

A SUSTAINABLE APPROACH TO BUSINESS MANAGEMENT

Having opened the doors of its new headquarters in the Bicocca district this year, confirming itself at the forefront of innovation, Prysmian Group is pursuing a specific policy of sustainability that aims to create and deliver value to its stakeholders, while also improving the quality and transparency of its business relationships.

In line with its Vision statement, focused on promoting "the efficient, effective and sustainable supply of energy and information as the principal driver for the development of communities", and in keeping with its values of excellence, integrity and understanding, the Group made important progress this year in making sustainability an ever more integral part of its business operations, in recognition of the importance of sustainability as a distinguishing factor and competitive advantage.

The Prysmian Sustainability Policy defined in 2016 sets out the priorities driving its medium/long-term sustainability strategy, and identifies clear objectives consistent with the Group's identity, the businesses in which it operates and its specific stakeholder groups. Furthermore, Prysmian has referred to the United Nations Sustainable Development Goals, the recommendations of the main international sustainability indices and its stakeholder expectations to develop a Sustainability Plan that includes a series of annual actions for implementation through its business functions and units. Lastly, with the purpose of providing its stakeholders with full visibility as to implementation of its sustainability strategy, the Group has adopted a scorecard with 16 quantitative KPIs and related targets for 2020, which it undertakes to monitor and provide regular reports on their progress.

By developing this Plan, Prysmian has loudly reaffirmed its commitment to sustainability, as also demonstrated by its decision to link sustainability objectives to incentive systems for all managers from 2017. Acknowledging the importance of these issues in business process management and in response to the invitation in Italy's Corporate Governance Code for Listed Companies to formalise the approach to such matters, as from 1 January 2016 the Board of Directors has put the Compensation and Nominations Committee in charge of supervising sustainability issues associated with the Group's operations and the related engagement with stakeholders.

Prysmian's decision to continue organising Multi-Stakeholder Engagement events, initiated in 2014, is another part of this process. Aware of the importance of engaging with stakeholders on the subject of sustainability as a way to strengthen a relationship of trust based on transparency, openness and dialogue, Prysmian has recently organised its third Multi-Stakeholder Engagement event in Pikkala (Finland), home to an important submarine cables plant. This type of event has now become an integral part of the Group's sustainability strategy, representing a valuable channel of communication both for managing the everyday business and for defining future policies. Cornerstones of this strategy are the technological and sustainable innovation of its solutions, the environmental responsibility of its production processes, the management of relations with local communities in which the Group operates, attention to safety at work and the development of its people.

On the people management front, Prysmian has developed a *Human Rights Policy* with the purpose of setting out its commitment to the protection of these rights not only within its own organisation, but also along the value chain, engaging with its suppliers on these issues. The Policy was approved early in 2017 and will be shared both with employees, through internal communication initiatives, and along the value chain. The Prysmian Group Academy, an international school of management and vocational education, with the mission of developing and strengthening the leadership and technical skills of management, continued to operate throughout 2016. During the year, a new recruitment campaign for sales personnel was developed under the title "Sell It", which aims in 2017 to identify young people passionate about and with experience of sales, who are ready to hold key and highly challenging positions in the various business areas. Lastly, the YES (Your Employee Shares) programme, giving employees the chance to buy Prysmian shares at a preferential price, continues to enjoy success. To date about 44% of employees have signed up, with this figure expected to increase in the future.

The Group's approach to sustainability is also evident in its relations with business partners. Among the actions to include environmental and social criteria in the process of supplier selection and qualification, Prysmian has continued to assess all new suppliers using a qualification questionnaire about their policies to safeguard the environmental and social aspects of their activities. In addition, as part of vendor management of metals suppliers, work has continued to map, classify and involve suppliers through a self-assessment questionnaire designed to assess the main parameters influencing sustainability issues, such as integrity, human and workers' rights, environment, mining, and conflict minerals. Following on from 2015, when self-assessment questionnaires were completed by metal suppliers accounting for nearly 80% of volumes purchased, the mapping has now been extended to 100% of regular suppliers. Prysmian has presented the results to each supplier during the routine negotiation meetings. This has significantly raised awareness within the Group's supply chain of the importance Prysmian attaches to sustainability as a criterion for selecting suppliers and awarding contracts.

In terms of sustainable innovation, 2016 was an exceptional year. The Group achieved a number of technological milestones on both the energy and telecom fronts, likely to have a significant impact on the market in terms of energy savings and sustainability. The main field of application is HVDC technology, allowing the transmission of large amounts of electricity over long distances, often between different countries. Prysmian launched its world first 700 kV PPL and 600 kV XLPE HVDC cables, which boost power transmission capacity and network reliability by up to 15%, and it extended its P-Laser technology - allowing the production of fully recyclable eco-friendly cables - to HVDC with the introduction of the P-Laser 600 kV cable, permitting cost savings of up to 30% per MW transmitted. It also introduced a 66 Kv cable, which can reduce the cost of offshore wind farms by up to 15%, and it obtained qualification for carbon trust programmes. The Flextube optical cable for the Telecom market achieved another world record, with its 2,112 fibres in a single solution, offering significant benefits in terms of installation cost per fibre and infrastructure usage by reducing the impact of civil works needed for installation.

The steadfast commitment to sustainability is also reflected in transparent, structured communication to all the Group's stakeholders through the annual publication of the Sustainability Report, offering its readers the chance to learn more about the policy promoted by Prysmian and its economic, environmental, social and product performance. Consistent with past reports, the 2016 Sustainability Report has been prepared in

accordance with the "G4 Sustainability Reporting Guidelines" published by the Global Reporting Initiative (GRI) in 2013. In fact, the GRI Sustainability Reporting Guidelines G4 require the Sustainability Report to contain information on matters deemed to be material, meaning those that have a critical impact for the organisation in economic, environmental and social terms and which significantly influence the judgements and decisions of stakeholders. The report has also been audited by a recognised external firm to provide all stakeholders with assurance as to the reliability of the information contained therein.

Demonstrating the effort invested, the Group continues to be included in the prestigious FTSE4Good Global Index, consisting of companies that demonstrate ethical and transparent governance practices and implement socially responsible policies. In addition, like in the past, Prysmian will participate in the top international assessments of sustainability in 2017, in particular the RobecoSAM assessment for the Dow Jones Sustainability Index (DJSI) and the Carbon Disclosure Project questionnaire.

Lastly, reference should be made to the 2016 Sustainability Report for a complete account of how the Group manages the economic, environmental, and social impacts deemed of importance for itself and its stakeholders and its performance in these areas.