

## DEVELOPMENT OBJECTIVES AND STRATEGIES

### FUNDAMENTALS OF OUR GROWTH STRATEGY

*As world leader in the energy and telecom cables and systems industry, Prysmian aims to serve as an "enabler" of economic and social development in countries in which it operates.*

The Group's medium-term growth strategy is based above all on the shared principles of the corporate Mission and Vision. Prysmian states in its Vision that it believes in "the efficient, effective and sustainable supply of energy and information as the principal driver for the development of communities". In accordance with its mission, the Group is therefore committed to developing and applying advanced technological solutions to provide its "customers worldwide with cables and systems for energy and telecommunications" that represent effective, efficient and sustainable solutions to their needs. In short, Prysmian aims to play a role as an "enabler", in partnership with its customers, of economic and social development in the countries in which it operates. Its position as world leader in the energy and telecom cables and systems industry also sees the Group as the primary promoter of growth and continuous improvement in the entire industry, both in terms of the technologies used and the ability to develop suitable solutions with customers for the new sources of power generation and data transmission. The ability to produce constant innovations and to promote awareness of the cable industry's strategic role are the key to Prysmian's market approach.

The Group places stakeholders at the centre of its business strategy, the core guidelines of which are based on:

- **Customer Centricity**, meaning provision of innovative products and cable systems, truly inspired by a solution-driven approach;
- **Creating Value for Shareholders**, in terms of return on investment and profitability in the short term, but above all in the medium to long term.

The critical success factors for the Prysmian Group can be represented as follows:

**Ability to anticipate/satisfy customer needs.** The technologies and processes used must be capable of developing products and solutions that anticipate and satisfy the needs of customers. This is why the Group constantly strives to improve its competencies in the areas of Research and Development, Customer Centricity, human resource development and environmental sustainability.

**Balanced and sustainable growth.** The ability to combine short and medium to long-term objectives, measurable not only by short and medium-term financial performance to satisfy shareholders' expected return on capital, but also by seeking sound creation of value through the adoption of a system of governance and a business model that allows such results to be sustained over the long run.

**"Sound" management and financial discipline.** The Group aims to implement "sound" and prudent principles in its financial management. In particular, it pays great attention to operating profitability and cash generation, with a particular focus on working capital management and reduction of fixed costs and capital

employed in order to maximise cash flow generation and return on investment. The Group also aims to maintain adequate financial leverage for its strategy of organic and acquisition-led growth.

**Transparency, corporate governance and market and investor confidence.** The Group pays particular attention to its relations with financial markets, shareholders and investors, also because of its public company status. Its focus in this sense is on maintaining and delivering its commitments in terms of target results. Transparency and credibility are also expressed in a system of corporate governance based on strict interpretation and application of the relevant regulations and the adoption of principles and choices drawn from international best practices.

**Expansion and growth.** The Group's development strategy follows the dual track of growth in size and continuous improvement in profitability. The Group pursues both organic growth of the business, based on a selective investment policy and development of commercial and production synergies, and acquisition-led growth. Growth opportunities are primarily sought among higher value-added tech-driven businesses, while in terms of geographical expansion, the Group's main focus of investment is in countries and markets capable of ensuring high rates of growth and profitability.

**Rationalisation and efficiency of industrial and commercial processes.** Prysmian has confirmed over time its ability to optimise its industrial processes, including by integrating and rationalising its acquisitions. In fact, the Group has been successfully conducting the process of integration with Draka since 2011 and is on track with its targets. It intends to drive forward the plan to extract synergies from rationalising its organisation and industrial footprint, as well as from procurement activities. The development of synergies with Draka also covers the commercial sphere, involving the integration of product ranges and enhancement of customer service.

## MARKET APPROACH

Prysmian Group has perfected a market approach over the years that puts the customer at the centre of its strategic, organisational and business choices. Its commitment to analysing customer expectations and their evolution over time allows the Group to develop organisational and operating models that translate into fast, efficient and targeted responses to the markets concerned.

At the heart of this approach is **Customer Centricity**, which expresses itself in the ability to anticipate and satisfy customer needs through its constant presence, from product design through to delivery, and its provision of a level of service that is monitored against specific, agreed parameters.

Prysmian Group is able to develop solutions that not only meet specific standards but also satisfy precise customer needs. In particular, the Group is able to serve very different segments and markets thanks to its ad hoc matrix organisational structure allowing it to have a local presence even for major global projects.

This means that markets with high local specificity are served by country commercial and development teams, and that markets with global products and customers are followed by integrated business unit teams, while other segments requiring a local presence and cooperation between countries draw on the matrix structure's potential.

The strategy of customer centricity and satisfaction is implemented by having a fast, smooth organisation

throughout the supply chain, capable of expediting decision-making and time to market by adapting itself to the needs of the various industries through continuous investment in innovation.

One of the ways of implementing customer centricity is through **Factory Reliability**, a process that makes it possible not only to improve the reliability of planning and the execution of manufacturing output, in terms of both mix and volumes in ever faster response times, but also to have stricter control over inventory levels for every type of stock (raw materials, intermediate and finished goods); this enables the Group to deal effectively and efficiently with upswings and downswings in sales volumes and consequent variation in manufacturing output.

In addition to the Customer Centricity and Factory Reliability propositions, Prysmian Group has also started **Supply Chain Integration** projects with some of its most important global customers with the goal of improving process effectiveness and efficiency throughout the supply chain, from the producers of raw materials and intermediate goods used in manufacturing through to the end cable user.

## CORPORATE GOVERNANCE

*Effective and efficient, in order to create long-term sustainable value and produce a virtuous circle at the centre of which business integrity.*

Prysmian is aware of the importance of a good corporate governance system in order to achieve strategic objectives and create long-term sustainable value, by having a system that is **effective** in complying with the legal and regulatory framework, **efficient** in terms of cost-effectiveness, and **fair** towards all the Group's stakeholders.

Accordingly, the Prysmian Group keeps its corporate governance system constantly aligned with latest recommendations and regulations, adhering to national and international best practices.

In addition, the Group has adopted principles, rules and procedures that govern and guide the conduct of activities by all its organisational and operating units, as well as ensuring that all business transactions are carried out in an effective and transparent manner.

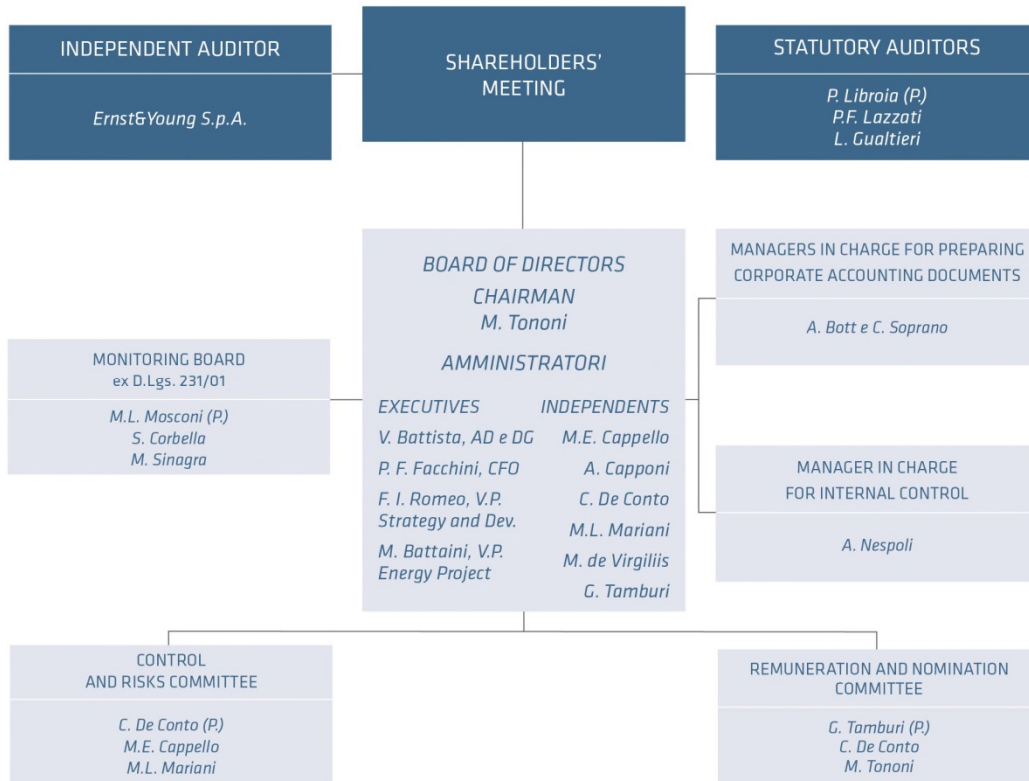
Once again in 2016, Prysmian undertook several initiatives to implement the recommendations of the Corporate Governance Code<sup>1</sup>, to which it has adhered.

<sup>1</sup> "Corporate Governance Code for Listed Companies - Ed. July 2015" - approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

**Corporate Governance Structure.** Prysmian's corporate governance structure is based on the central role of the Board of Directors (as the most senior body responsible for managing the company in the interests of shareholders) in providing strategic guidance, in ensuring the transparency of the decision-making process and in establishing an effective system of internal control and risk management, including decision-making processes for both internal and external matters. The model of governance and control adopted by Prysmian is the traditional one, with the presence of a general Shareholders' Meeting, a Board of Directors and a Board of Statutory Auditors.

An overview of the Company's corporate governance structure now follows, along with a description of its main features.

## GOVERNANCE STRUCTURE



In compliance with the provisions of art. 14 of the By-laws, the Company is currently managed by a Board of Directors consisting of eleven directors - who will remain in office until the date of the annual general meeting that approves the financial statements for the year ended 31 December 2017 - of whom seven are non-executive. The Board of Directors is vested with the broadest possible powers of ordinary and extraordinary administration, except those which by law are the exclusive prerogative of the shareholders in general meeting. In line with the recommendations of the Corporate Governance Code, the non-executive directors are sufficiently numerous and have enough authority to ensure that their judgement carries significant weight in Board decision-making. Six of the non-executive directors are independent within the meaning of art. 148, par. 3 of Legislative Decree 58 dated 24 February 1998 (known as the Unified Finance Act) and of art. 3.C.1. and art. 3.C.2. of the Corporate Governance Code, while one non-executive director is independent within the meaning of art. 148, par. 3 of the Unified Finance Act. The Board of Directors has appointed a Chief Executive Officer and General Manager from among its members and granted him all the authority and powers of ordinary administration needed or useful for fulfilling the company's business purpose.

Management of the business is the responsibility of the directors, who take the necessary actions to implement the business purpose. The Board of Directors is also responsible for the Group's internal control and risk management system and is therefore required to verify its adequacy and to adopt specific guidelines for this system, with the support of the other parties involved in the internal control and risk management system, namely the Control and Risks Committee, the Director in charge of the internal control and risk management system, the Chief Audit & Compliance Officer, the Board of Statutory Auditors and the Managers responsible for preparing corporate accounting documents.

Completing the Prysmian corporate governance structure is a Compensation and Nominations Committee and a Monitoring Board instituted under Legislative Decree 231/2001.

Further information (i) on the corporate governance system of Prysmian S.p.A. (ii) on its ownership structure, as required by art.123-bis of the Unified Finance Act and (iii) on directors' disclosures about directorships or statutory auditorships held in other listed or relevant companies, can be found in the "Report on Corporate Governance and Ownership Structure", prepared in accordance with art. 123-bis of the Unified Finance Act and available in the Investor Relations/Corporate Governance section of the company website at [www.prysmiangroup.com](http://www.prysmiangroup.com).

## CORPORATE STRUCTURE

The companies consolidated on a line-by-line basis at 31 December 2016 are presented below:

