

Research & Development

R&D expenditure amounted to Euro 84 million in 2017, in line with 2016. Prysmian Group's growth strategy revolves around its commitment to R&D. In 2017, the European Investment Bank (EIB) and Prysmian Group announced the finalisation of a loan for Euro 110 million, to fund the Group's European R&D programmes over the period 2017-2020. Also thanks to EIB financing, Prysmian has been able to step up its level of investment, with cable technology proving it can make a decisive contribution to the challenge of digitalisation and the development of more efficient and environmentally sustainable power grids. Innovative optical fibres, eco-friendly cables with higher carrying capacity and ratings, and technologies for monitoring grid operating conditions are just a few of the areas on which we are focusing. The EIB loan is particularly earmarked for research on innovative materials involving the use of nanotechnology, systems for monitoring and managing underground and submarine networks, new cables and materials for more sustainable solutions and hybrid power-telecom cables. It will also serve to finance the development of new products, like underground and submarine power transmission cables and systems, high voltage P-Laser cables, cables for the renewable energy sector, high-performance optical fibres, cables for FTTH and FTTA applications, connectivity and development of smart cables and systems for sensing, monitoring and management. New investments will allow us to achieve even more significant results for the development of energy and telecom networks, like those obtained in recent years, including the new 600 kV P-Laser cable, the 600 kV XLPE and 700 kV PPL HVDC cables and the new 66 kV cable for energy applications, and for use in broadband networks, the new Flextube, the optical cable with the highest fibre density in the world. Work also continued in 2017 on the Pry-Cam electrical grid monitoring technologies developed by Prysmian Electronics, which are proving very successful.

Acquisition-led growth

Financial year 2017 marked a further acceleration in Prysmian's acquisition-led growth, confirming the Group's vocation to act as an aggregator on a global scale, raising the quality and competitiveness of the entire cable industry. The merger agreement reached with General Cable represents another fundamental step forward in this direction, and follows in the wake of a series of other important recent transactions. These include the acquisition of the assets of Shen Huan Cable in China, with the aim of pursuing an independent growth strategy in China, that of Corning's copper data cables business in Germany and, less recently, the acquisitions of Gulf Coast Downhole Technologies in the USA and Oman Cables Industry, now both at an advanced stage of integration.

Human capital development

Human capital development and business organisation are areas in which the Group is at the forefront for its innovative people development policies and initiatives to promote diversity and equal opportunities. Over the course of 2017, the Group operated several talent development and recruiting programs for both employees and potential candidates: over 5,100 employees attended training courses at the Prysmian Group Academy and the new Manufacturing Academy; more than 48 new high-potential recruits embarked on careers in the company with the "Build The Future" Graduate Program, now in its seventh year. The "Make It" program for engineers and technicians, now in its second year, and the new "Sell It" program for high-potential young sales

professionals have resulted in the recruitment of 57 and 48 experienced operations and sales specialists respectively. One of the main initiatives in 2017 was the "Side by Side" project, aimed at increasing women's participation at all levels of the organisation, at fostering a culture of inclusion and respect for diversity and at promoting diversity and meritocracy within the business. Also fitting into this context is the YES - Your Employee Shares - scheme, which in its first four years has seen a more than 53% uptake by 7,400 employees in 28 countries, who have thereby also become investors in the company in which they work.

Sustainability in Prysmian: an integrated strategy

Sustainability plays a central role for Prysmian Group, which is committed to promoting a business model that integrates economic, social and environmental responsibility in all aspects and activities of the Group. A strategic approach focused on listening to and actively engaging with all the Group's internal and external stakeholders, constant attention to the evolution of the global and industry context, as well as the ability to think about the future in terms of environmental and societal responsibility, translate into a Prysmian business model based on the concept of shared values. A key strength of this approach is constant monitoring of the Group's sustainability performance throughout the value chain, intended not only to evaluate performances *ex post*, but also to develop a proactive attitude in decision-making processes, that can anticipate and seize new opportunities.

As leader in the energy and telecom cables and systems industry, the Group best expresses its approach to sustainability by directing its growth strategy towards key issues such as: sustainable, technological innovation of its solutions, environmental responsibility of its production processes, attention to workplace safety, development of talents, and management of relations with customers and local communities in which the Group operates.

Framing all this are the staunch principles of ethics, integrity, transparency, anti-corruption and respect for human rights that characterise Prysmian's way of doing business and are materially reflected in the Code of Ethics and the policies applied throughout the Group.

In 2017, Prysmian gave wide visibility to sustainability issues through targeted communication activities and campaigns, communication tools like the "Sustainability Yearly Overview" and the related website, and the events in Pikkala (Finland-February 2017), and in Delft (Netherlands-November 2017), dedicated to a selected panel of stakeholders.