15</b>		Percentage of women in executive positions	6%	6.4%	<b>12%</b>
<b>C.16</b>		Frequency and severity rate of injuries	2.6 53.6	2.35 58.04	<b>Frequency rate: 2.2 Severity rate: 45</b>



# ANALYSING MATERIALITY, EVEN MORE **IN DEPTH**

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In 2017 Prysmian Group further extended and refined its materiality analysis created by following the "G4 Sustainability Reporting Guidelines" of the Global Reporting Initiative.

The analysis makes it possible to identify the sustainability issues that have significant impact both for the Group and its stakeholders, in economic, environmental and social terms, as well as to map the new needs and the new requirements of the stakeholders in relation to the strategy and the Group's risk management process.

The materiality analysis process followed by the Prysmian Group involves 4 phases: stakeholder mapping and identification of relevant sustainability issues, prioritisation of the issues based on the evaluation of their relevance for the Group and of their relevance for stakeholders, elaboration of the materiality matrix.

With the aim of having an updated and integrated overview of the global and industry context, an additional documentary analysis of external sources was carried out in 2017, which allowed to identify the main sector trends and any new issues that emerged as relevant.

The analysis identified new issues that will be subject to stakeholder assessment during 2018, concerning in particular cyber security, anti-corruption, innovation of products and services for climate change, access to energy.

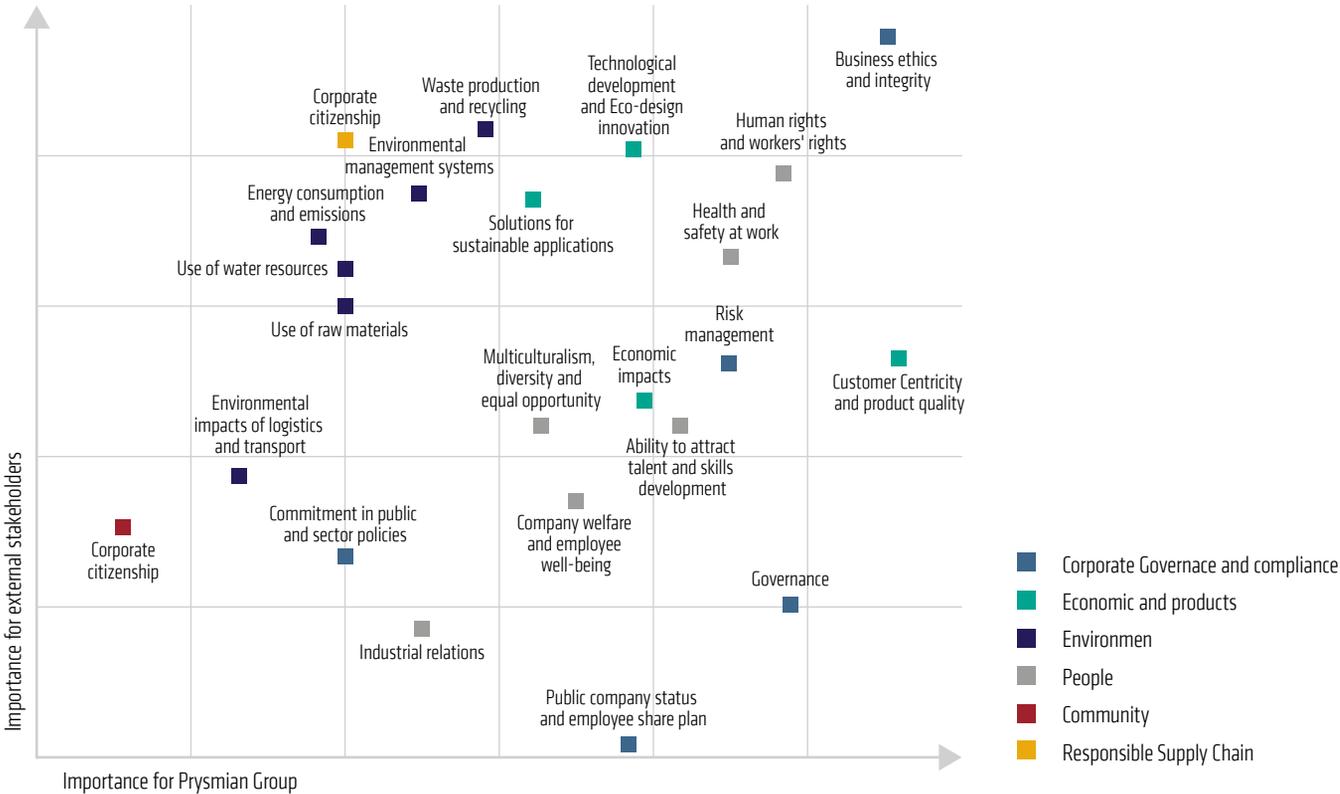
topics: energy consumption and emissions, ability to attract talent, business ethics and integrity, technological development and eco-design innovation, human and workers rights , health and safety at work.

A specific materiality matrix was thus elaborated to provide an aggregated view of the current and potential relevance of the issues. Within the matrix some themes were aggregated under six

Compared to 2016, the assessed importance increased for energy consumption and emissions, sustainability within the supply chain and human and workers' rights.

# MATERIALITY MATRIX

The Prysmian materiality matrix was elaborated to provide an aggregated view of the relevance of the issues for the Group, in terms of current and potential impact, which each theme can have on the Group's ability to create value over the long term, and for its stakeholders, in terms of the influence that each issue has on their decision-making processes.



# CREATING AND DISTRIBUTING VALUE

The Prysmian Group makes a constant effort to create and distribute value to its stakeholders. This commitment is monitored every year thanks to the definition of the added value generated and redistributed (or Added Value) that allows to quantify how much wealth has been produced by the Group and how it has been redistributed among all its stakeholders in order to provide a complete picture of the economic impact that the company produces.

In 2017, the economic value generated by Prysmian amounted to €7,866 million, of which €223 million (2.8%) consisted of profits redistributed to Group Members and interest to third parties and represented the value withheld. The percentage allocated in the form of spending on Suppliers – including raw material and other services – amounted to 81.2%. As a result, the rest was redistributed respectively to payment to Human Resources (13.8%), payment to Lenders (1.1%), payment to the Public Administration (1.0%) and contributions to the Community of €100,000. The allocations reflected the income statement captions in the consolidated financial statements as of 31 December 2017.

Prysmian is one of the few Italian manufacturers with a global presence that, in recent years, has achieved true public company status. 100% of the Group's shares, as of 31 December 2017, are owned by floating shareholders, with almost 80% of capital held by institutional investors. Major shareholdings (in excess of 3%) account for around 19% of share capital. Accordingly, there are no majority or relative majority shareholders.

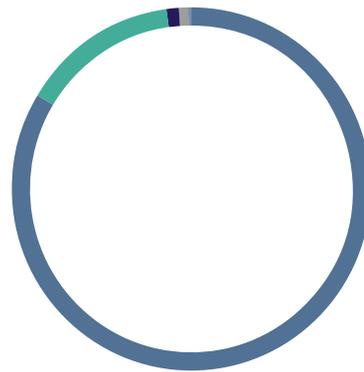
As of 31 December 2017, the share capital of Prysmian S.p.A. amounts to Euro 21,748,275.40, represented by 217,482,754 ordinary shares with a nominal value of Euro 0.1 each. The ownership at that date was structured as follows: Institutional Investors 77.8%, Retail 8.3%, 3.0% Treasury shares, 10.9% Others.

Geography-wise, the Group witnessed the predominance of the United Kingdom with 26% of capital held by institutional investors, followed by the United States at 22%.

Italy represented about 14% of capital held by institutional investors, a slight decrease since 2016, while France increased slightly to 10%. The weighting of Asian investors remains largely stable. About 71% of the capital held by institutional investors is owned by Value, Growth or GARP investment funds that have a medium/long-term time horizon. Stable with respect to 2016, there has been a decrease in the number of shareholders adopting an Index investment strategy, based on the principal stock indices, while the Hedge Fund component - with a shorter time horizon - has now increased to reach 5% of the total. Clubtre S.p.A., the Group's historic shareholder after the exit of Goldman Sachs, reduced its stake to 4.01% following the sale of 4 million shares through an Accelerated Bookbuilding process on 18 January 2017. A statement made by Tamburi Investment Partners, a member of Clubtre S.p.A. with a stake of 43.28%, said that this transaction represents a partial realisation of the investment made in 2010, and that it will maintain a significant shareholding in Prysmian through Clubtre.

In April 2017 the Shareholders' Meeting of Prysmian approved the 2016 financial statements, the allocation of exercise and distribution of dividends, authorisation to purchase and dispose of treasury shares and consultation on remuneration policies. Seventeen hundred members participated in the Shareholders' Meeting, directly or by proxy, representing over 54% of the share capital, and approved, with a large majority exceeding 95% all the items on the agenda and the distribution of a dividend of €0.43 per share, in line with the previous year. The payment took place on 26 April 2017, for a total amount of approximately €91 million.

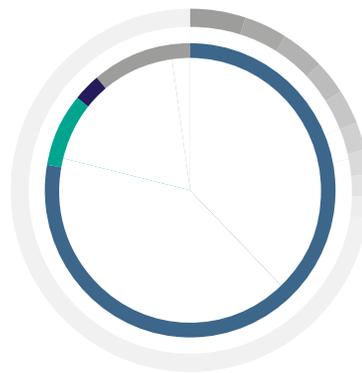
### ALLOCATION OF ECONOMIC VALUE CREATED IN 2017 (IN MILLIONS OF €)



- **81.2%** Suppliers
- **13.8%** Human Resources
- **1.1%** Lenders
- **1.0%** Public Administration
- **0.001%** Community, around EUR 100 thousand

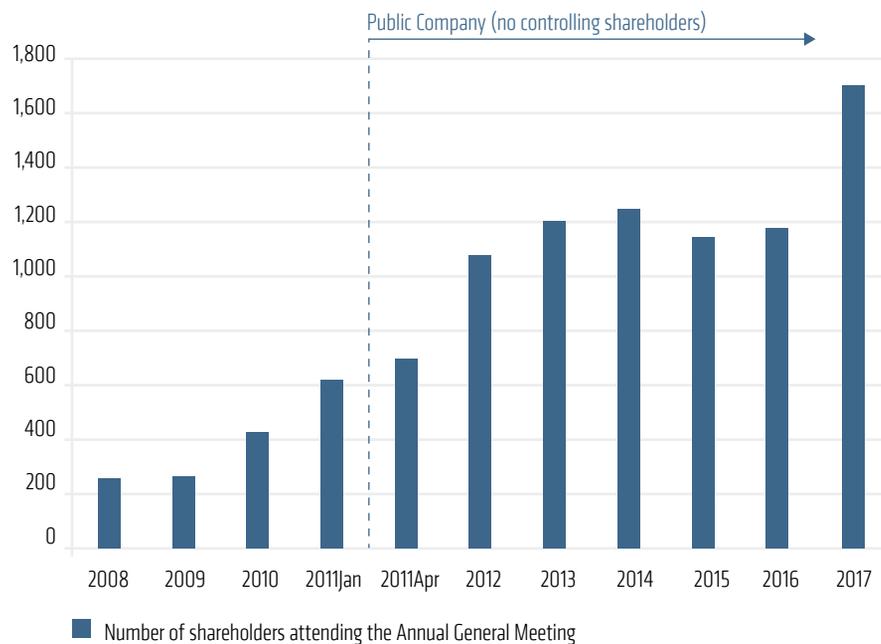
### OWNERSHIP STRUCTURE BY TYPE AND MAJOR SHAREHOLDERS

- **77.8%** Institutional Investors
- **8.3%** Retail
- **3.0%** Treasury shares
- **10.9%** Other



- **4.8%** BlackRock Inc
- **4.0%** Clubtre S.p.A.
- **3.8%** Franklin Equity Group
- **3.1%** State Street Global Advisors Ireland Limited
- **3.1%** Norges Bank Investment Management
- **2.5%** UBS AG
- **2.3%** Sun Life Financial Inc
- **2.2%** Italian Banks Union, S.c.p.A.
- **2.2%** SAFE Investment Company Limited
- **72.0%** Other

### ANNUAL GENERAL MEETING: NUMBER OF ATTENDEES IN PERSON OR BY PROXY



# A TRUST-BASED RELATIONSHIP

The sustainability strategy adopted by Prysmian is marked by the importance recognised to the Group's numerous stakeholders.

In pursuing its corporate objectives, among which stands out the capability of doing business in a sustainable and responsible fashion, it is fundamental for Prysmian to develop forms of constant dialogue and interaction with both the internal and external stakeholders, in order to understand the various needs, interests and expectations, from the social, economic, professional and human ones, of all the actors involved.

Against a background that is dynamic, competitive and subject to major changes, being able to foresee changes and identify emerging trends enables the Group to generate constant and shared added value over the long term. Establishing and developing trust-based relationships, founded on the principles of transparency, openness and listening, enables Prysmian to understand the constantly changing expectations and requirements of those stakeholders that, directly or indirectly, influence the activities of the Group or that, in turn, are influenced by us.

## A dynamic approach

The approach used by the Group to communicate with stakeholders has evolved steadily over time, involving various initiatives intended to make best use of the multiple channels available.

Multi-Stakeholder Engagement initiatives have thus become an integral part of the Group's growth strategy, as well as an effective communications channel.

These initiatives and events are organised in pursuit of some key objectives, among which to receive external cues that lead to product and process innovation, to improve the management of reputational risk, to inform, sensitise and engage stakeholders by developing a virtuous circle that generates positive impact, to contribute to the development of relations with stakeholders based on trust and transparency.

## International standard

To define and implement its stakeholder engagement path, the Prysmian Group follows the guidelines of the AA1000SES International Standard, according to the latest updated version of 2015, developed by the Institute of Social and Ethical Accountability. In 2017, continuing from past years, Prysmian organised a multi-stakeholder event late in 2017 in the Netherlands, to which about 15 local representatives of 4 stakeholder categories participated: Customer and Business partners, Suppliers, NGOs, Public Administration.

In the meeting in the Dutch town of Delft, where the Group has a factory, stakeholders were invited to actively participate in a discussion aimed at:

- identifying the main impact (positive and / or negative) of the Group's activities along the entire Prysmian value chain;
- assessing and prioritising sustainability issues through a structured materiality survey;
- evaluating, through an interactive workshop, the perception of stakeholders with respect to Prysmian's initiatives and activities related to the Sustainability Development Goals;
- stakeholders were also asked to identify further new actions that the Group could implement to contribute to sustainable development.

## MAP OF PRYSMIAN GROUP STAKEHOLDERS



# CONSTANT EFFORT TO CREATING VALUE

Prysmian Group makes a constant effort to create and distribute value to stakeholders, monitored every year with the measurement of how much wealth has been produced and how it has been redistributed.

In 2017 Prysmian generated economic value that amounted to €7,866 million, of which €223 million, or 2.8%, consisting of profits redistributed to Group members and interest to third parties, that represented the value withheld. Most of the value, about 97%, was redistributed in the form of spending on suppliers (81.2%) that included raw materials and other services, payment to Human Resources (13.8%), payment to Lenders (1.1%), payment to the Public Administration (1.0%) and contributions to the Community for around €100,000.

The Added Value represents the economic value generated by the Group in the reference period, net of amortisation and depreciation,

redistributed, in various forms, to stakeholders. It is therefore the difference between revenues and costs incurred for the purchase of production factors, such as Operating costs and other costs, and for human capital, such as Personnel costs. The calculation also includes payment to the Public Administration, such as taxes, and to Lenders in the form of financial expenses, as well as contributions to community support, such as donations and sponsorships.

The Value Added generated by Prysmian was reported in the consolidated financial statements as of 31 December 2017.

KPI	2017	Delta
Total revenues	€7,901 million	4.4%
Economic value generated	€7,866 million	5.2%
Capital investment	€257 million	+10.3%
Investments in Research, Development and Innovation	€84 million	+1.2%
Investments in HSE	€10 million	+25.0%
Entitled employees participating in the YES programme	53%	+9.0%
ISO 14001 certified production sites	94%	+3.0%
OHSAS 18001 certified production sites	78%	+5.0%
CO2-equivalent emissions	649 kt	-5.0%
Waste disposed	97 kt	+6.3%
Hazardous waste	9,820 kg	-1.3%



A wide-angle, low-perspective shot of a massive industrial facility, likely a power plant or manufacturing plant. The ceiling is high and features a complex network of steel beams and corrugated metal panels. The floor is filled with large-scale machinery, including tall, dark-colored structures with spherical tops and various pipes and conduits. The lighting is dramatic, with strong highlights and deep shadows, creating a sense of scale and industrial complexity.

# INVESTING INTO EXCELLENCE

In 2017 the Group has continued an industrial strategy based on products with higher added value and technological content while constantly searching for greater manufacturing efficiency.

# STRONG INDUSTRIAL STRATEGY

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In 2017, gross investments grew 10% to €257 million. Chief Operating Officer Andrea Pirondini outlines the benefits of a strongly decentralised model, which allows the Group efficiency and effectiveness across 82 facilities all around the world.

During 2017 Prysmian continued to invest in all corporate businesses, with particular attention to the submarine cables, the optical fibre and cables for Telecom applications, further strengthening its presence in those segments boasting higher added value. Prysmian Group's production activities, explains COO Andrea Pirondini, "are characterised by a strongly decentralised model, which leverages 82 factories across 50 countries, thus allowing the company efficiency and effectiveness in meeting the various market demands at a global level".

Once again, during 2017, the Group has continued to implement an industrial strategy based on two pillars. First, the creation of products with higher added value and technological content in a limited number of establishments, "destined to become centres of excellence with high technological skills, exploiting economies of scale, with consequent improvement in production efficiency and reduction of capital invested", according to Pirondini. Secondly, the constant search for greater manufacturing efficiency in the commodities sector, while maintaining a well-diversified geographical presence in order to minimise distribution costs.

In 2017 the value of gross investments amounted to €257 million, up some 10% compared to the previous year, including the purchase of assets of the Chinese plant in Yixing active in the production of HV cables, and the further acceleration of investments in the Telecom business. The incidence of investments linked to the industrial footprint remains in line with previous years. "Our goal", Pirondini says, "is that of optimising the cost structure while guaranteeing an adequate saturation of the plants within the various countries".





# INCREASING CAPACITY WHILE OPTIMIZING THE MIX

## Investing in HV and Submarine

The most significant investment of 2017 was the acquisition of assets previously owned by ShenHuan Cable Technologies with the aim of creating a centre of excellence in China serving the entire area of the Far East so as to offer all high voltage cable technologies to APAC customers. Also within the high voltage business, at the Gron plant in France, there was an increase in the production capacity of cables to meet the ever-increasing demand for direct current connections over long distances. In the submarine cables business, work has been completed in Pikkala, Finland, for a new vertical extrusion line that will allow the production of the Cobra cable for the submarine link between Denmark and the Netherlands.

## Meeting demand for Energy Products

The segment has been invested globally to ensure the satisfaction of a growing demand in some value-added sectors. In Suzhou, China, production capacity of Trade & Installer, Rolling Stock and Automotive cables was increased. In general, great impetus was given to the whole Far East, with investments under way in Malaysia to strengthen the Instrumentation and Control market, and in Indonesia, where an additional line is being installed for the catenary extrusion of medium voltage cables, in order to make greater use of the opportunities that the area offers in all the business sectors of the Group operates.

## Verticalising production in the Telecom

In the optical fibre plant of Claremont, North Carolina, the Group made investments to create a verticalised production structure and increase spinning capacity to meet the demand for fibres destined to the production of optical cables. The Group also increased capacity of ribbon cables in the Lexington plant always in South Carolina, following the important supply agreement signed with Verizon Communications to support the expansion of 5G services. The factories of Douvrin, France, and Battipaglia, Italy, have also been the subject of further investments by the Group with the aim of increasing the production of single-mode fibre and serving the continental optical cables market.

## Reducing variable costs

Investments destined to reduce variable costs amounted to around 27% of the total. The Group is continuing to perform an important cost optimisation for the entire production chain of the Telecom segment. Two new factories were almost completed in Slatina, Romania, and Presov, Slovak Republic. In Durango, Mexico, work has been completed for the construction of an optical telecommunications cable factory to meet the growing demand in North and Central America.

In the European optical factories of Battipaglia and Douvrin, efficiency investments continued, with a significant reduction in the cost of fibre manufacturing. In the Energy business, work started for the creation of a new Centre of Excellence in South America, within the industrial pole of Sorocaba, Brazil.

**EMEA**

**Ivory Coast**

Abidjan  
Denmark  
Albertslund

**Estonia**

Keila

**Finland**

Pikkala  
Oulu

**France**

Amfreville  
Charvieu  
Chavanoz  
Gron  
Paron  
Cornimont  
Douvrin  
Calais  
Sainte Genevieve

**Germany**

Neustadt  
Schwerin  
Nurnberg  
Wuppertal  
Berlin  
Kopenick

**Italy**

Arco Felice  
Battipaglia  
Giovinazzo  
Livorno  
Merlino  
Pignataro Maggiore  
Quattordio

**Norway**

Drammen

**Oman**

Muscat  
Sohar

**Netherlands**

Eindhoven  
Delft  
Emmen  
Nieuw Bergen

**Czech Republic**

Velke Mezirici

**Romania**

Slatina

**Russia**

Rybinsk

**Slovakia**

Presov

**Spain**

Vilanova y la Geltrú  
Santander  
Santa Perpetua

**Sweden**

Malmö  
Nassjo  
Stockholm

**Tunisia**

Grombalia

**Turkey**

Istanbul  
Mudanya

**U.A.E.**

Fujairah

**UK**

Aberdare  
Bishopstoke  
Wrexham  
Washington

**Hungary**

Balassagyarmat  
Kistelek

**SOUTH AMERICA**

**Argentine**

La Rosa

**Brasil**

Joinville  
Sorocaba (2)  
Santo André  
Vila Velha

**APAC**

**Australia**

Dee Why  
Liverpool

**China**

Tianjin  
Wuxi  
Yixing  
Wuhan  
Haixun  
Shanghai  
Suzhou  
Zhongyao

**Philippines**

Cebu

**India**

Pune  
Chiplun

**Indonesia**

Cikampek

**Malaysia**

Kuala Lumpur  
Melaka

**New Zeland**

Auckland

Republic of Singapore

Singapore

**Thailand**

Rayong

**NORTH AMERICA**

**Canada**

Prescott

**Mexico**

Durango

**USA**

Abbeville  
Lexington  
North Dighton  
Bridgewater  
Rocky Mount  
Claremont  
Schuylkill Haven  
Houston  
Hutchinson

**9 plants**

North America

**6 plants**

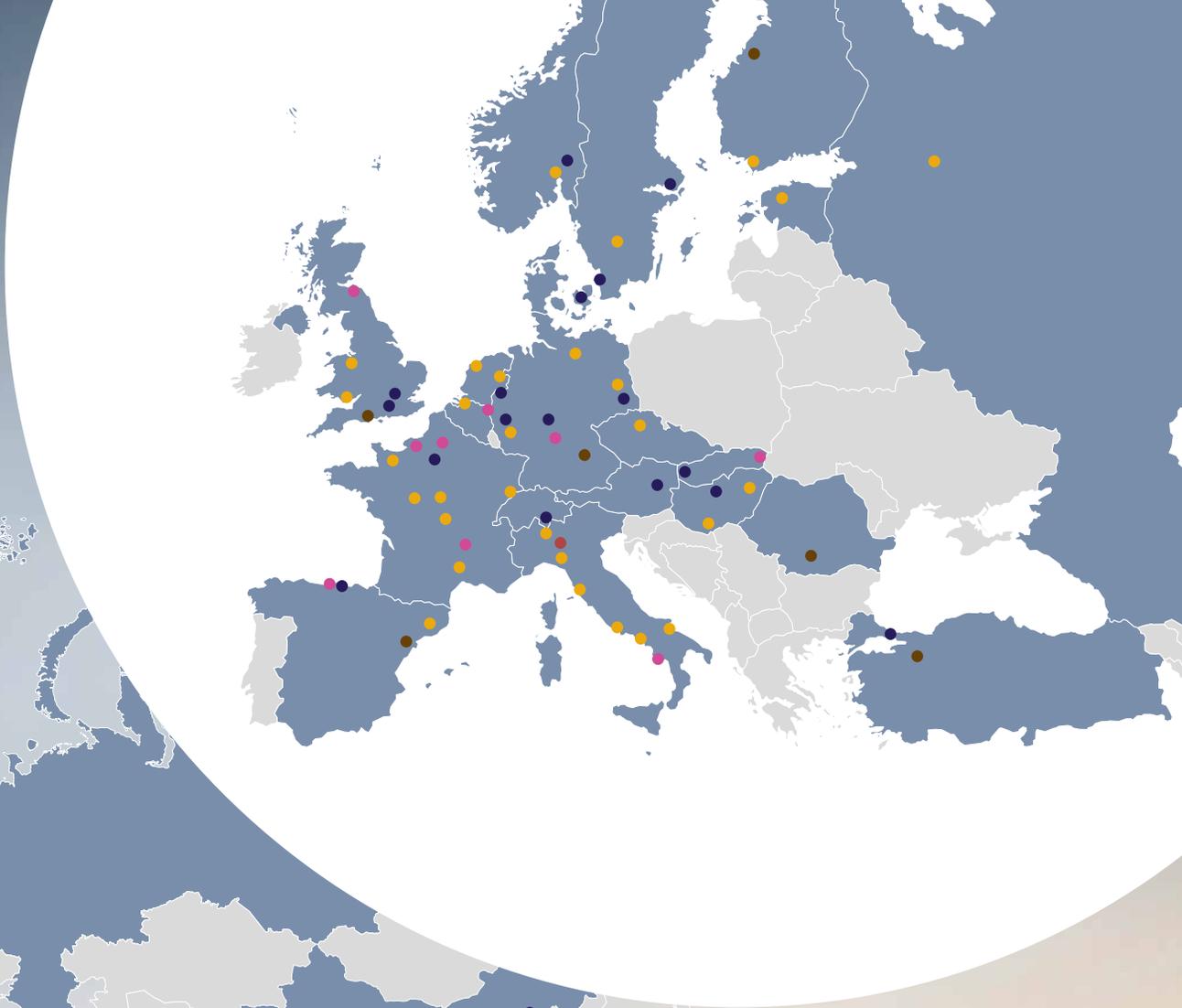
South America

- Energy (56)
- Telecom (11)
- Combined Energy and Telecom (15)
- Offices (34)
- HQ

**82 PLANTS 50 COUNTRIES 21,000 EMPLOYEES**

**49 plants**

EMEA



**18 plants**

APAC



**17 R&D CENTRES 7.9 BILLIONS SALES IN 2017 OVER 500 R&D PROFESSIONALS**

# MOVING FAST TOWARDS INDUSTRY 4.0

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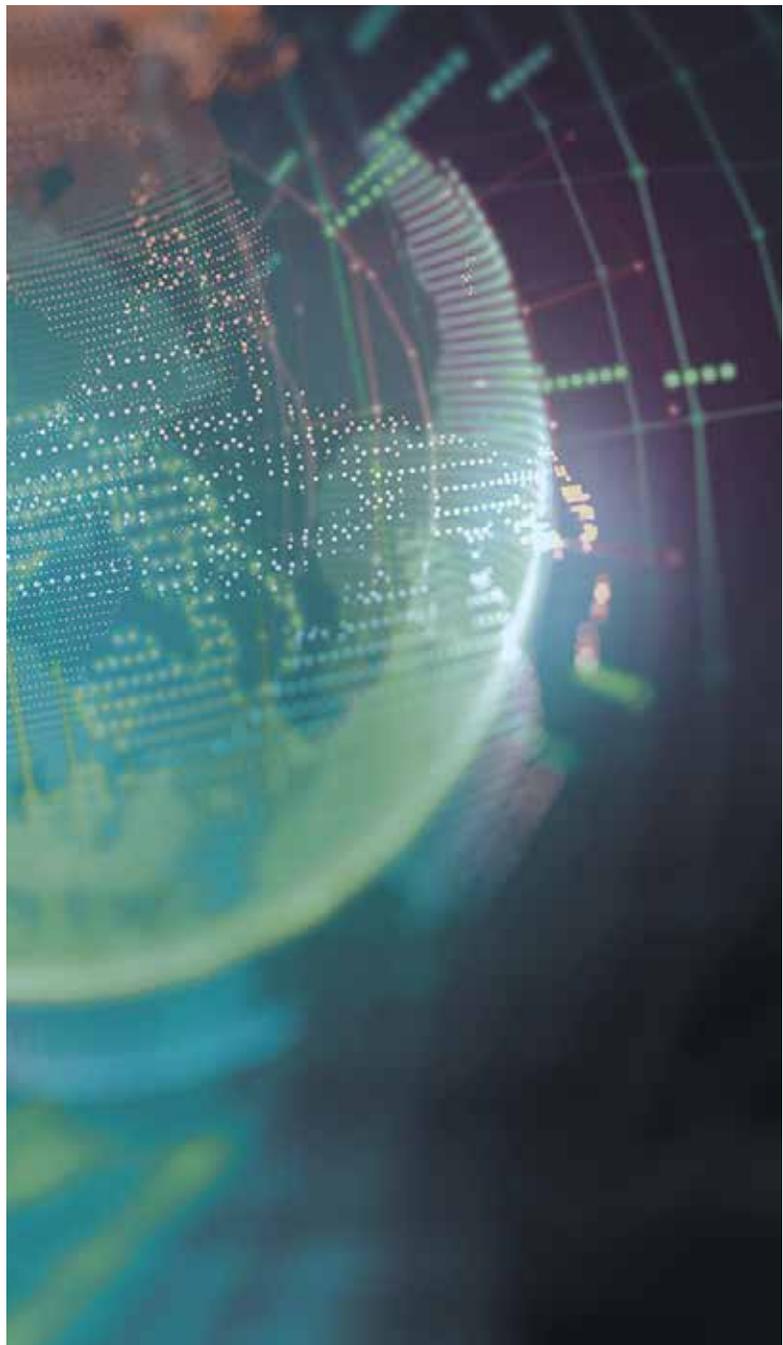
The "Fast Track" approach ensures full traceability of production activities and materials used, along with better management.

Prysmian Group commenced in 2017 the launch of its first Factory 4.0 pilot project at the optical cable plant in Calais, France.

The project, called "Fast Track", represents a step forward in the implementation of the Group's "Fast Forward Operations" programme, aimed at creating smarter establishments by leveraging the integration of digital skills and people's know-how. The "Fast Track" project will be realised thanks to the collaboration with Dassault Systèmes, 3D Experience Company, world leader in 3D design software, 3D Digital Mock Up and Product Lifecycle Management solutions.

The partnership with Dassault Systèmes allows Prysmian to leverage the best applications in the sector created for the use of IoT technologies at the forefront of production processes and for the analysis of Big Data. The launch of the pilot project in Calais will allow the Group to develop more extensive plans with the aim of progressively installing Factory 4.0 solutions in all of its 82 plants worldwide.

The "Fast Track" approach ensures full traceability of production activities and materials used, better management of events that could jeopardise production processes, and provides in real time all the relevant information needed to identify causes and possible solutions.





# ENJOYING A GREEN WORKING LIFE AT NEW MILAN HEADQUARTERS

In 2017 the Group's new sustainable headquarters, designed to reduce CO2 emissions and guarantee high working standards, made real the concept of Smart Working. It now also hosts the Group Training Centre.

In 2017 the new 'green' headquarters of Prysmian Group, specifically designed to reduce CO2 emissions and guarantee high working standards, became fully operational. The main focus of the new building is the concept of Smart Working, an innovative and functional method of understanding and living work time and space thanks to digitalisation. The concept is the promotion of a work place that facilitates the creation and sharing of electronic information as well as team work and community building, where efficiency and a collaborative spirit are the order of the day.

A better work-life integration improves the balance between work and private life via the increased flexibility of working hours. The headquarters also declared a war on waste while incentivates to recycle materials via the separation of waste, such as the use of recyclable glass bottles to distribute water to employees and guests. A paperless approach, via the further implementation of practices designed to reduce drastically the use of paper, further encourages and promotes respect for the environment.

**14,000**  
square meters

**100**  
meeting rooms

**650**  
open space stations

**0**  
offices

**1**  
auditorium for 180 people

An **innovative**, efficient and collaborative work environment

**Technology** that allows us to work in groups, even remotely

A **flexible** system that favours concentration and develops interpersonal relationships

**3,700**  
m<sup>2</sup> of photovoltaic panels

**10**  
charging stations  
for electric cars

**2**  
greenhouses

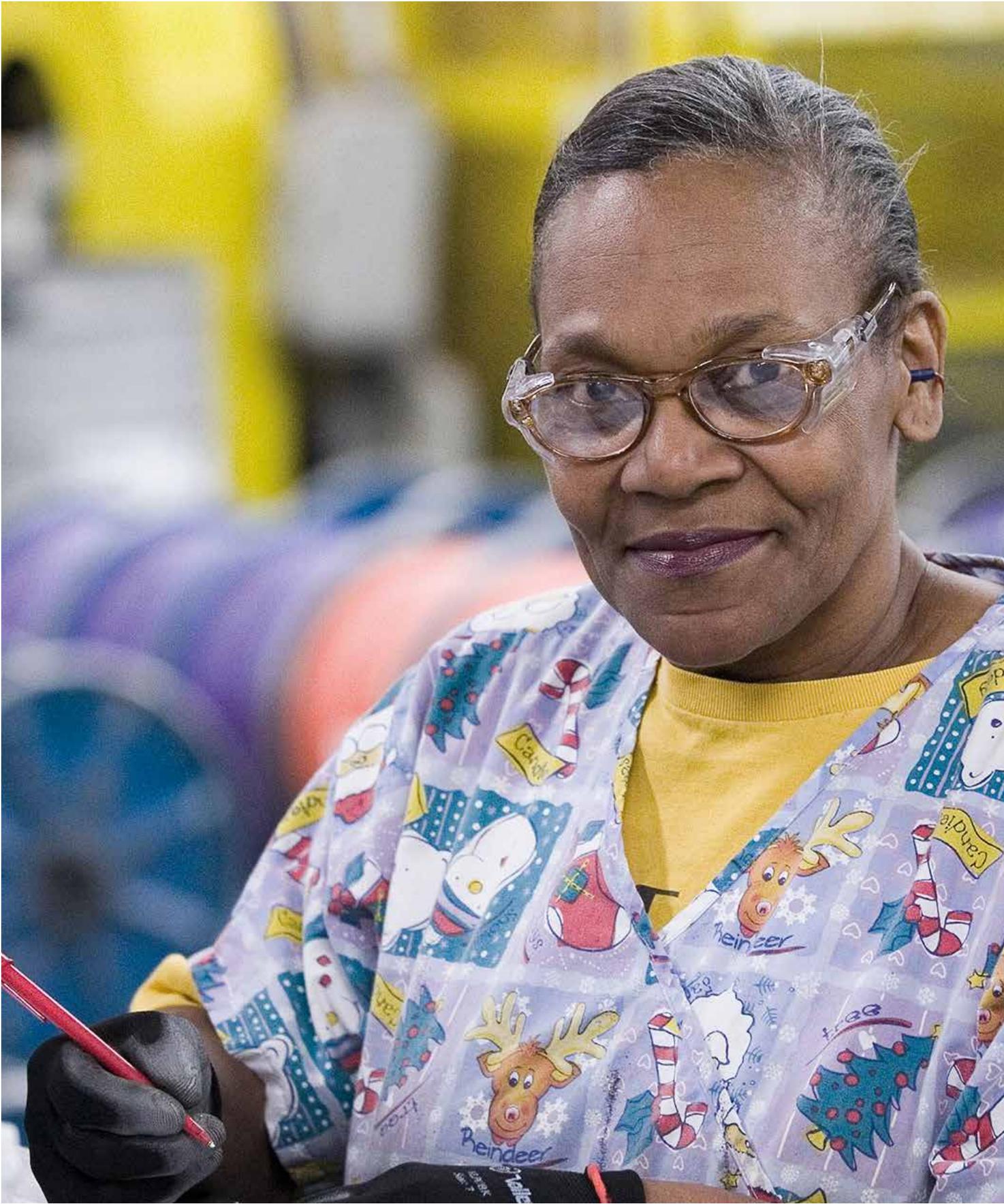
**85%**  
of the spaces in natural light

**20**  
areas for separate waste  
collection

A **low energy** consumption architectural system

An **ambitious programme** to reduce paper consumption

One **sustainable** revolution





# THE DRIVING FORCE OF ETHICS

The value of integrity is a key part of a sustainable approach to business and goes well beyond the simple observance of rules and regulations, as it permeates the entire spectrum of company life.



# AT THE ROOTS OF OUR BUSINESS DEVELOPMENT

At Prysmian, the value of integrity goes well beyond the simple observance of rules and regulations, as it permeates the entire spectrum of company life. Alessandro Nespoli, Chief Compliance Officer, explains how business and integrity can work very well together.

"When it comes to ethics, no challenge is too big, or too small, if it means doing things right. This is exactly what Prysmian intends for its integrity initiatives". Alessandro Nespoli, who joined the Group as Chief Compliance and Internal Audit Officer in 2017, has a special focus on integrity, as he works at integrating the concept into tangible examples and a cultural approach.

To translate this value into real action, the Group launched the **Integrity First** project at the end of 2016 and intends to expand it by developing and sharing a "new compliance ecosystem", in Nespoli's words. This ecosystem will cover a series of issues and actual behaviours that, according to Nespoli, "shall ultimately become part of the DNA of Prysmian Group's people". He explains

that ethics "influences our way of working and making decisions, while having an impact on our stakeholders and customers". Ethics affects reputation, that's why it is the most important asset that has to be preserved, because if customers trust a company, they will do business with it.

The new compliance ecosystem will oversee different issues and set forth even those behaviours that are not strictly compliance-related. The culture of integrity is reinforced by the company's Code of Ethics, based on three pillars: ethics in business activities, ethics in internal relations, and ethics in environmental and social matters. It means that ethics "is pervasive and regards everyone within and outside the organisation", Nespoli stated.



## CUSTOMER PRIVACY

In 2017, thanks to the Group's personal data management model based on the development of a "data centric" model, the definition of a roadmap for compliance with applicable legislation on the protection of personal data and the implementation of organisational and technological protection measures, Prysmian has not had to handle justified complaints concerning customer privacy or cases of loss of personal data.

## WHISTLEBLOWING UPDATED

In 2017, the Group reviewed and updated the Whistleblowing policy. Specifically, this procedure offers everyone (whether employees or not) the opportunity to submit reports to the Group, also online and in anonymous form, about improper conduct and alleged illegal activities that might occur within the organisation.

To this end, two channels were implemented for the collection of reports, comprising dedicated telephone lines and a web portal, which will both be managed by independent operators and available in the 26 languages used by the Group. A Whistleblowing Committee has also been established, which evaluates the reports, conducts specific investigations and, if necessary, takes appropriate measures.

Nespoli points out the need to become the role models for compliance issues while showing consistency between words and actions, as he believes that compliance is key to Prysmian Group, and local managers are the primary compliance owners, because they act as mouthpieces and are an example when it comes to integrity. But the Group can also act as an integrity champion by promoting and spreading its Code of Ethics through its daily actions and behaviours. Furthermore, by creating a strong compliance culture, the company will be able to adapt to new legislation more quickly, allowing to better pursue its business goals.

Nespoli notes that complying with regulatory requirements is mandatory, time consuming and complex, but time can be optimised

and resources more adequately allocated to develop a stronger system, turning the whole process into an opportunity that gives the company a competitive advantage. "This means", he notes, "that we will become more agile in responding to new regulatory changes; remain one step ahead of our competitors; build awareness around our own compliance culture to help strengthen our reputation; reduce penalties and fines imposed by authorities, and instill confidence in our people, our partners, and all our stakeholders".

# THE IMPORTANCE OF A GOOD GOVERNANCE

The importance of a good corporate governance for achieving strategic objectives and creating sustainable value over the long term is a well established guideline and strategy at Prysmian.

As the governance system is aligned constantly with the relevant recommendations and regulations, and complying with domestic and international best practices, the Group has also adopted principles, rules and procedures that govern and guide the activities of all organisational and operational units, while warranting that all operations are carried out in an effective and transparent manner.

In 2017 Prysmian undertook various initiatives aimed at implementing the recommendations indicated in the Code of Self-Regulation after the Board of Directors from 1 January 2016 has entrusted the task of overseeing the related sustainability issues linked to the exercise of the Group's activities and its interaction dynamics to all the stakeholders in the Compensation and Appointments Committee, which has in the meantime become the Compensation, Appointments and Sustainability Committee.

It is responsible for monitoring the company's positioning on the main sustainability indices, providing advice on the main sustainability initiatives being developed and approving the annual Sustainability Report.

## The steering committee

To further underline Prysmian's commitment to sustainability issues along the entire value chain and within all company processes, a Sustainability Steering Committee has been formed as part of the internal governance system, consisting of the top echelons of the organization.

The Committee is responsible for promoting a culture of sustainability within all the company, defining and / or evaluating the implementation of projects, monitoring the objectives of the Group policy, the progress with respect to the "Sustainability Scorecard" and the progress of the actions to ensure compliance with the Group's policies, while developing an ever growing internal responsibility towards results linked to areas of sustainability.

Its tasks will also include supervising all ongoing initiatives that have an impact, current and potential, on the performance of economic, social and environmental sustainability, ensuring effective communication of the commitment and results achieved in sustainability and support initiatives to protect diversity and inclusion both internally and externally. Within its mission, the Steering Committee meets periodically to discuss strategic sustainability priorities, the progress of the action plan and its implementation.

## The communication task

The Corporate and Business Communications department is responsible for coordinating all activities related to the Group's sustainability reporting, both in terms of process and of content, mapping the Group's stakeholders and monitoring their expectations through stakeholder engagement activities, as well as guaranteeing transparent and constant communication both with the external and the internal stakeholders. The strategic lines of sustainability are defined and promoted at the corporate level, and then integrated into local policies and all daily activities.

# COMPLIANCE AND INTERNAL CONTROL **STRENGTHENED**

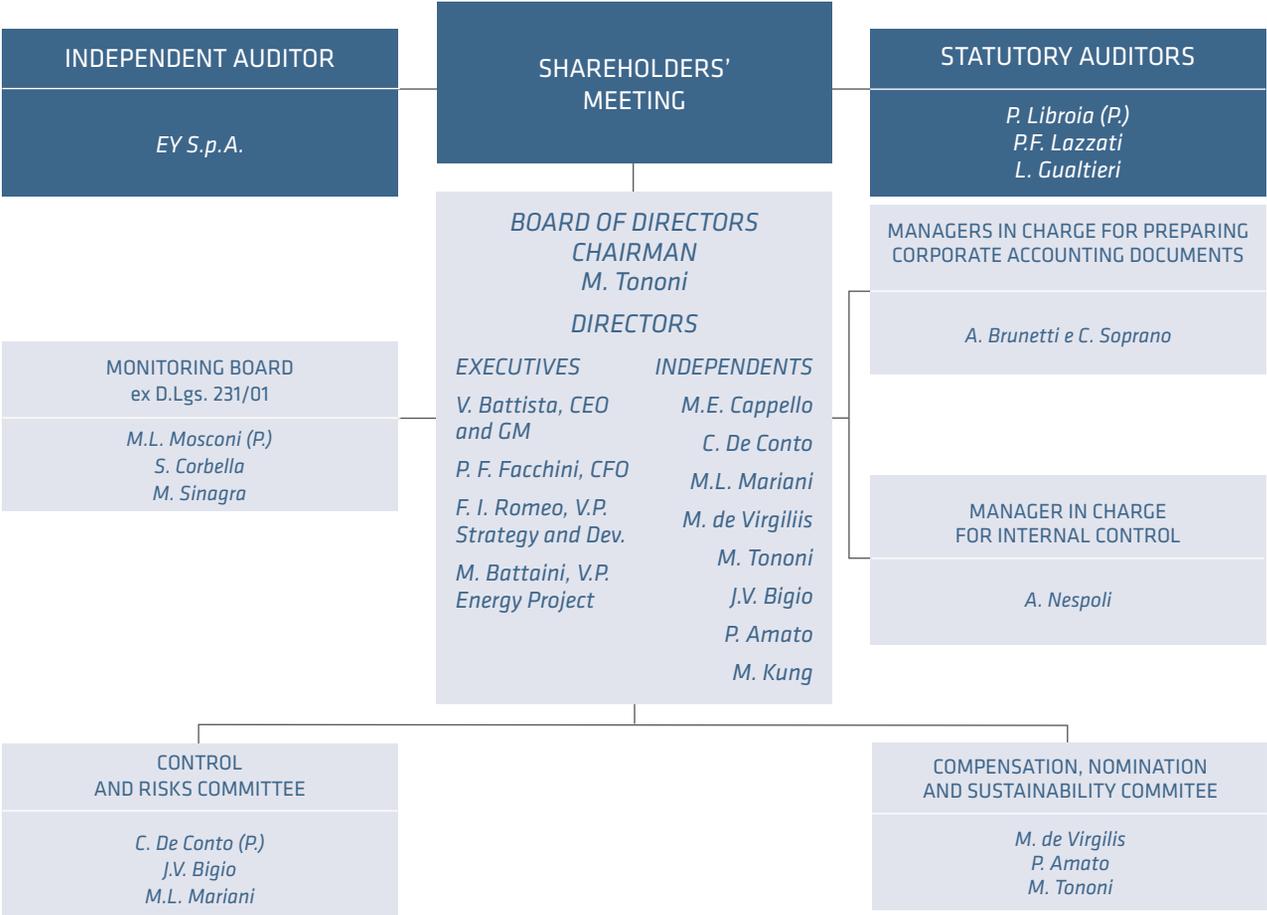
In order to strengthen the system of internal control and risk management, a Compliance Function was established since 2016 and subsequently, in April 2017, a Compliance director was appointed - reporting directly to the Compliance & Internal Audit Officer - with the task of dealing with, promoting, developing and implementing the training policies and programs referred to in the Audit and Compliance plan.

The Group decided to maintain a separate Internal Audit organisation, which reports hierarchically and functionally to the Compliance & Internal Audit Officer, which has thus become larger and more structured. The Compliance and Internal Audit Officer in turn reports hierarchically to the Board of Directors as well as to the Audit Committee and the Board of Statutory Auditors.

The Compliance Officer is not responsible for any operational areas, despite having direct access to all the information needed for the perform his functions. He is mandated to check the adequacy and functioning of the system of internal control and risk management in compliance with international professional standards, both on an ongoing basis and with regard to specific requirements.

Accordingly, the Officer prepares an annual Audit and Compliance Plan for the Group, based on the risk assessment carried out as part of the ERM process.

## GOVERNANCE STRUCTURE



\* Board of Directors appointed for the next 3 years during the Shareholders' Meeting of Prysmian S.p.A. - April 2018

# A BUSINESS FOUNDED ON A SYSTEM OF **VALUES**

Can ethics and integrity be the values at the base of business growth and development? At Prysmian the answer is “yes, of course”. The sustainability strategy adopted by the Prysmian Group is founded indeed on a system of values that mark the behaviour of individuals both within and outside the organisation.

The principles for all to follow, consistent with the vision and mission of the Group, are established in the Code of Ethics. Acting as a veritable guide to daily behaviour, the Code plays a strategic role for the Group as a tool for preventing irresponsible or illegal conduct by those who work in the name and on behalf of Prysmian. The values and principles expressed in the vision, mission and values of the Group are integral to this document.

## Evolving with the business development

The Code of Ethics lives and evolves with the development of the business in the competitive world. It is always open to receive and accept requests for legality and propriety expressed by any group of Prysmian stakeholders. The Code of Ethics complies with international best practices and adopts the principles embodied in the UN Universal Declaration of Human Rights and the Fundamental Conventions of the International Labour Organisation. With a view to managing the issues of corruption and unfair competition, Prysmian has adopted an Anti-Bribery Policy and an Antitrust Code of Conduct, as part of the Group's Compliance Policies. These policies are detailed in the Group's website and on the corporate Intranet, while updates are communicated to all Group employees.

## In line with main best practices

In 2016, the Group also adopted a Whistleblowing procedure in line with the main ethical and compliance best practices. In 2017, the policies were reviewed and updated. The Code and the mentioned policies reflect a common and shared approach to business, honest, ethical

and compliant with all current laws and regulations, which must be respected by all Group employees, wherever they work and live around the world. It is fundamental, in fact, for all employees to take responsibility for their daily work and accept personally, with conviction, the spirit of the Code.



# THE GROUP'S FOUNDING CHARTER

"The Code of Ethics represents the Group's "Constitution", being the charter of rights and moral duties that defines the ethical-social responsibilities of each participant in the organisation".

The structure of the Prysmian Group's Code of Ethics is constantly evolving and in its latest version of March 2017, is founded on three pillars: Ethics in business activities, Ethics in internal relations and Ethics in environmental and social matters.

### Fair and transparent behaviour

The first pillar means that the legitimate pursuit of profit does not justify improper behaviour, as profit must be achieved by respect for the rules and competitors, and by fair and transparent actions that anticipate and meet market needs, thus generating value for distribution to all stakeholders.

### Individuals are central

Ethics in internal relations sets the principle that the Group is aware of the importance of its ties with employees, which are strengthened by respecting their rights, expectations and needs, and by facilitating improvement in their living conditions and professional growth. The individual is central to all activities, as the engine for future development.

### Promoting well being

Last but not least, Ethics in environmental and social matters. Given its strong belief in the principle of sustainable development, Prysmian Group operates worldwide with respect for the environment and local communities. At the same time, the company encourages the responsible use of resources and promotes local projects designed to enhance well-being in the areas concerned.

All companies within the Prysmian Group agree to comply strictly with the Code of Ethics, applicable regulations and the rules and procedures adopted from time to time by the Group. In order to ensure the widest possible distribution of its contents, the Code of Ethics is available in the 26 languages used by the Group.



# PREVENTING CORRUPTION AT THE ROOTS

A photograph showing two men in business suits shaking hands in a high-rise office. They are silhouetted against a large window that offers a panoramic view of a city skyline under a bright sky. The window frames are visible, creating a grid pattern over the scene.

The Group global presence and its high diversification of products requires a strict policy against every potential risk of wrongdoing.

The Group's business model, with a presence in over 50 countries across the world and a high diversification of product applications, requires a continuous interface with numerous third parties, such as suppliers, intermediaries, agents, and customers. In particular, in the Energy Projects and Oil & Gas businesses, the management of large international projects requires the maintenance of commercial relations even in countries with a potential risk of corruption, often through local commercial agents and public officials.

## Anti-bribery policy

The Prysmian Group has therefore implemented a series of actions aimed at managing the issues of corruption on a preventive basis. The first of these actions is the adoption and the implementation of an Anti-Bribery Policy that prohibits both the corruption of public officials and that of private individuals. The Policy requires Prysmian's employees to abide by it, as well as to observe and comply with all anti-corruption legislations in force in the countries where they are active, if these are more restrictive.

## Undue payments banned

Under the Policy, no employee may make, promise to make, offer or approve the payment of anything of value, whether directly or indirectly, for the benefit of public officials. In particular, the term "public officials" means the employees of a public agency or of a company controlled by the government, including commercial entities, or international public organisations, political parties, party officials or even candidates for public office.

# SPECIFIC ACTIONS AGAINST BAD PRACTICES

Prismian's leadership in its industry strengthened in 2016, thanks to our inclusion in the principal and most strategic global trade associations.

Prismian adopted and constantly implements a number of specific actions to prevent corrupt practices within the Group. They include:

**A MANDATORY DUE DILIGENCE** to be performed during the agent selection process, before signing the contracts, and updated every 3 years, in accordance with the Group policy.

**THE SUPPLY OF PERIODIC INFORMATION** to the Supervisory Body from each area: New Prismian agents, Results of due diligence, Commission payments above a certain threshold.

**E-LEARNING ACTIVITIES** for compliance with the anti-bribery rules applicable to all Group personnel. In particular, during 2017, specific classroom training sessions were held, aimed at the Group's sales force, organised in collaboration with external lecturers and legal consultants. In 2017, 82 white collar employees were trained in compliance and anti-corruption through online courses and 120 through classroom courses.

**IMPLEMENTATION OF ACL TOOLS** with the definition of a number of key indicators for the "General/Ledger" and "Accounts Payable" processes. The system can also be used to monitor the high transaction risks associated with agents.

**A CENTRAL DATABASE** of all agents, in order to guarantee the collection and filing of agency contracts, so that specific checks can be carried out on the related payment transactions. In 2017 the Group decided to further strengthen the monitoring and central focus on compliance issues by launching an Anti-Bribery Compliance Program inspired by the guidelines set by the ISO 37001: 2016 "Anti-bribery management systems".

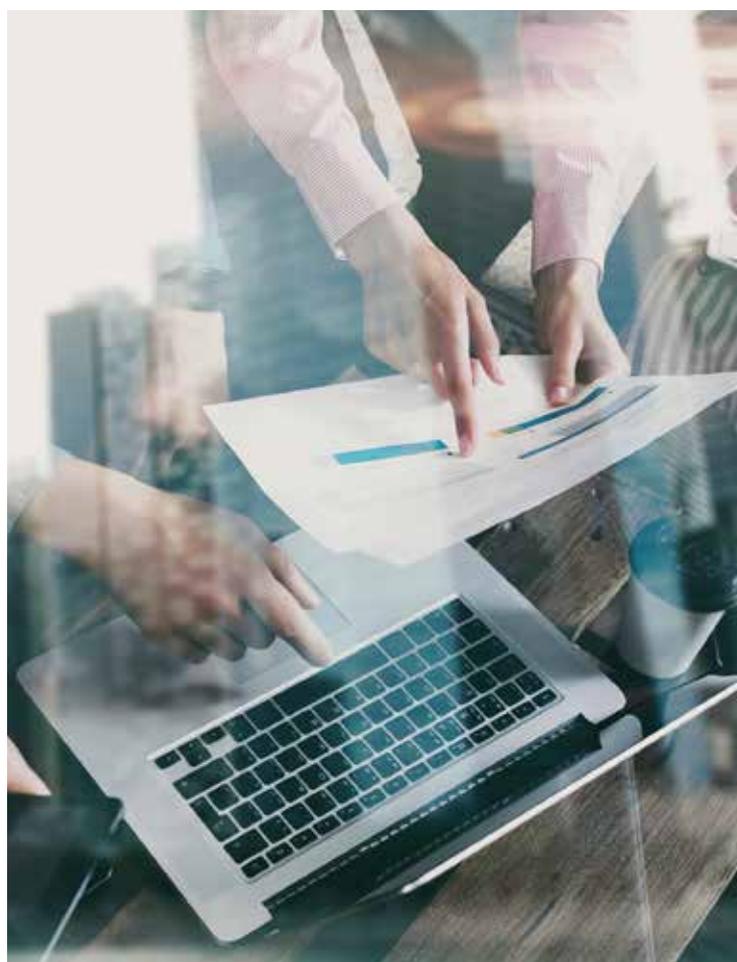
## ESTABLISHING AN ANTI-TRUST CULTURE

Prismian has adopted an Anti-trust Code of Conduct that all directors, executives and employees of the Group are expected to know and comply with in the performance of their duties and in relations with third parties.

During 2017, Prismian has introduced an anti-trust training programme, titled Integrity First, designed to increase awareness among those who work in the name and on behalf of the Group, so that during their activities they comply with the rules safeguarding competition.

The Antitrust Code of Conduct is an integral part of this training programme, as it seeks to describe the issues relating to the application of Italian and EU competition policy with regard to cartels and the abuse of dominant positions. The specific situations arising must be assessed against this framework on a case-by-case basis.

This action, stimulating knowledge and making individuals more aware of their professional duties and responsibilities, represents a further step in establishing an "anti-trust culture" within the Group.



# CAREFULLY MANAGING PERSONAL DATA

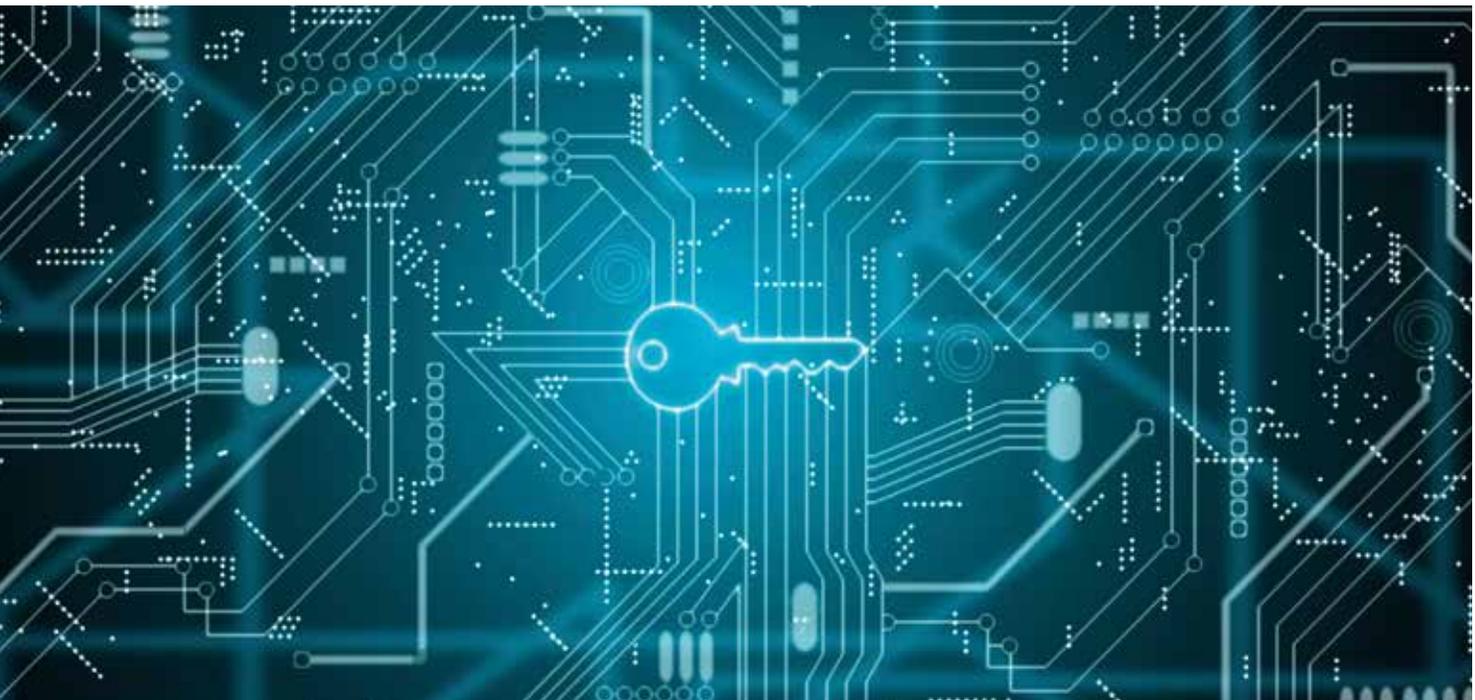
The Group is constantly equipping at best to manage the increasing complexity in the governance of sensible information as the issue of privacy is becoming increasingly crucial as the digital era unfolds.

In the current global context, which sees a continuous internationalisation of the business, a proliferation of channels and even more extended access to information, as well as an increase in the volume and types of data managed, Prysmian has the possibility to create new opportunities and new services. But at the same time, it is experiencing increasing complexity in the governance of data and in compliance with international regulations, as well as in the growth of potential threats to the principles and requirements in the fields of confidentiality, integrity and availability of information.

## A three pillars model

It becomes thus essential to approach the management of information and data considered confidential or sensitive not exclusively as a compliance problem, but also as a security one and a business priority. The personal data management model adopted by Prysmian is based on three fundamental elements that have an impact on the entire corporate structure: the development of a "data centric" model, the definition of a roadmap for compliance with applicable legislation on the protection of personal data, the implementation of organisational and technological protection measures.

The fact that to date Prysmian has not had to handle justified complaints in this area or cases of loss of personal data is undoubtedly an excellent starting point for the adoption of the defined model.





## WHISTLEBLOWING, IN 26 DIFFERENT LANGUAGES

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Prysmian offers to all, employees or not, the possibility of reporting anonymously incorrect behaviour and alleged illicit activities that might occur.

As part of its commitment to ethical and legal behaviour, Prysmian invites all the Group's stakeholders to report any real or apparent violations of the law, as well as the Code of Ethics or other ethical standards, so that they can be examined and dealt with appropriately.

In order to achieve the goal of being promptly informed of any possible wrongdoing and to create the necessary conditions of confidentiality, security and ease of reporting, Prysmian has adopted the Whistleblowing policy by offering to all, employees or not, the possibility of sending the Company reports, also on line and anonymous, related to incorrect behaviour and alleged illicit activities that might occur within the organisation.

The process implements two channels for the collection of reports, comprising dedicated telephone lines and a web portal, that are both managed by independent operators and available in the 26 languages used by the Group.

The system of values of Prysmian Group documented in the Code of Ethics guides the conduct of individuals both within and outside the firm. It establishes the principles to be followed by all and represents an effective tool for preventing irresponsible or illegal conduct by persons who work for and in the name of Prysmian.

In line with international best practices, the Group has therefore also adopted a system for collecting and managing reports of any irregularities or alleged violations of regulations and/or company policies and procedures. The Whistleblowing offers everyone the opportunity to submit reports through two channels: dedicated telephone lines and a web portal, which are both managed by independent operators and available in the 26 languages used by the Group. A Whistleblowing Committee has been established to the purpose, to evaluating the reports, conducting specific procedures.

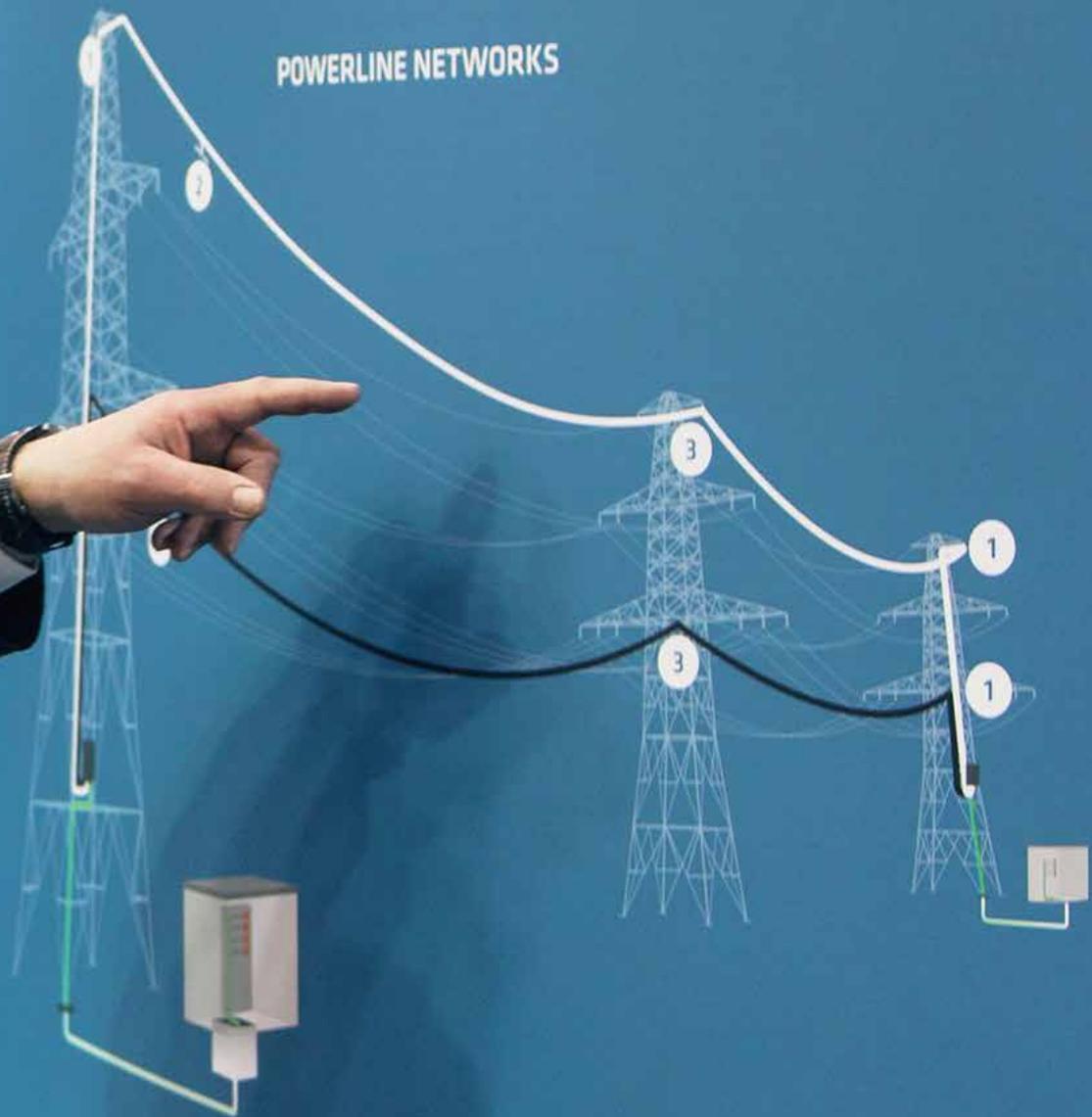
# THE MEASURE OF SUCCESS

As Customer Centricity is a pillar of Prysmian success story the company is keen to make sure that customers' needs are fully satisfied through specific surveys and reporting.



# SOLUTIONS FOR AERIAL APPLICATIONS

## POWERLINE NETWORKS



# PERFECTING AN EFFECTIVE MARKET APPROACH

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Over the years, Prysmian has perfected its successful market approach by always placing the customer at the centre of every strategic, organisational and business decision and action. To fully achieve this goal, the Group has developed operational models that translate into rapid, efficient and targeted responses to the markets concerned and made specific efforts to analyse the expectations of customers, and how these change over time.

## Satisfying any requirement

Pivotal to this approach is the concept of Customer Centricity, which means the ability to understand early and fully satisfy the needs of the customer. This requires constant attention at all stages, from product design to delivery, with performance measured against predetermined and agreed parameters. Prysmian Group develops solutions that meet specific standards and satisfy the precise requirements of any individual customer.

## Serving different markets

In particular, the Group is able to serve very different segments and markets thanks to a matrix organisational structure, by modeling the business to highly specific local markets and developing structures tailored on individual countries, and by dedicating integrated business units and segments to markets with global customers, in which both local presence and cooperation between countries are necessary.







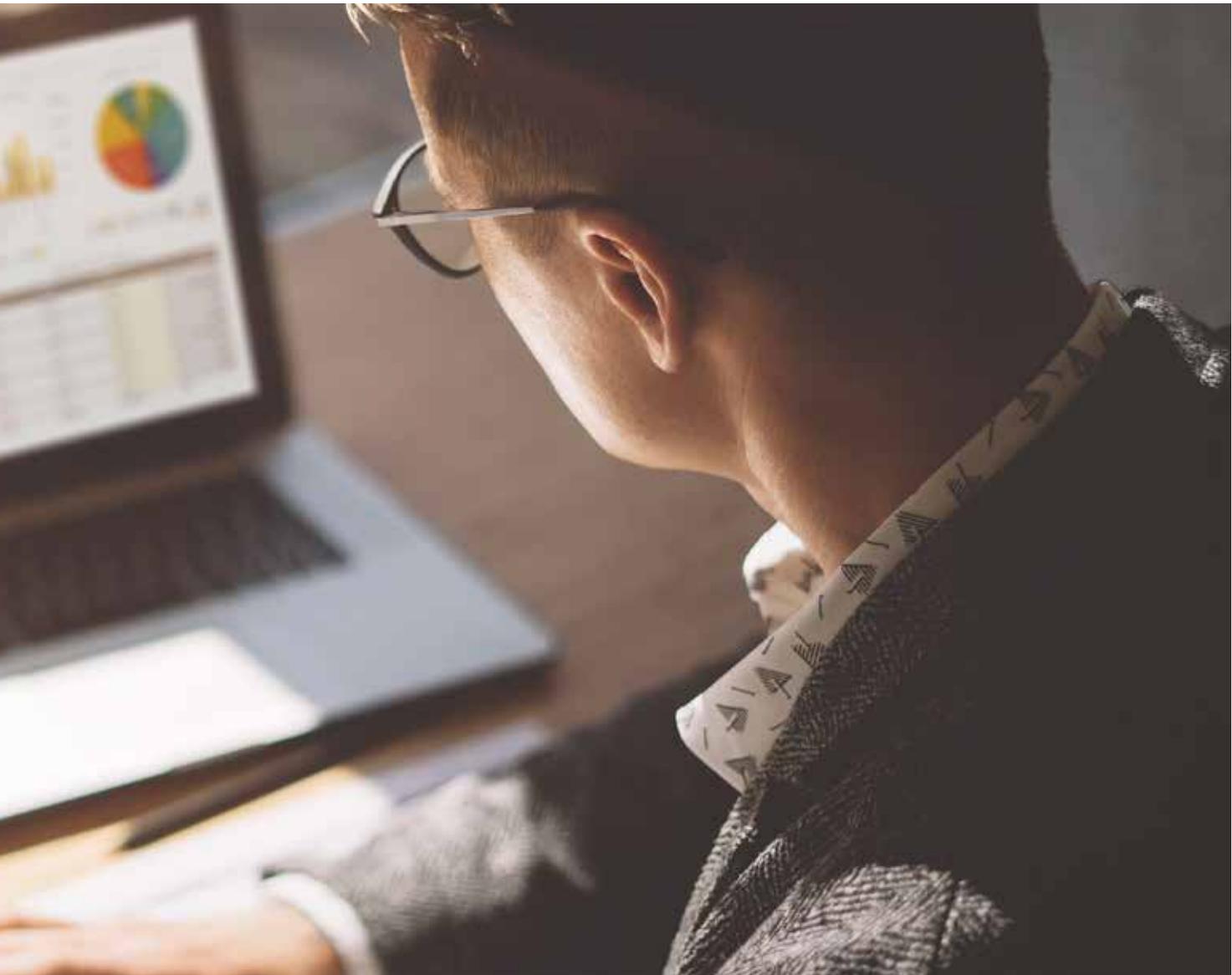
# A PARTNER OF REFERENCE

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Within the scope of Customer Satisfaction, Prysmian has the objective and ambition to act as a reference partner for its customers, leveraging tools such as specific surveys and one-on-one interviews.

For many years, the Group has performed specific surveys to measure the level of customer satisfaction. Until 2015, these surveys were carried out by a market research agency using standardised questionnaires that were completed by telephone interviews with the managers of main customers in the purchasing, logistics and technical sectors.

The surveys were carried out every two years, most recently in 2014/2015, and, over the years, involved approximately 900 customers in the Trade&Installers sector in 15 countries.



### **Quality improved with new tools**

Since 2016, Prysmian has introduced a new Customer Satisfaction survey system, managed directly by the central office of the Customer Centricity area, with the aim of carrying out specific surveys and managing the data provided via a dedicated web portal.

The use of this new tool allowed the Group to improve the quality of the interviews and the moments of contact with its customers, enhancing the ability to respond and problem solving and increasing the level of customer satisfaction.

### **Web interviews implemented**

At full speed, the process of digitalisation will allow all Group divisions already in possession of a CRM tool to manage the feedback from the interviews directly, monitoring any critical situations and guaranteeing an ever-increasing quality in the relationship with customers. The new web interviews were implemented during the first four months of 2017 through a platform connected with the Prysmian Customer Relationship Management Sales Force, thus allowing countries that already use CRM to obtain the Survey results in their portals, facilitating the activation of specific actions.

### **Contribution of the compliance department**

The Department of Customer Centricity of Prysmian HQ guarantees quantitative and qualitative Reporting of the Survey, even for those countries that have not yet activated such a structured CRM system. Particular attention has been devoted to management of the Privacy Policies, thanks to the contribution of the Compliance Department, in order to allow and obtain the necessary authorisations from the customers and traceability of the responses to the Web Survey. In this way, each country is able to implement targeted action plans not only at the country level, but also at the more specific level of customer and individual customer segments.

# POSITIVE RESULTS FROM THE WEB SURVEYS

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Since 2016, Prysmian has introduced a new Customer Satisfaction survey system, managed directly by the central office of the Customer Centricity area, with the aim of carrying out specific surveys and managing the data provided via a dedicated web portal. In 2017, the project mainly involved the customers of the Trade & Installer segment, with the possibility, in the future, to extend to other business segments.

In the process each question linked to customer satisfaction is evaluated with a score between 1 and 5 in the five areas of investigation: business conditions, products and services offered, customer support, brand awareness and range of products.

The Net Promoter Score and Effort Score are also calculated. The average response to Web Surveys is between 5% and 7%. The system has thus ensured significant efficiency in terms of response time, bringing the average response time to the survey to below 10 minutes, compared to the 40 -45 minutes required with the telephone interview method.



## CUSTOMER PRIVACY

The Pilot Projects planned for 2017 have been successfully conducted in Spain, Portugal, Brazil and Argentina, followed by the Central-Eastern Europe Region. In **Spain and Portugal**, in 2017, 28% of the target customers involved compiled the Web Survey. The average score was 3.35.

The percentage of involvement in **Brazil** was around 11%, while the average score for customer satisfaction was 3.64%. In all three areas, the actions identified as priorities are linked to the areas of terms of sale, logistics and customer support.

In **Argentina**, the response rate in 2017 was 36%. Despite the score obtained being quantitatively low both in terms of average importance of drivers 1.52 and average score reached around 1.24, the results of the Net Promoter Score and Effort Score are positive. The areas of intervention to be improved are: terms of sale, product offer, service/delivery, documentation and customer support.

The **EU** area included Germany, Slovakia, Austria, Hungary, Poland and Romania and had an average score of 3.87, the highest to date. The survey has nonetheless highlighted areas of intervention in sales conditions. The countries in which more targeted interventions are required resulted Germany in terms of logistics, sales conditions and customer support, Austria for sales conditions and product offer and Hungary for logistical aspects and sales conditions.



# ONE-ON-ONE INTERVIEWS SHOWED **HIGH SATISFACTION**

Always with the aim to strengthening its relationship with key Customers, in 2017 again the Group carried out specific one-on-one interviews in parallel with the Web Surveys, managed directly by the Customer Centricity Department, that obtained very positive results, as the subjects involved have shown they like to share their ideas and feedback directly with headquarters.

## PROJECT INFORMATION PROJECT LAUNCHED

In 2017 Prysmian also launched the Product Information Management project aimed at creating a tool to manage the technical and commercial information of products in an efficient and shared manner.

As in the digital age information needs to be provided in real time, the management of product data is crucial. The objective is to equip the Group with an internal tool that allows customers, especially distributors, to provide all the details and technical and commercial specifications of the products, such as functionality features, images, videos and demos, for creating visibility on online sales channels.

The operational phase of the project started in early 2018 with Holland as the pilot country. Other European countries are following in the implementation of the tool, which is estimated to cover at least European products within 3 years.

The interviews covered various thematic areas, including sale conditions, product offer, service / delivery, documentation, customer support, brand / relationship, Net Promoter Score, Effort Score. The selected target customers are of strategic importance for the Country and for the Company, in the context of Business & Installer, Power Distribution, Industrial / Special Cables, Accessories.

Following the one-on-one interviews carried out in China and Hong Kong during 2015, the Group selected eight major customers in the Trade&Installer and Utility Business sectors in North America. The results were positive, especially in the U.S., where the overall score from a Distributor was 8.7/10, rising to 9/10 from the Utility customers. In particular, the interview with the Distributor identified as areas for improvement the price/quality ratio and variety of the product range scored 7/10. On the other hand, the scores obtained from the Utility customers were never less than 8/10 in any area.

In Canada, the Group obtained an overall score from one Distributor of 6.8/10, with 6.5/10 and 7/10 from other Distributors. In particular, the new areas for improvement identified were the ability to track information about the various orders placed, the accessibility of the Contact Centres, the delivery process and customer support. The results obtained from Utility customers were higher overall, reaching 7.4/10 and 8.7/10.

Based on these results, North America decided to implement specific actions between in line with the evidence obtained in the meetings, with a supporting role played by the Milan Headquarters.

In 2017 interviews were conducted in the United States also for the market segment for Special Cables and in Europe for the T&I segments. Six American customers were interviewed in the Distribution and Utility sector. Quantitative feedback was obtained only from 3 customers, while more business and market issues were addressed with the remaining ones.

## SURVEYS TO CONTINUE IN SEVERAL AREAS

The Group aims to implement Web Surveys for 2018 in France, Italy and the Nordic countries. In order to improve the response rate, additional methods for engaging its customers, are being evaluated, with also the using of dedicated tools, such as specific APP. One-on-one interviews are planned in 2018 also in the UK and in ASEAN, where a meeting is scheduled with at least 8/10 major customers. It is likely that China and Hong Kong will also be included, as a follow-up to the interviews conducted in 2015.



# PUNCTUALITY AND RELIABILITY CONTINUOUSLY IMPROVED

The On Time Delivery high level was maintained in 2017 in absolute terms, while the share of performing energy units fell below the 90% threshold, further guaranteeing the uniformity of performance among its plants.

In 2017 Prysmian has confirmed its strong orientation to continuously improve the punctuality and reliability of its processes. The measure of On Time Delivery, or the ability to serve the customer respecting the promised delivery date upon confirmation of the order received, saw in 2017 a maintenance of the high levels achieved in the previous year, both in the Energy Products and in the Telecom area, with the latter experiencing a strong increase in volumes.

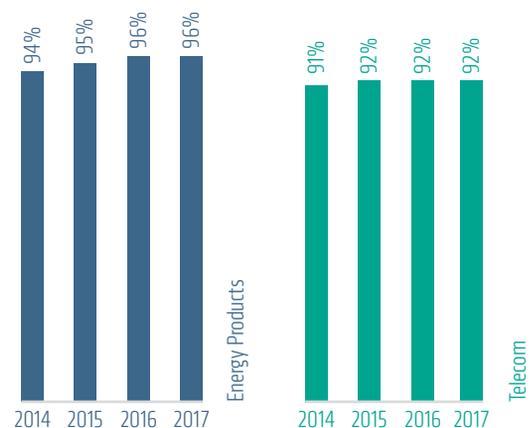
## Time for sale orders abated

In addition to maintaining the On Time Delivery level in absolute terms, in 2017 the share of performing energy units fell below the 90% threshold. In this way, Prysmian has further guaranteed the uniformity of performance among its plants. In order to accelerate customer response times, in 2017 Prysmian continued its efforts to reduce entry and management times for sales orders. This resulted in a 90% reduction in the time it takes to insert, process and save a customer order in the SAP system and has positively influenced the waiting times of the customers over the phone while increasing the 'qualitative' time dedicated to managing orders.

## Performance indicators expanded

Since the immediate availability of goods has become increasingly important to meet the needs of distribution customers, in 2017 the Group further expanded its performance indicator to monitor the quality of available stocks in order to improve speed on the market. For each product category, high, medium and low rotation, the weekly stock availability is monitored by material code with respect to the minimum stocks required on the basis of annual sales. To limit the possible delays and improve the reliability of the business also for the 'Make-To-Order' products, the weekly visibility of the CLIP index was made available on the SAP Client platform, in addition to the traditional service indicators, measuring the reliability of production compared to target.

### ON TIME DELIVERY



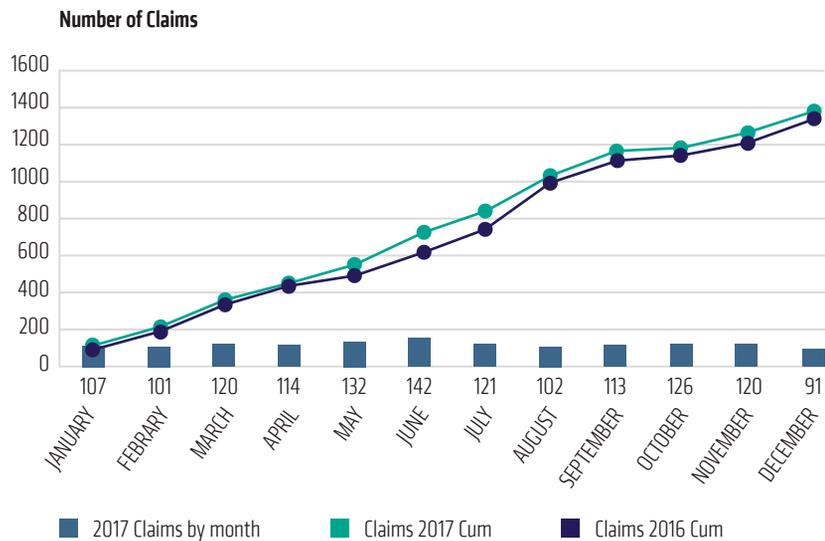


# HIGH RESPONSE PERFORMANCE TO CUSTOMER CLAIMS **CONFIRMED**

In 2017 the positive performance concerning the management of response times to customer claims has been confirmed, despite the fact that the total number of complaints increased slightly compared to the previous year. After the significant improvement achieved last

year with a 40% decrease, in 2017 there was a further reduction of 30%, confirming the effectiveness of the actions taken to improve the efficiency of internal processes, together with a greater sensitivity by all the functions to maximise the success of our customers.

## CUSTOMER CLAIMS IN 2017



## Managing the product data with a digital tool

In 2017, Prysmian launched the Product Information Management project in order to create a tool to manage the technical and commercial information of products in an efficient and shared manner. In the digital age - where information needs to be provided in real time, the management of product data is crucial.

The Group's objective is to equip itself with an internal tool that will allow customers, especially distributors, to provide all the details and technical and commercial specifications of the products, such as functionality features, images, videos and demos, for creating visibility on online sales channels. The operational phase of the project starts in 2018 with Holland as the pilot country.

Other European countries will follow in the implementation of the tool, which is estimated to cover at least European products within 3 years.



# THE HUMAN ASSET

Sustainability means preserving and increasing the internal value: the people who have built the story of the Group by transmitting their values and knowledge from one generation to another.





# GUIDED BY THE HUMAN CAPITAL STRATEGY

Launched in 2015 in support of our business and sustainability objectives to 2020, the Strategy guides the Group in the development of specific initiatives.

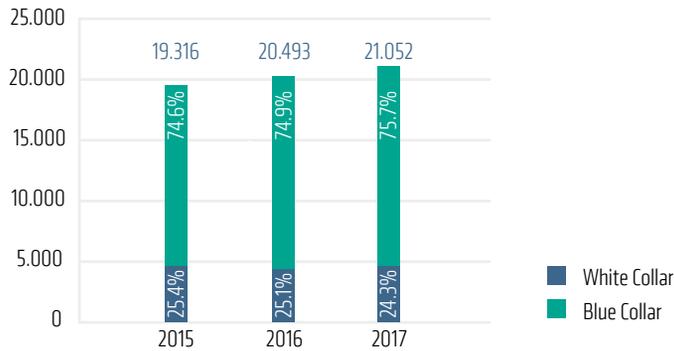
Prysmian recognises its commitment and responsibility towards the persons who work for the Group as well as local communities where the Group and has developed since 2015 a specific "human capital strategy" to support business growth and the achievement of sustainability objectives to 2020. The Strategy is based upon the seven pillars of improving the organisation model, planning of resources, development of employer branding, creation of a strong talent pipeline, development of professional skills, meritocracy and employees engagement.

In 2017 Prysmian made several steps forward on this path by launching a series of global initiatives focused on its employees and the world's talents, such as the "Sell It" and "Make It" recruitment programmes, the further development of information systems, a new engagement survey, the seventh edition of the "Build the future" and the launch of a due diligence on respect for human rights at the Group's sites, in relation to the Human Rights Policy promoted during the year.

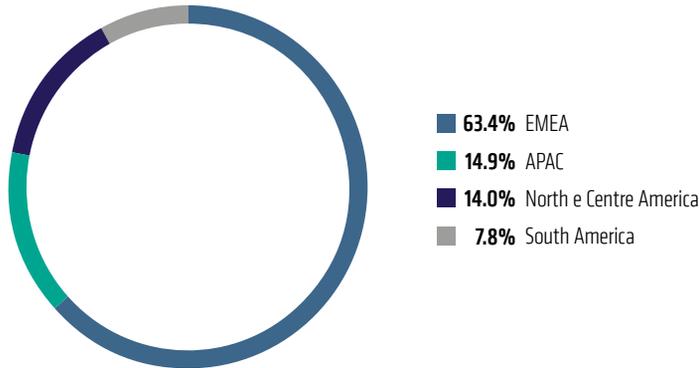
## All the numbers of Prysmian workforce

- The workforce at Prysmian Group in 2017 rose to 21,052 persons from 20,493 one year earlier. White collar staff was roughly unchanged at 5,124 persons from 5,147 while blue collars increased to 15,928 from 15,346.
- The year 2017 recorded thus 559 resources more than the previous year. The increase includes the start-up of the new factory in China, Prysmian Technology Jiangsu, with 127 resources, the start of production of the new optical cable factory in Mexico and the increases related to new investments in some countries in Central Eastern Europe region.
- During the year, the sixth edition of the "Build the future" programme for young graduates was launched with 48 resources, while the second edition of the "Make-IT" recruitment plan was held for professionals with experience in the areas of Production, Logistics and Quality with 52 resources.
- Also started in 2017 the first edition of the recruitment plan "Sell-IT" of professionals in the commercial field, both for front office and customer care, involving 48 resources.

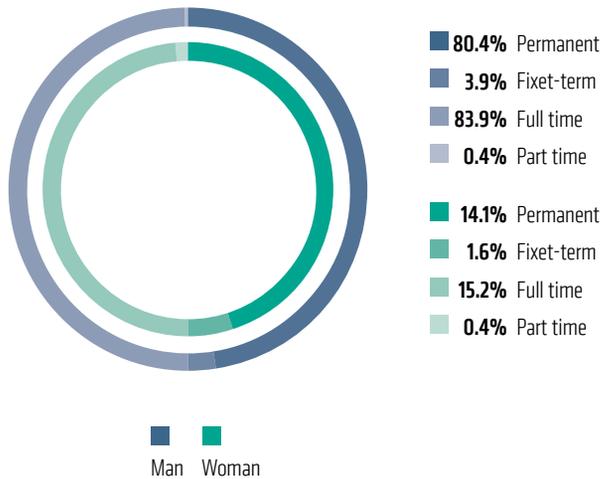
**TOTAL GROUP EMPLOYMENT AS OF 31 DECEMBER 2017**



**EMPLOYEES BY GEOGRAPHICAL AREA AND GENDER**



**EMPLOYEES BY TYPE OF CONTRACT AS OF 31 DECEMBER 2017**



# THE JOB OF NURTURING TALENTS

Intellectual capital and talent are regarded as strategic and very valuable assets at Prysmian, the key for achieving the profitability and value creation goals. As such, they must be supported by appropriate actions to develop and enhance their worth.

During the period 2012-2017, the Group designed and implemented a robust human capital development strategy in order to minimise the errors made when deciding on people and to equip the company with valuable resources, capable of contributing to future growth while maintaining the global leadership position of the Group in its industry.

The Human Capital Development strategies of Prysmian Group are based on an integrated management system designed for attracting, developing, promoting and retaining talented people. This results in a Talent management system which is based upon four pillars: the recruiting and acquisition of talents, the management of their performance, the management of talents and their succession, training and development.



# TRAINING 'GLOCALLY' IN 2017

Our strategy is to attract and retain talent through a series of programmes, initiatives and branding campaigns.

Prysmian provides training both at Group level, through the Prysmian Academy, and at local level. Regarding the training at central level in 2017 were provided 12,484 hours of professional and managerial training while at local level training activities were carried out for a total of 486,370 hours, with the main types of courses including training on the job, training focused on health, safety and environmental issues, and professional training.

## Employer branding

Numerous initiatives during 2017 were designed to position the Group as the Employer of choice on a global scale in order to attract the best talent, in particular, promotional and communication actions were taken using both digital and traditional means.

# MAKE IT

A manufacturing career  
at Prysmian Group

# SELL IT

A growing path at  
Prysmian Group

## Using new digital tools ...

The Group has invested in a solid positioning strategy on the major digital communication channels, achieving some very significant goals.

A strong partnership was established with LinkedIn, the most important professional social network, enriching the "careers" page of the Group as well as the available job vacancies offer, reaching 60 thousand followers. An intense and targeted recruiting and communication activity has also been launched through Facebook, using the Live tool with the candidates of the various programmes in order to present the Group's culture in the best possible way, answering in real time to the main questions and providing constant update on the selection phases.

This tool has proved to be a great success as well, reaching 25,000 likes and attracting thousands of comments and visits. Positioning was also initiated on Glassdoor, a professional network of major importance in the American market, achieving significant goals in terms of reviews.

## ... As well as traditional methods

The Group has continued to invest in traditional methods, thanks to its strong presence in the major international university career fairs.

Prysmian has participated in the most prestigious "job fairs" held every year in the best engineering and economic universities in Italy, Spain, France, Sweden, Finland, Estonia, Denmark, Russia, UK, Turkey, USA, Argentina, Brazil, China, Indonesia, Malaysia, Singapore, Thailand, Philippines, Australia. The Group has promoted its Human Capital Development initiatives also through dedicated career corners in the most relevant global business fairs in which the Group has participated, such as Middle East Electricity Dubai, OTC Houston, Offshore Wind Europe in London, Wind Europe in Amsterdam and ADIPEC in Abu Dhabi.

**Prysmian has participated  
in the most prestigious  
"job fairs" held every year  
in the best engineering  
and economic universities.**

## 45,000 candidates to Build the Future

Build the Future, is the international programme for the recruitment and induction of new graduates at Prysmian, with the objective to place high-potential profiles in various functions and geographical areas in a several phases journey.

Starting in 2012, the programme has already resulted in the recruitment of about 220 young people from all over the world. As much as 48 new international staff were taken on during the first half of 2017 while, in the second half of the year, 45,000 applications were received, that will lead to the selection and recruitment of another 50 new graduates in 2018.

**220 young people  
from all over the world.**

## 100 young engineers hired so far to 'Make It'

In 2017 Prysmian has continued the international recruiting programme Make It, which targets engineers with 3-to-5 year experience, interested in taking key, highly challenging positions at the principal factories of the Group.

The objective is to develop and grow additional industrial talent following a path that includes a period of technical and managerial induction at the Manufacturing Academy in Mudanya, Turkey. Starting in 2015, the program led to the recruitment of around 100 engineers from around the world between 2016 and 2017. In the first half of 2017, 50 engineers were hired and around 10,000 applications were received.

## Highly challenging positions at the principal factories of the Group.

## Attracting sales people from around the world

Following the success of Make It, the new recruitment programme Sell It, addressing the sales sector, was devised in 2017, with the goal to develop and grow additional sales talent. The selection process is carried out in partnership with HAYS, world leader in Professional Recruitment, while the training is conducted in cooperation with an international Business School network in the major continents of Europe, America, Asia.

Sell It has collected about 10,000 applications and allowed the recruitment of about 50 salespeople with 3/5 years of experience interested in covering key and highly challenging roles in the various areas of Energy and Telecom businesses.

# ONE ACADEMY, **FIVE** SYNERGISTIC SCHOOLS

In 2017, Prysmian Group inaugurated its Training Centre at its new Milan headquarters, which this year alone hosted more than 1,000 participants for a total of 150 training days. The inauguration follows the opening of the Manufacturing Academy in 2016 in Mudanya, Turkey, and of the Academy of Product, Innovation & Technology in Lexington, USA, also in 2017. Prysmian is one of the first major Italian companies to found its own "Corporate University". The Academy is organised into three distinct but synergistic schools.

## School of Management

Directly connected to systems of measuring and developing potential, is established in partnership with SDA Bocconi and a network of 10 major international Business Schools: ESADE, FUDAN, SMU, STENBEIS, CORVINUS, SSE, FGV, ESSEC, USC, UFS. In 5 years welcomed 710 participants and already issued 439 diplomas, with continuous ambition for growth in 2018.

## Professional School

Linked with the P3 programme, is organised into function academies -- Manufacturing, Supply Chain, Quality, Purchasing, R&D, Product & Sales, IT, HR and Cross-functional -- and centres of expertise -- Manufacturing, Technology, Sales. Has trained over 1,500 employees over the past five years, involving more than 200 experts and with plans to involve the same number in 2018 as well.

## Digital School

Considered one of the main projects of the Academy, is always in step with the evolution of business learning offers. A range of digital training initiatives create high quality virtual learning spaces for a wide audience and implement technological innovations in terms of learning thanks to the JAM platform. About 600 employees were involved in 2017, with some key products, such as the Compliance training program, aimed primarily at sales managers.

## Purchasing Professional Academy

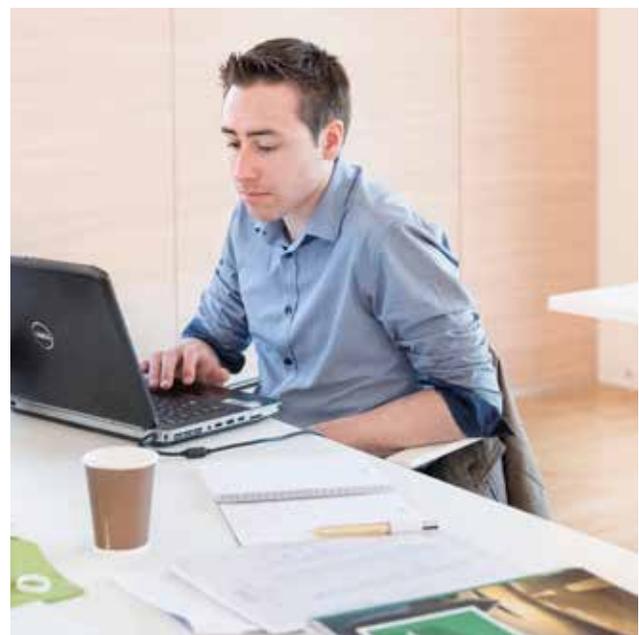
Is the Group's international professional and management education and training school that over the past five years has specifically addressed purchasing. In 2017, more than 40% of Prysmian purchasing personnel around the world have received training in this area. A section dedicated to understanding the importance of sustainability matters, entitled "Purchasing & Sustainability", has been included since 2015. The lesson relates to the supply chain and purchasing and guides buyers to take full account of sustainability when scouting for and selecting suppliers.

## Supply Chain Academy

The Supply Chain function continued the process of training the logistics-manufacturing personnel who work for the Group's affiliates around the world. Implemented over a period of several days and using internal lecturers, the objective is to facilitate networking, enhance the professional standing of the individuals and share ways to improve the Group's logistics making them more efficient. In particular, a section dedicated to the importance of sustainability throughout the supply chain was provided in the annual session of the Professional Supply Chain course.

# FIRST INTEGRITY TRAINING PROGRAMME

In July 2017, the Compliance arm of Prysmian, in co-operation with SDA Bocconi and the Group Academy, launched the Integrity First professional training programme, with a focus on anti-bribery and anti-trust issues. Over the six planned editions, training involves around 200 sales managers from different corporate regions. The Digital Academy has also launched online courses focused on antibribery and anti-trust issues for Italian affiliated companies. Among the topics of the courses, close attention will be paid to the issue of data protection, as in 2018 the European Union's General Data Protection Regulation (GDPR) comes into effect. The participants to the programme will then act as change agents, as Integrity First will help them to understand and embrace the need for high ethical standards in connection to Group strategy, which is a prerequisite for an effective change process. Digital training for all sales people are also in the pipeline on the same topics.



## Some 1,000 involved in talent and succession management

Acting on a mandate from the Compensation, Appointments, and Sustainability Committee, the Group decided to streamline its talent assessment procedure by introducing a process for the identification of talent and the preparation of succession plans.

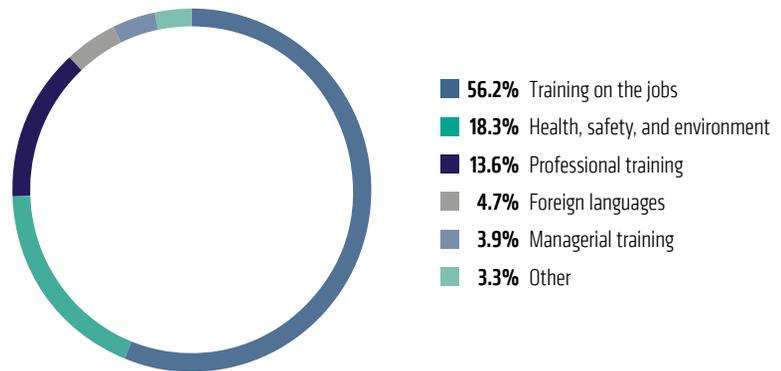
In 2016, the Group introduced a structured process to identify "Prysmian People Performance Potential", based on the definition of talent developed on the basis of structured interviews with 35 key managers of the Group, and defined as the sum of consistent performance and potential.

In 2017, the P4 process involved all those who participated in the P3 following five different phases and significant steps were taken to consolidate it, including the integration of the training offer of the Prysmian Academy.

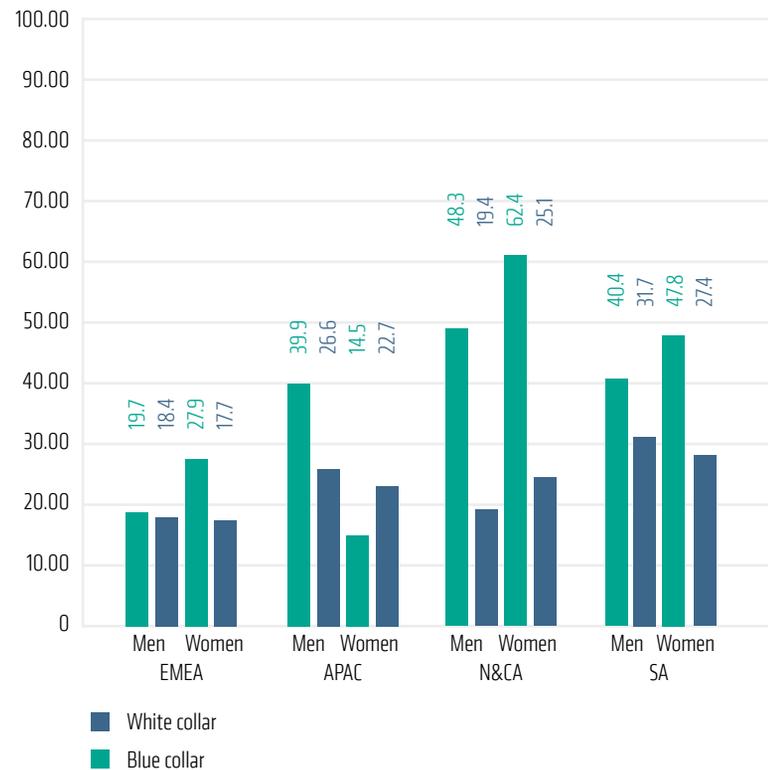
## People's performance is the performance of business

In order to achieve the business objectives and continue to improve results, each employee must be put in a position to make a daily contribution. This requires a constant feedback about the work performed and results obtained. Prysmian first introduced its performance assessment system, called P3. Now the process has been extended to all Group countries, involving only the white collar workforce. About 4,600 people were involved in 2017 only, equal to 94% of women and 96% of men. In 2017, some significant interventions were carried out to consolidate the process, in different areas. In the Technology one of the online platform that supports the process was upgraded, in the Culture field the first global training was launched in collaboration with the Digital Academy, in Training and Development the offer of the Prysmian Academy was integrated through the development of the Action plan, while in the Meritocracy area the reward systems have been reviewed. The challenges for 2018 include the continuous improvement of the process and its evolution towards Continuous Dialogue methodologies.

TRAINING HOURS DELIVERED BY TYPE



PER CAPITA TRAINING HOURS BY EMPLOYMENT CATEGORY AND GENDER



# DIVERSITY AND **EQUAL OPPORTUNITY**

Prysmian has identified the promotion of diversity and equal opportunity as a strategic objective for the management of human resources and has begun implementing a global Diversity and Inclusion Policy while developing a number of supporting initiatives.

In 2017 were started the first initiatives of the programme "Side By Side", launched in 2016 with a view to promoting and supporting diversity within the Group. The initial scope was support for gender diversity and then extend to diversity of other kinds, such as age, culture etc.

Side by Side is founded upon the recruitment and gender equality policies, quantitative objectives for female participation at each level of the business, internal and external communications campaigns and the development and provision of training and awareness within

the Prysmian Academy, in order to guarantee maximum support and involvement of the company population. All the initiatives are designed with the help of focus groups that involves employees of different levels and age.

The initiatives started in 2017 that are continuing in 2018 include a workshop on Diversity and Unconscious Bias to build a mindset open to diversity and multiculturalism, policies and basic rules to promote a respectful and productive environment for all, social events that allow the exchange of best practices inside and outside the company.

The objective is to increase the number of women at different organisational levels by 2020 and to include as a fundamental characteristic of leadership and condition in the selection processes of the personnel of the target shares of female candidates.



## The success of Yes continues

In 2017 the Group continued to pursue with success the Your Employee Shares shareholding program, the share purchasing plan at favorable conditions for its employees. To date, the YES program has proved to be a real success, welcomed by more than 7,400 employees, approximately equal to 53% of the corporate population that is entitled to and decided to become a shareholder, strengthening the internal perception of the Prysmian Group as 'One Company'.



**YES** Your Employee Shares

**Prysmian Group**





# A PIONEERING SPIRIT

Our search for new technology solutions has led to many innovations that paid off in terms of sustainability.



# ABATING THE WASTE OF RESOURCES

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In 2017, efforts continued to increase the efficiency and reliability of products while lowering the dissipation of energy and power through continuous innovation. Prysmian has worked hard to reduce the set-up times of the machines and increase the speed of manufacturing processes. As a result, we achieved greater efficiency, increased capacity and abated the energy consumed.

Again in 2017 Prysmian multiplied its efforts to explore innovation and find out new ways to pursue its goal of a sustainable and responsible growth, in all the fields the company is active with its leading offer of products and solutions.

All High Voltage projects have focused on increasing the transmission capacity of links and therefore improved efficiency, while the monitoring systems developed helped to facilitate the management of assets, by optimising losses and downtime. In the Gas Getters technology, further industrial trials have identified the possibilities and limitations of the absorption system of by-products generated in the production phase. Initial studies of materials capable of absorbing water and gas vapor have produced interesting results too.



## INNOVATIVE MATERIALS

In 2017, Prysmian has strengthened exploratory studies to identify innovative materials for the new technologies employed by cables and accessories.

The main results achieved include: an elastic sheath for aerial cable accessories, studies to eliminate lead from insulating compounds, development of semiconductive compounds and of a coating able to reduce the flame propagation, collaboration with the University of Padua on fire-resistant materials, study on substances that absorb water without subsequently releasing it, completion of tests in use of by-products absorbers in HVDC cables, development of a new traction element and of a method to study the electrical characteristics of mica glass tapes, collaboration with Politecnico di Milano on polymers resistant to oils, evaluation of materials suitable for the production of small-sized optical cables, studies on a polypropylene used to make the diameter joints in PLaser cables.

Work on the approval of alternative materials, especially those of major technical or commercial importance, has continued in order to reduce the use of monopoly suppliers. The use of PrySpec, a new method of preparing supply specifications, was started in some key countries to evaluate all the problems deriving from the procurement in "single source".

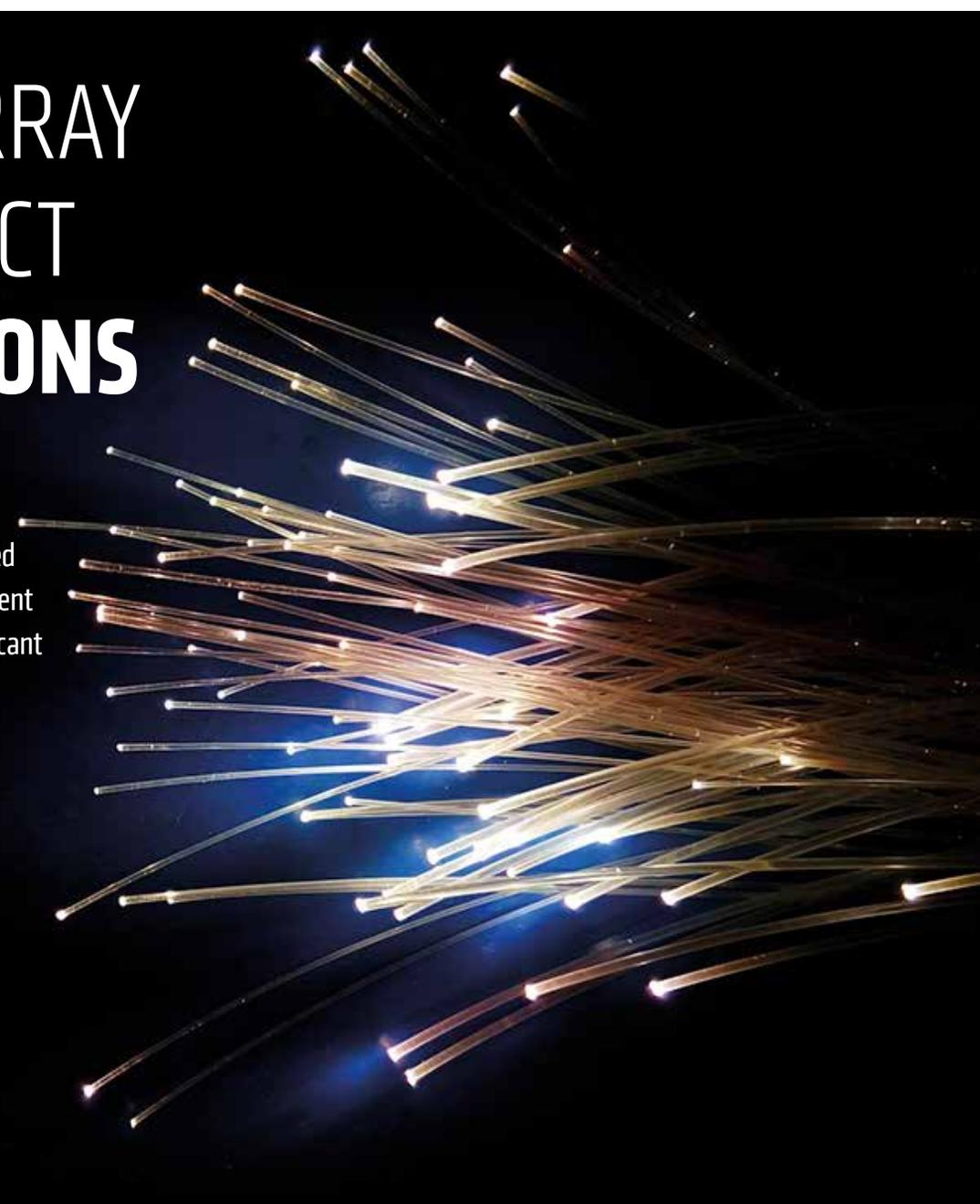
In line with the principal developments of safe, reliable and sustainable technologies, Prysmian has once again confirmed its pioneering and innovative spirit by continuing to expand the range of Afumex Green cables. With regard to the new generation of Afumex LSOH cables, energy consumption during production has been reduced significantly, while better surface finishing has been achieved by the development and industrialisation of new formulas.

In the Telecom business, in addition to the permanent objective of reducing waste and increasing the speed of production lines, work has been done to increase the number of fibres contained in a cable with the same cross-section as the cable, with a consequent decrease of the fibre protection materials and thus of the energy consumed

to extrude them. The Group has also worked to extend and expand the "dry/dry" version of Flextube cables, which allows a considerable reduction in installation time and, therefore, in the total costs of the system, facilitating the recycling and separation of components.

**Prysmian has once again confirmed its pioneering and innovative spirit by continuing to expand the range of Afumex Green cables.**

# A WIDE ARRAY OF PRODUCT INNOVATIONS



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In 2017, Prysmian Group developed a number of Research & Development projects that led to several significant results from the point of view of sustainability.

## Design-To-Cost

Work dedicated to this programme has continued in 2017 to lower production costs, both when developing a new product and when re-engineering an existing one. The aim is to reduce the quantity of materials used for cable production by redefining their design. The programme achieved cost savings totalling more than €13 M in 2017, with more than 1,050 projects that have benefited from it.

## Submarine cables

Activities related to the new large diameter aluminium conducting junction techniques were completed in 2017 with the production of a large part of the current COBRA project completed with 320 kV direct current to connect the Netherlands to Denmark.

The junction of conductors of different materials continued with a series of mechanical checks in order to use the solution in structures of a three-pole 220 kV alternating current cable.

## Terrestrial cables

In the field of Product Development of Very High Voltage Cable Systems, new prototypes for 525 kV HVDC systems insulated with proprietary P-Laser technology were produced. The conductor section, 3500 mm<sup>2</sup>, is the largest produced to date in Prysmian while the choice of aluminium as the conductor material made it possible to limit the weight of the cable. Thanks to the P-Laser technology, the system can therefore operate at a conductor temperature of 90° C (instead of 70° C as is normally the case for HVDC cables insulated in XLPE) ensuring a power equal to that of a cable of the same voltage but with a conductor of 2500 mm<sup>2</sup> section in insulated copper in XLPE.

## Trade and installers

2017 was characterised by the definitive entry into force of the European standard on the homologation of cables according to the Construction Products Regulation standards. The intense development activity carried out in previous years to adapt the products to the new legislation has allowed the Group to reach from the outset a prevailing position in the various local markets. However, the work of completing the range and optimising costs will continue intensively throughout 2018.

## Oil&Gas

Products and services known to the market as "SURF" -- Subsea Umbilical, Riser and Flowline -- for exploration and the offshore production of oil and gas, in 2017 added a new technology of umbilical cables called steel tube for dynamic applications. In the field of cables for submersible pumps the technological trend of operators in the oil extraction sector is aimed at simplifying the installation and maintenance phases as well as limiting the relative costs, which involves developing extremely innovative solutions that require new generation cables with very specific additional performance.

## Optical fibres

Year 2017 saw further improvements in the process of manufacturing fibres at the factories in the USA and Brazil, where an autonomous production process is now operational. Another important innovation concerns the use of "Few Mode" fibre technology that allows digital information to be transmitted using a limited number of "modes", whereas, until now, it has been possible to do so only using single mode fibres.

## Optical cables

Work continued to increase the number and density of fibres contained in a single cable: the last design involves the housing of 3,456 fibres, organised into 6 elementary nuclei of 576 fibres each in a single cable, which uses the BendBrightXS fibres with a diameter of 200 µm to promote miniaturisation without compromising sensitivity to bends.

## Connectivity

Prysmian has continued to develop new accessories for the use of Ultra Broadband Access networks. The main innovations involved the development of a new range of termination caps, the development of additional components for the joints, which have made it possible to extend their use in the network, thus increasing Prysmian's market share, the development of multiple components and the launch of an extensive test program to qualify the joints.

## OPGW

In the Special and submarine optical cables, the OPGW technology, in stainless steel with an aluminium coating, has been consolidated up to 96fo, while the spiral space technology has been integrated into the product portfolio. With these technologies, cables have been qualified for various projects in the field of special cables, for example dyke cables with a vertical height of 500 m.

The family of high mechanical strength and chemical (ALPA) or fire integrity (ALPAM) optical cables has been further developed. The production of submarine cables started at the Vilanova plant in Spain. As for submarine cables, a 330-km optical core was successfully produced for the COBRA project.

## Multimedia solutions

Improvements have been made to the 6A U/UTP solution, based on discontinuous metal tape for cables with copper conductors. The Power of Ethernet technology continued to be the main engine for the extension of the product range and use in the field. Wireless access points, cameras, sensors and other IoT devices (Internet of Things) are connected to each other.

Even the new Reduced-Twisted-Pair technology is gaining ground: the first projects that will enable, therefore, 1 Gbit/s transmission channels on a single pair have been qualified. This also allows us to support ongoing standardisation work.

# INNOVATION TO DESIGN THE FUTURE. **RESPONSIBLY**

In order to guarantee the quality of life of today's and future generations, Prysmian focuses its commitment on innovation and the development of new products and solutions with a always more reduced environmental impact.

In 2017 the value of gross investments amounted to €257 million, up approximately 10% compared to the previous year (€233 million), including the item relating to the purchase of assets of the Chinese plant located in Yixing and managed previously by ShenHuan Cable Technologies, active in the production of HV cables, and the further acceleration of investments in the Telecom sector (fibre and optical/ data cables).

The incidence of investments linked to the industrial footprint remains in line with previous years, with the objective of optimising the cost structure and guaranteeing an adequate saturation of the plants within the various countries.



# CONTINUOUSLY EXPANDING THE PRODUCTS' RANGE

At Prysmian, development projects seek to increase the efficiency and reliability of the finished products offered by the Group while, at the same time, lowering energy and power losses, reducing greenhouse gas emissions and the consumption of electricity and water during the manufacturing processes.

In 2017, investments by Prysmian on Research, Development and Innovation totaled about €84 million, as the Group developed numerous R&D projects and continued some of the previous year, such as the Design-To-Cost (DTC) aimed at lowering production costs and reducing the quantity of materials used for cable production by redefining the design of the product. This programme achieved cost savings totaling more than €13 million in 2017.

In 2017 was also introduced Afumex Green 1kV to its Afumex family, the safest and most sustainable cable on the market made of bio-polyethylene derived from sugar cane and the new P-Laser 600 kVDC cable. Investments were also devoted to the development of the P-Laser 600 kV HVDC for power transmission networks that guarantees better electrical performance, lower costs and greater environmental sustainability.

## Joining forces with major universities

Prysmian is continuously strengthening exploratory studies to identify innovative materials for the new technologies employed by cables and accessories. In order to achieve this goal, the Group strengthened its partnership with major universities all over the world.

In Italy, Prysmian joined forces with the University of Padua for a preliminary study in order to start a joint project on fire-resistant materials. It also cooperated with the Politecnico di Milano for a study aimed at obtaining polymers resistant to oils and the creation of a material based on unsaturated polymers that react with each other generating a crosslinked product with good characteristics. Along with the University of Salerno Prysmian also worked at a study of a polypropylene used to make the diameter joints in PLaser cables that showed a totally unexpected anomalous behaviour.

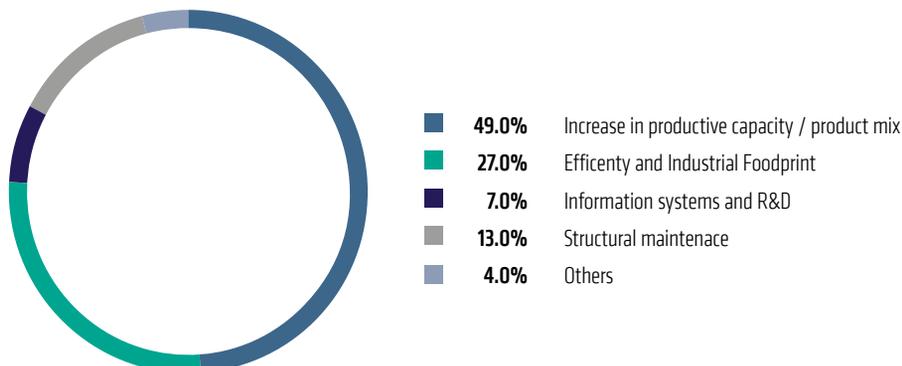
## Technology for human beings

In 2017 Prysmian Group organised the second edition of the 'Technology for Human Beings' contest, in collaboration with the Human Foundation, for the selection of bachelor's and master's degree thesis on the applicability of new technologies for sustainable development.

The contest was aimed at students of engineering, physics and material sciences enrolled at Italian universities or colleges and inspired by the Sustainable Development Goals, in line with the Group's Sustainability strategy, and awarded 6 students - 3 bachelor's theses and 3 master's thesis - with cash prizes.

The first winners of each category were offered the possibility to carry out a six-month internship within the Prysmian Group.

## GROUP INVESTMENT IN 2017





# ON THE ENVIRONMENT SIDE

We actively strive to safeguard and protect the environment and conserve natural resources.



# STRONG COMMITMENT TO THE **COMMON GOOD**

We worked hard during 2017 to enhance our performance on environmental matters by improving not only the intrinsic characteristics of our products, but also the way our production systems are managed. Being conscious that the prevention and reduction of our environmental impact goes from an efficient use of natural resources, the optimisation of logistics flows up to the responsible management of waste.

In 2017, the Health, Safety & Environment (HSE) function has strengthened the purpose of its actions at various levels within the Group not only centralising activities but also coordinating the work of the local HSE functions.

Cooperating with other business functions, the HSE team established the objectives for the period up to 2020, planning the actions required to make steady progress towards these goals. Adopting the Operating Procedures and the Group's Technical Standards, additional operating units were involved in the Application of the Health, Safety and Environment policy. With support from a Group-level audit team, HSE checked periodically the effectiveness and proper application at local level of the health, safety and environment rules.





## Collecting data to abate emissions

We monitored regularly to check the effectiveness of health, safety and environment activities on greenhouse gas emissions. In particular we strengthened the process of collecting energy consumption data in order to track both direct and indirect emissions deriving, respectively, from production processes and the purchase of energy. In 2017, the Group confirmed the participation in the Carbon Disclosure Project (CDP), Climate Change section, to contribute to the pursuit of the objectives agreed in the Kyoto Protocol.

## Constantly monitoring

With the aim of extending energy efficiency initiatives to an ever larger number of units, the Group carried out in some European and non-European operating units new energy diagnoses to have an ever more complete, reliable and updated data base on energy consumption and its distribution. In 2017, 4 new energy diagnoses were conducted, for a total of 26 in about ten countries in the period 2015-2016.

## Going on Relamping with LED

In 2017, the HSE function, in collaboration with an energy expert, completed the preliminary work and started the coordination of the operational phase of the "Relamping with LED", launched in 2016. The project concerns the replacement of traditional lighting with LED bulbs at some production units already undergoing Energy Audit as a priority, and includes the distribution to all the local organisations of specific guidelines. According to estimates, the expected savings range between 10% and 70% of current consumption for lighting only, depending on the sites.

## Smart Metering launched in Italy

In 2017, following the setup work launched in 2016, HSE has planned the installation of consumption monitoring systems in the Italian operating units within the or the "Metering" project, aimed at measuring power consumption of production units.

The project will be executed by the same general contractor in charge of the design and installation of LEDs. The system was launched at the end of 2017 in 6 of the 7 Italian units and will allow, as of 2018, a more precise and complete reporting of energy consumption, as well as savings obtained thanks to the energy efficiency projects. The "Metering" project will be completed in 2018 in the last Italian site and then gradually extended to other units of the Group.

# LOWERING IMPACT ACROSS THE WORLD



**Power Cables.** As in the previous years, in 2017 too several important initiatives have undertaken to mitigate and abate the environmental impact of the Group products and systems, involving all businesses.

**Rayong, Thailand.** Improvements made to the cooling water recirculation system, to reduce leaks in the circuits, minimising consumption.

**Slatina, Romania.** Reduction in process waste in the production of power cables achieved.

**Velke Mezirici, Czech Republic.** Heat recovery system from the compressors installed, contributing to reduce power consumption.

**Amfreville, France.** Temperature control system improved to optimise energy consumption, reusing wood packaging upgraded to replace aluminium.

**Gron, France.** Actions been carried out to improve water recirculation.

**Nuremberg, Germany.** Larger pipes installed for the return lines of the extrusion lines, to reduce losses and water consumption.

**North Dighton, Massachusetts.** Reduction of sheath strips and better management of the shelf life, reducing relative waste, new collection points for polyethylene and PVC waste, reduction in the oil waste from the machines.

**Schuylkill Haven, Pennsylvania.** Amount of waste compounds reduced, compounds classified as hazardous decreased, increase of packaging sent for recycling.

**Santa Perpetua, Spain.** Reduction of waste of mixtures sent for disposal obtained.

**Delft, Netherlands.** Recovery of SF6 gas started, to limit its release into the environment.

**Pikkala, Finland.** Lower consumption of cooling water achieved.

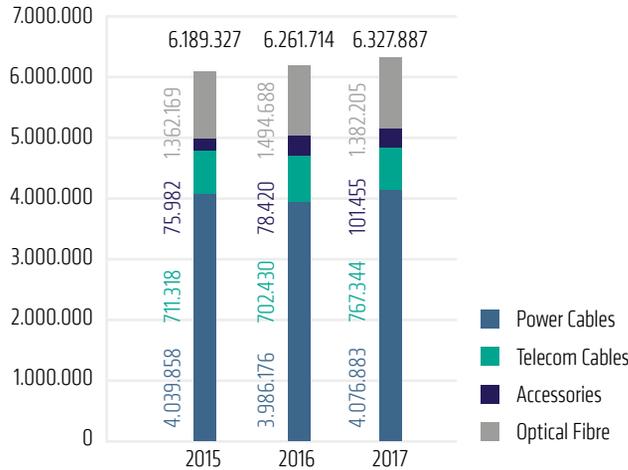
**Claremont, North Carolina.** Reduction of waste and energy consumption in the two production units.

**Calais, France.** The "Munster" unit re-phasing project has allowed the reduction of natural gas consumption in the Optical Fibre unit.

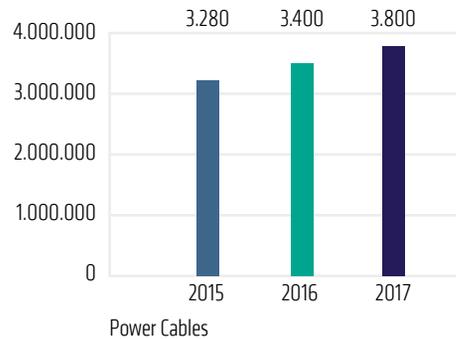
## Energy consumption

In 2017, the total energy consumption of the Group recorded a small increase (+1.1%), mostly attributable to the Accessories category (whose production activity in a plant was started recently and therefore had its start-up period during 2017). In fact, looking at the values of the other production categories, consumption appears more or less stable, if not decreasing as compared with production.

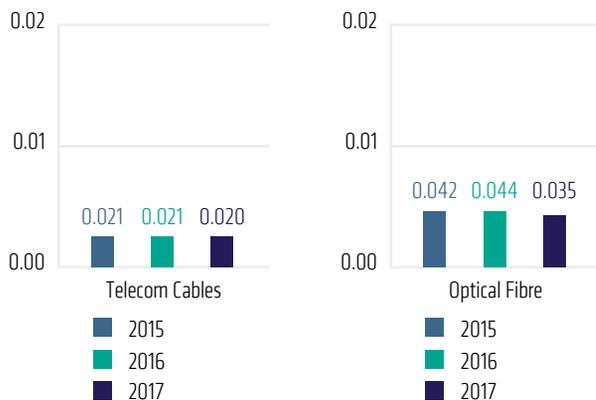
### ENERGY CONSUMPTION BY PRODUCT LINE (Gj)



### ENERGY CONSUMPTION BY TONNE OF PRODUCT (Gj/t)



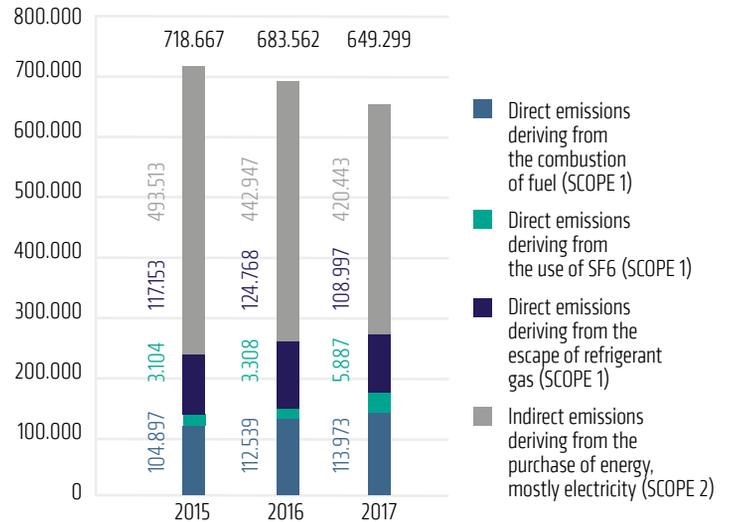
### ENERGY CONSUMPTION PER Km OF PRODUCT (Gj/Km)



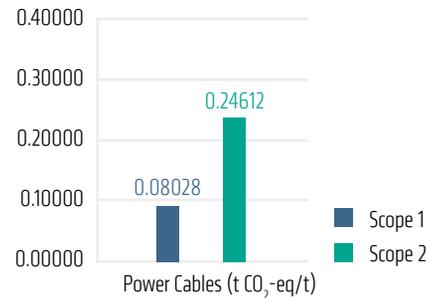
## Emissions of greenhouse gases

Emissions totalled 649,299 tCO<sub>2</sub>eq in 2017, down by 5% with respect to 2016, thanks to the improvement actions carried out with the aim of recovering SF<sub>6</sub>, which otherwise would be dispersed in the environment, and following the adoption of emission factors updated with regard to electricity.

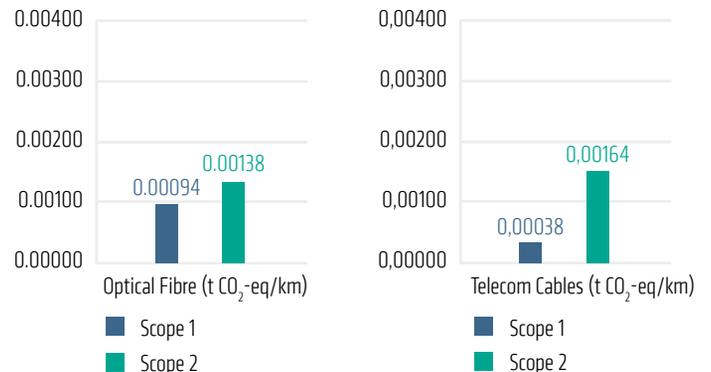
### CO<sub>2</sub> EMISSIONS, ANALYSED BETWEEN SCOPE 1 AND SCOPE 2 (tCO<sub>2</sub>eq)



### SCOPE 1 AND SCOPE 2 EMISSIONS OF CO<sub>2</sub> PER TONNE OF PRODUCT (tCO<sub>2</sub>eq/t)



### SCOPE 1 AND SCOPE 2 EMISSIONS OF CO<sub>2</sub> PER Km OF PRODUCT (tCO<sub>2</sub>eq/Km)



## Hazardous waste

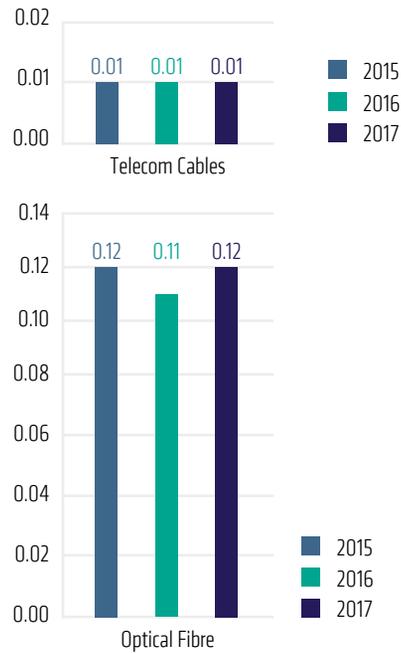
Hazardous waste is decreasing, both absolute and in relation to production. The reduction is due to several reasons, mostly linked to the disposal of certain types of waste that, not being generated constantly over time, fluctuates from one annual report to another. The principal categories of waste concerned are spent oils, emulsions from drawing tanks and machinery, processing residue and other waste generated by preventive maintenance work.

Other factors to consider are the massive clean-ups that occurred in some plants the previous year, the greater use of compounds without ingredients classified as hazardous (which therefore involves waste classified as non-hazardous), the repair of oil leaks and emulsions from the circuits and the tanks that occurred the previous year.

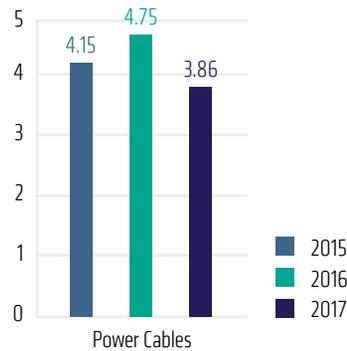
### WASTE DISPOSED BY TYPE (Kg)



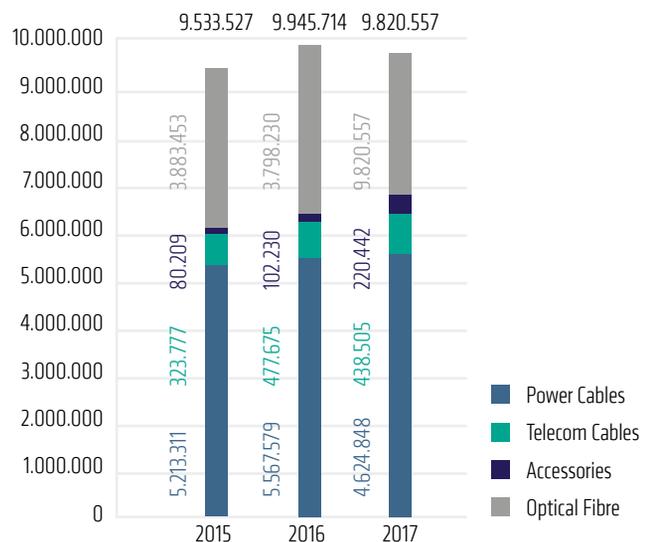
### HAZARDOUS WASTE BY KM OF PRODUCT (Kg/Km)



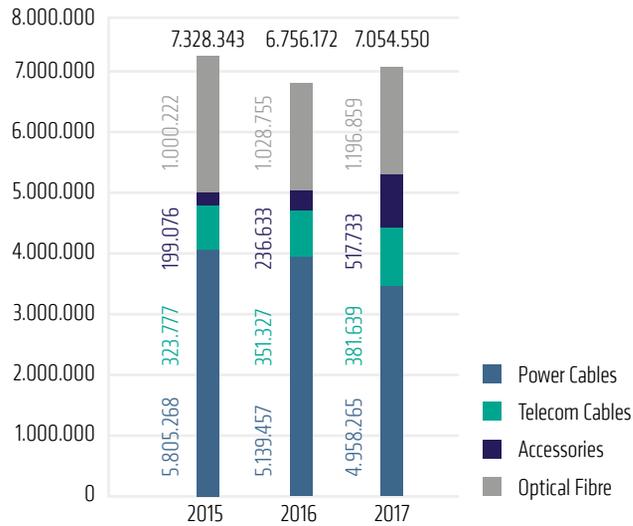
### HAZARDOUS WASTE BY TONNE OF PRODUCT (Kg/t)



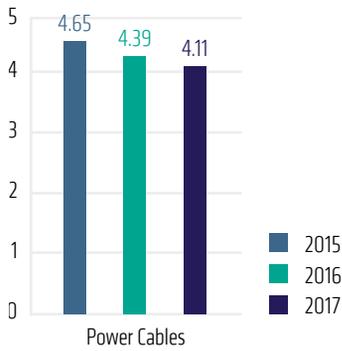
### HAZARDOUS WASTE BY TONNE OF PRODUCT RANGE (Kg/t)



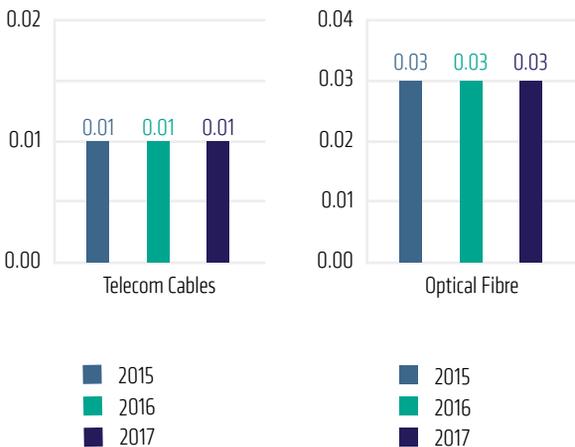
### WATER CONSUMPTION PER TONNE OF PRODUCT (m³/t)



### WATER CONSUMPTION PER TONNE OF PRODUCT (m³/t)



### WATER CONSUMPTION PER KM OF PRODUCT (m³/Km)



### Reused drums increased in 2017

In 2017, the percentage of drums that were reused was 48.9%, bringing to 8% the total increase over the last two years. Of this percentage, 9.8% involves the reuse of wooden drums while 90.2% are drums of other material, such as plastic, plastic for fibre and others. Prysmian has launched "Drum Tracking", an initiative for the geo-localisation of drums that is able to significantly increase the quantities of reused drums.

The solution was developed with leading suppliers in the field of geo-tracking and "IoT ready" solutions. Furthermore, the Group has entered into agreements in various countries to guarantee a flow of "Reverse Logistics" in which the return of the drums is guaranteed. For example, in the Czech Republic and in Hungary Prysmian has introduced in its plants the possibility of using the German KabelTrommel GmbH system, thus minimising the handling and abandonment of drums from Germany.

# ALWAYS RELYING ON SOUND SUPPLIERS

The Group's continued commitment in relation to sustainability issues has further strengthened in 2017 in order to make the supply chain even more sustainable and reliable.

Starting from the end of 2016, Prysmian has launched structured activities for the integration of Environmental, Social and Governance factors within its supply chain. To this purpose, an internal document, called "Supply Chain Strategy" has been drawn up containing the strategic approach and the objectives of the Group. The strategic management of the Prysmian Group supply chain is based on four principles: risk assessment, identification of critical suppliers, supplier management and performance evaluation, search and selection of the supplier according to standardised processes.

**Enhancing Sustainability.** In relation to these principles, Prysmian identified and developed 3 main macro-activities for the enhancement of sustainability aspects. The first is the subscription of ethical standards in the introduction of new suppliers, such as the Code of Ethics, the Code of

Business Conduct, the definition of Conflict Minerals Policy and Human Rights Policy. Subsequently comes the sustainability assessment of the current supply chain, in a process that includes the Sustainability Desk Analysis, the Risk Analysis and the self-assessment questionnaires on sustainability issues. Then we manage and constantly improve a set of sustainability aspects, with the implementation of actions with a view to achieving the objectives included in the Sustainability Scorecard.

**Strategic Relations.** The Group constantly strengthens relations with strategic suppliers, seeking to build together a common organisational process focused on sustainability throughout the entire production chain. Group suppliers source the principal raw materials used by Prysmian in the production processes, from copper to aluminium, to lead, to various petroleum derivatives such as PVC and polyethylene

and components for Power and Telecom cable accessories, as well as special types of glass and sheathing for optical fibre.

**Five Priorities.** The strategic approach adopted to supply chain management is based upon five priorities that the Group has established to take environmental and social objectives into account:

- Only use qualified suppliers.
- Only use materials whose technical characteristics have been authorised.
- Develop strategies for commodities that guarantee continuity of supply and availability of the required volume. In particular, the financial health of the supplier is important, as is only modest dependency on specific suppliers by Prysmian.
- Guarantee on-time delivery and a high level of quality over time.
- Ensure competitive prices.

## World class producers

The majority of the Group's purchases of raw materials, about 70%, comprise metals, especially copper and aluminium, which are a fundamental resources for our activities. Prysmian purchases copper and aluminium wire rod from the world's leading manufacturers, in order to make the conductors for cables. In special cases, Prysmian produces its own copper rod from copper cathode, but the output volume is less than 10% of total consumption.

The Group management of potential risks in the business relationship includes supplier approval of Prysmian's Code of Ethics. In particular, whenever a contract is awarded, the supplier must accept and sign the Group's Code of Ethics, in full awareness of the related rights and obligations.

## Continuously monitoring mica mining

In 2017, the Group continued analysing the results collected through the questionnaires sent to suppliers with the aim of developing increased monitoring aimed at avoiding the use of suppliers at potential risk of child labour in their supply chain. In order to manufacture certain safety cables and make them fire resistant, Prysmian purchases limited quantities of a few types of glass-based tape that contain small quantities of mica, but we do not use this mineral directly in our products and production processes.

The extraction process for this mineral is considered to be at risk of under-age working, especially in geographical areas like India where large quantities are mined. The Group tackled this issue since 2016 by requesting all suppliers with a sub-supply of mica to certify the absence of child labour.

# RESPONSIBILITY

## TOWARDS COMMUNITIES

For Prysmian, relations with local communities represent a fundamental element to create value over the long term and also in 2017, the Group has promoted specific initiatives to support the economic, social and cultural development of the areas in which it operates.

In Brazil the Group has signed a contract with PRODEPA, Telebrás and the development agency of Pará for the installation of optical cables as part of a broadband project in the Amazon region, known as "Xingu Conectado", that has linked 12 municipalities and connected 600,000 people to the 10 Gbps network. Prysmian has supplied 400 km of cables produced at the Sorocaba plant in São Paulo, which is rapidly becoming the leading optical fibre manufacturing facility in South America.

In New Zealand Prysmian has accepted the challenge of modernising the communication system in the remote area of Te Urewera. The successful project involved the supply of optical fibre in three rural schools and in many communities of the area as part of the broader Rural Broadband Initiative programme. The cables were installed despite adverse and inhospitable field conditions.

Always in 2017 the Group supported the international association Sorriso Nel Mondo, which, since 1997, has been treating infantile cranio-facial malformations in developing countries, by providing its cables to wire the Hôpital Général de Référence d'Uvira in the Democratic Republic of Congo. Thanks to the Group's support, a photovoltaic system for the production of solar energy was made possible so as to guarantee constant power supply especially to the two most sensitive hospital departments.

### Actively participating to the industry life

Prysmian's global leadership is strengthened by the inclusion in the principal and most strategic associations, that allows a prominent role in the definition of guidelines and in debates with partners and competitors. Major associations to which the Group participates include **Europacable, Friends of the Supergrid, Norstec, Medgrid, FTTH Council, Wind Europe.**

### A year of awards and recognitions

During 2017 the Group reported a significant improvement in the assessment of the **Dow Jones Sustainability Index**, as it ranked third in the "Electrical Components & Equipment" sector of the review of the Swiss sustainability rating agency RobecoSAM.

The attention to environmental sustainability is also reflected in performance in the **CDP Climate Change Report 2017**, in whose Italian edition Prysmian obtained the B classification on a scale from A to D. In the **EcoVadis** survey, a platform recognised worldwide, Prysmian improved its position obtaining a score of 70/100, rising from the Silver to the Gold level, within the 1% of the best suppliers.

The Group also confirmed its inclusion in the **FTSE4Good**, the prestigious global index comprising firms that stand out for their ethical and transparent management practices, while improving its score in the **Standard Ethics** from EE to EE+, thus ensuring its inclusion in the European Standard Best Practice 30 Best in Class index.

Prysmian also confirmed for the second year its inclusion in the prestigious **Carbon Clean 200** report, as the only Italian firm present. For the third consecutive year, Prysmian also returns to the Top 10 of the **Comprend Webranking 2017** report, published in Italy by Lunquist, while was also awarded by Italy's Biblioteca Bilancio Sociale with a Special Mention for its commitment to communication and dissemination of its values to its stakeholders.

### Showcasing across the world

In 2017 the Group took part to over 80 among the most important international trade fairs and exhibitions seizing the opportunity to showcase new products, innovations and projects. Among the most prestigious fairs there were the Middle East Electricity, SGT Europe, Asansor International Lift Exhibition, GASTECH, Hannover Messe, OTC - Offshore Technology Conference, Wind Energy Offshore, Wind Energy Conference & Exhibition, in the energy sector; FTTH Council Europe Conference, OFC Conference, ANGA COM, Breko, Optix East Africa, FTTH Council MENA Conference, in the telecommunications sector. Prysmian also organized numerous events over 2017 with the main customers.

Among these are worth mentioning the "Prysmian Club", which involved the main Trade and Installers customers worldwide, as well as collateral events organised during the various trade fairs, such as the Middle East Electricity Technical Seminars and the Offshore Wind Energy Exhibition. The group also carried out in 2017 several sponsorship activities such as the partnership with "Energy Observer", the world's first catamaran powered exclusively by renewable sources, engaged in the circumnavigation of the globe for a period of 6 years.

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