



2016 Sustainability Report

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Contents

Letter to Stakeholders	2
Introduction.....	5
Methodology	5
A year of sustainability	7
The Group's sustainability strategy	8
Dialogue with Stakeholders.....	13
Analysis of materiality	15

Letter to Stakeholders

Prysmian performed well in 2016, as evidenced by an 8% rise in the economic value generated and distributed compared with the prior year. Recent efforts have borne fruit across every dimension of sustainability, including reductions in the emissions of CO₂ and ozone-depleting substances, an increase in the percentage of factories with health and safety certification, the launch of such innovative products as the 66 kV, which has been qualified for the carbon trust programmes, and the issue of new policies and procedures confirming that our fundamental values include a focus on individuals and ethics.

Turning to **personnel management**, Prysmian has developed a *Policy on Human Rights* in order to define objectives for the protection of those rights, both within the organisation and throughout the value chain. In terms of acquiring and managing talent, our *recruiting programmes* have achieved excellent participation rates and the intensive *training activities* of the Prysmian Group Academy - an international school for managerial and professional training - have continued, with support from the Manufacturing Academy opened recently in Turkey.

Lastly, the success of the internal *YES programme* continues, enabling Group employees to purchase Prysmian shares at an advantageous price. Currently, about 44% of employees have participated in this programme and, following authorisation to extend it for another three years, this percentage is expected to rise in the near future, to as much as 1.5% of the entire shareholder base.

As part of the **dialogue with stakeholders** on sustainability matters, the third Multi-Stakeholder Engagement event was held recently in Pikkala (Finland), where the Group has a large submarine cables factory. These initiatives have become an integral part of our sustainability strategy, as they represent a useful communications channel for defining shared objectives.

With regard to **sustainable innovation**, 2016 was a very important year. The Group reached a series of technological milestones that will have an impact on the market in terms of energy saving and sustainability. Key among these, HVDC technology will enable large quantities of electricity to be transmitted over long distances, frequently across national borders. In a world first, Prysmian has launched systems using 700 kV (PPL) and 600 kV (XLPE) HVDC cables, which guarantee improvements of up to 15% in network reliability. In addition, we have extended our P-Laser technology – for the manufacture of recyclable and eco-sustainable cables – to HVDC systems by launching the P-Laser 600 kV. The new 66 kV cable system, which allows reductions of up to 15% in the cost of offshore wind farms, has also been qualified for carbon trust programmes. In the Telecom area, the Flextube optical cable has achieved another world first by bundling together 2,112 fibres, in a solution that reduces the impact of the construction work needed for each installation.

With reference to the **environment**, the Group has worked hard to enhance performance in this area. In particular, total emissions of CO₂ - which represent the principal indicator of the environmental impact of an organisation - have declined by about 5% with respect to the prior year, while the quantity of ozone-depleting substances has fallen by around 6%.

During the year, the Group finalised its model of **governance**, by making the Compensation and Appointments Committee responsible for the supervision of sustainability matters and establishing a Sustainability Steering Committee, composed of all Function and Business Directors and chaired by COO Andrea Pirondini, to define strategies and the related activities.

The group has devised a clear **sustainability strategy**, founded on the universally-accepted elements agreed and documented by the United Nations, in its definition of 17 Sustainable Development Goals. These should lead governments around the world to adopt more responsible practices and outcomes over the next fifteen years. The approach taken by the Group seeks not only endorsement, but also alignment with the expectations and good sustainable practices of our stakeholders. The same values will be spread throughout the entire value chain.

For these reasons, Prysmian has defined a **Sustainability Policy** that establishes the Group's strategic priorities for the medium-long term, making reference to the Sustainable Development Goals, the principal international indicators and the expectations of our stakeholders.

Analysis of these elements has led Prysmian to select the five Sustainable Development Goals to which we can contribute most, and to translate them into a **Sustainability Plan** consisting of priorities, objectives and actions that are consistent with our business and corporate values. Building on this foundation, the Group has also devised a "**Scorecard**" that identifies 16 sustainability targets to be met by 2020, each measured by quantitative KPIs that will be monitored closely so progress can be reported on a regular basis.

This vision of sustainability in strategic terms is further demonstrated by the decision, with effect from 2017, to link our sustainability objectives with the incentive systems in place for the entire management team.

I am also pleased to announce the improvement of our positioning in numerous **international sustainability rankings**, including the authoritative Dow Jones Sustainability Index (DJSI): the Group now ranks fourth in

its own sector, following an improvement in score attributable to the numerous steps taken in the environmental, social and governance fields. The excellence of our sustainability management was also confirmed in the CDP Climate Change Report 2016 and by our inclusion in the STOXX[®] Global ESG Index and the Carbon Clean 200 list.

In closing, I am proud to mention the inauguration of the Group's **new headquarters** in Milan, which is expected to lower administrative costs, with respect to the previous location, by about 50%. Naturally enough, our new headquarters has taken a sustainable approach, as evidenced by the project to obtain the international LEED Platinum certification. This sets the standard for the measurement and evaluation of sustainable buildings, considering the reduction of CO₂ emissions and the quality of the materials used during the construction phase.

Valerio Battista - Chief Executive Officer

Introduction

Methodology

The Sustainability Report of the Prysmian Group (also "Prysmian" or the "Group"), now in its sixth edition (the fifth edition, relating to 2015, was published in March 2016), is a document used to inform stakeholders each year about the Group's performance on economic, social and environmental matters. The Report describes Prysmian's commitment to the creation of value for all stakeholders, and not just for the firm.

Continuing in the direction first taken in 2014, this Sustainability Report and its Attachments have again been prepared in accordance with the Core option of the "G4 Sustainability Reporting Guidelines", which ensures broad and effective disclosures.

The GRI G4 guidelines for sustainability reporting require the Sustainability Report to contain information about topics that are considered important, being those with a significant economic, environmental and social impact on the organisation and that significantly influence the assessments and decisions of stakeholders.

The process of collecting data and information in order to prepare the Report was managed by the "Corporate and Business Communications" function in collaboration with various other business Functions, in order to identify clearly and precisely the information deemed most meaningful for stakeholders, in terms of its *balance, comparability, accuracy, timeliness, clarity and reliability*.

Except as indicated where appropriate, the data and information contained in this report relate to those companies within the Prysmian Group as of 31 December 2016 that are consolidated on a line-by-line basis in the Annual Report. Where available, data relating to prior years has also been reported, in order to ensure the comparability of indicators over time and enable readers to compare Group performance and analyse trends over time. In addition, in order to guarantee the reliability of the information presented in this document, the parameters included are directly measurable wherever possible. When recourse to estimates is necessary, these are made using the best methodologies available and disclosed appropriately in the text. There were no significant changes in the ownership structure or scale of the Group during 2016 that would affect the scope of this Report.

In order to guarantee the reliability of the information presented, Deloitte has performed a limited assurance engagement in relation to the Sustainability Report, releasing its Auditors' Report in accordance with the criteria indicated in standard ISAE 3000 revised. This report, attached to this document, includes compliance with the principles of audit independence.

Structure of the Sustainability Report

The "Group ID Card" chapter is dedicated to presenting the Group, the areas in which we work, the principal events and awards received during the year, and the values that guide the way we work. It also describes the governance of Prysmian, our economic performance and the activities arranged to communicate with and involve our shareholders and investors.

The following chapters, "Integrated Sustainability", "Sustainable Innovation" and "Supply Chain", show how sustainability is an all-encompassing concept that influences the entire life cycle of every product: from research into and the development of innovative and sustainable solutions, to the networks that transport the product to market.

The "Prysmian's People" chapter is dedicated to our human resources, health and safety policies, the involvement of employees and their personal growth via initiatives that develop their skills.

This focus on our human resources is also reflected in the activities carried out for the benefit of the local communities in which the Group works, which are described in the chapter on "Communities".

The "Environment" chapter presents our environmental policies and performance by analysing the most significant aspects, such as our use of natural resources and raw materials, our consumption of energy and the related emission of greenhouse gases, and our elimination of processing waste.

The Report closes with the "Attachments" that provide further details about certain information contained in the Report, not least for consistency with the GRI-G4 guidelines, the "Auditors' Report" and the "GRI Content Index".

Contacts

Please direct comments, requests, opinions and ideas for improving the activities of Prysmian and the information contained in the Sustainability Report to:

CORPORATE AND BUSINESS COMMUNICATIONS

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A year of sustainability

PRINCIPAL HIGHLIGHTS OF THE YEAR

Strategy

Sustainability policy

Sustainability plan

Scorecard

Policy on Human Rights

Launch of Whistle-blowing procedure

Economic value

€ 1,710 million (+8%) / Economic value generated and distributed

Indices

+ 6 points / Dow Jones Sustainability Index assessment

Rating B+ / CDP Carbon Disclosure Project

Inclusion / STOXX® Global ESG Leaders Index

Inclusion / Carbon Clean 200 list

People

44% / Employee participation in the YES programme

28,000 / Applications received for the Graduate Program

+26% / participants in the Group Academy

Manufacturing Academy inaugurated in Turkey

Supply Chain

25% / Reuse of wooden drums

13% / Reuse of drums in other materials

Environment

€8 million / Investment in HSE

91% / Production sites certified ISO14001

73% / Production sites certified OHSAS18001

New Headquarters

3,700 / square metres of photovoltaic panels

2 / greenhouses within the complex

-6.2% / Ozone-depleting substances

-4.9% / tonnes of CO₂-equivalent emissions

The Group's sustainability strategy

Sustainability Policy and Plan

Sustainability plays a central role for Prysmian, which seeks to promote a responsible business model by encouraging the increased integration of sustainability within the strategy adopted.

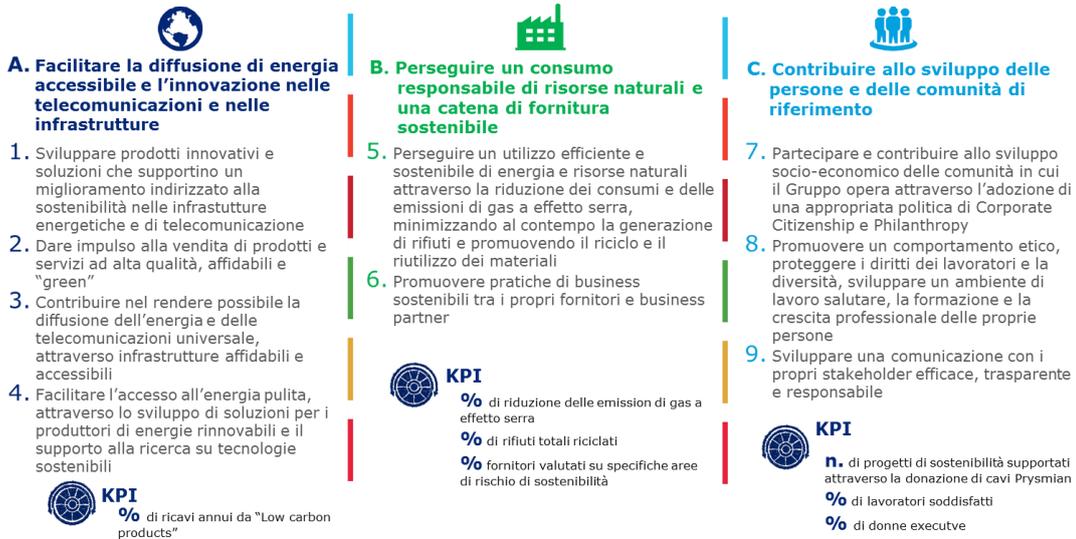
Operating in accordance with a philosophy founded on the values of Excellence, Integrity and Comprehension, Prysmian has consolidated its economic, environmental and social commitment over time, seeking to create value for all stakeholders and contributing to the sustainable development of the territories in which the Group operates.

Consistent with the Corporate Vision and Values, which seek to promote 'the efficient, effective and sustainable supply of energy and information as the principal driver for the development of communities', the Group took important steps over the past year to further integrate sustainability matters within its business activities. In particular, Prysmian defined a Sustainability Policy during 2016 that establishes the Group's strategic priorities for the medium-long term, making reference to the *Sustainable Development Goals* (SDGs) promoted by the United Nations, the principal international indicators and the expectations of our stakeholders.

Analysis of these expectations and the Sustainable Development Goals has enabled the Group to identify the emerging trends with regard to sustainability and, therefore, to determine our own strategic priorities, objectives and actions for the creation of shared value. Specifically, Prysmian has selected the five Sustainable Development Goals to which we can contribute most, and translated them into a Sustainability Plan consisting of priorities, objectives and actions that are consistent with our business and corporate values.

Building on this foundation, the Group has also devised a "Scorecard" that identifies 16 sustainability targets to be met by 2020, each measured by quantitative KPIs that will be monitored closely so progress can be reported on a regular basis.

Strategic approach via the Sustainable Development Goals



Sustainability Scorecard: 16 Target for 2020

Priorità	KPI	Baseline 2016	Target 2020
A.1	Percentuale di famiglie di prodotto coperte dalla misurazione della carbon footprint*	0%	100%*
A.2	Percentuale di materiali di produzione riciclabili acquistati nell'anno che supportano l'economia circolare	80%	Mantenere superiore all' 80%
A.3	Percentuale di ricavi annui da "Low carbon products"***	39%	40%***
B.4	Percentuale di riduzione delle emissioni di gas a effetto serra (Scope 1 e 2)	683.582 tCO ₂ eq*	-15%
B.5	Percentuale di riduzione dei consumi energetici	6.261.714 GJ*	-4,5%
B.6	Percentuale di rifiuti totali riciclati	30%	40%
B.7	Percentuale di bobine riutilizzate nell'anno	40%*	Mantenere
B.8	Percentuale di spesa totale* coperta da valutazione delle pratiche di sostenibilità	50%	60%
B.9	Percentuale di fornitori valutati su aree specifiche di rischio di sostenibilità*	0% dei fornitori di mica	100% dei fornitori di mica
B.10	Numero di audit di sostenibilità condotti in base ai rischi nella catena di fornitura	0	20
C.11	Numero di ore lavorative donate in 4 anni in attività di volontariato	0	30.000 ore*
C.12	Numero di progetti di sostenibilità* supportati attraverso la donazione di cavi	1 progetto all'anno	Mantenere
C.13	Percentuale di posizioni manageriali chiave* coperte nell'anno attraverso promozioni interne	85%	Mantenere
C.14	Percentuale di lavoratori soddisfatti (con indice di Engagement superiore a 5 su 7)*	60%	70%
C.15	Percentuale di donne executive*	6%	12%
C.16	Indice di frequenza e di gravità degli infortuni	2,6 53,6	Indice di frequenza: 2,2 Indice di gravità: 45

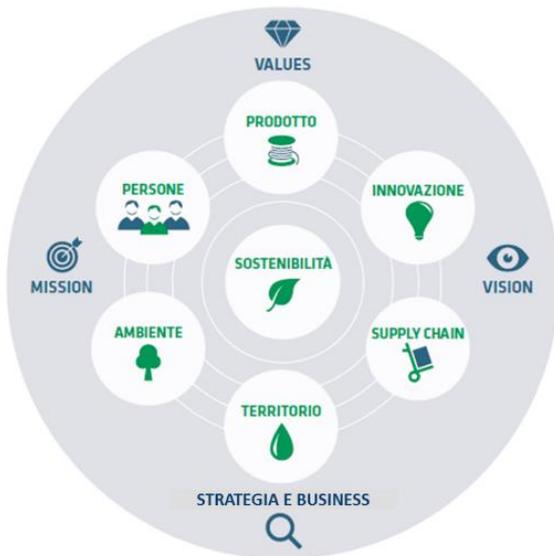
See the "Attachments" section for useful notes and a glossary explaining the contents of the "Scorecard".

Governance of Sustainability

Recognising the importance of sustainability topics in the management of business processes and accepting the invitation to formalise the approach taken to them contained in the Code of Corporate Governance for Listed Companies, the Board of Directors has tasked the Compensation and Appointments Committee with supervising, from 1 January 2016, the sustainability matters associated with the Group's activities and the dynamics of its interactions with all stakeholders. As part of the system for the governance of sustainability, a *Sustainability Steering Committee* comprising leaders from within the organisation is responsible for defining strategies and actions for presentation to the Compensation and Appointments Committee. In particular, the Steering Committee is tasked with periodically discussing the strategic sustainability priorities, as well as with defining and implementing the action plans needed to reach specific targets consistent with those strategic priorities. The *Corporate and Business Communications* function plays a significant role, having responsibility for mapping and monitoring the expectations of stakeholders in relation to the Group, proposing guidelines and actions, organising stakeholder engagement activities and, drawing on the multiple resources available, guaranteeing constant and transparent communications with the stakeholders. This function also coordinates sustainability activities at corporate level, including the collection of data and information for the Group Sustainability Report from each country and the various business Functions. These Functions are called on to adopt the sustainability priorities and practices promoted centrally, by applying within their daily activities the principles and rules embodied in Group policies. In this way, by embracing the underlying vision and values, they improve their approach to *corporate responsibility* and their awareness of sustainability matters.

Sustainability in the daily activities of the Group

Leadership in the supply of cables and systems for energy and telecommunications influences the Group's approach to sustainability, guiding the growth strategy on such key matters as sustainable, technological innovation in the solutions offered, the environmental responsibility of production processes, the management of relations with the local communities in which the Group operates, and attention to safety at work and the development of personnel. This focus results in great efforts to improve our skills in the areas of Customer Centricity, Research and Innovation, Environmental Sustainability and Employee Development.



Always aware of the challenges posed by climate change, the Group seeks to develop innovative products and services that will transform these challenges into opportunities. The objective is to offer efficient and sustainable solutions to customers, which generate value while reducing the related environmental impact.

Turning to personnel management, Prysmian has developed a *Policy on Human Rights* in order to define objectives for the protection of those rights, both within the organisation and throughout the value chain, by engaging with our suppliers on these matters. This policy was approved in early 2017 and will be shared within the organisation, via various internal communication initiatives, and throughout the value chain.

The Group's approach to sustainability is also evident in the relations established with our commercial partners. Among the measures taken to include environmental and social criteria in the process of selecting and qualifying suppliers, Prysmian has continued to assess all new suppliers using a qualification questionnaire on their policies for the safeguarding of environmental and social matters. In addition, as part of the management of metals suppliers, work has continued on their mapping, classification and involvement using a self-assessment questionnaire designed to assess the principal parameters affecting sustainability, such as ethics, human and workers' rights, the environment, mining activities and conflict minerals.

The efforts made in relation to sustainability have also resulted in transparent and structured communications to all Group stakeholders. In particular, the annual publication of this Sustainability Report enables all readers to analyse in depth the policies promoted and the performance achieved in economic, environmental, social and product terms. Continuing the work carried out in prior years, the 2016 Sustainability Report has been prepared in conformity with the "*Sustainability Reporting Guidelines G4*", issued in 2013 by the GRI - *Global Reporting Initiative*. The GRI G4 guidelines for sustainability reporting require the Sustainability Report to contain information about matters that are considered important, being those with a significant economic, environmental and social impact on the organisation and that significantly influence the assessments and decisions of stakeholders. The report has also been subjected to specific auditing procedures by a recognised external firm, in order to assure all stakeholders of the reliability of the information provided.

As confirmation of the efforts made, the Group is still included in the FTSE4Good, a prestigious global index comprising firms that stand out for both their ethical and transparent management practices, and the implementation of sustainable policies. Seeking to ensure continuity with prior years, during 2017 Prysmian

will once again participate in the principal assessments of sustainability organised at an international level including, in particular, the RobecoSAM assessment for the Dow Jones Sustainability Index (DJSI) and the questionnaire for the Carbon Disclosure Project (CDP).

The following pages of the 2016 Sustainability Report provide a complete view of how we work and the performance achieved on the economic, environmental and social aspects considered important for the Group and its stakeholders.

Dialogue with Stakeholders

The sustainability strategy adopted by Prysmian is marked by the importance recognised to the Group's numerous stakeholders. In pursuing our corporate objectives, 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 (social, economic, professional, human) of all the actors involved. In particular, 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 value added 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. In particular, these relationships represent a fundamental step in the development of structured processes that seek to identify emerging trends and predict future changes, especially in view of the current economic scenario that is highly dynamic and competitive, with a high propensity to embrace change.

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 become an integral part of the Group's growth strategy, as well as an effective communications channel. These initiatives are organised in pursuit of the following objectives:

- obtain suggestions from stakeholders that might improve products and processes;
- improvement the management of reputational risk;
- inform, educate and involve stakeholders in a manner that enables them to improve their decision making and actions, with consequent benefits for the company and the Group;
- contribute to the development of relations with stakeholders based on trust and transparency.

Following the second Multi-Stakeholder Engagement event held in February 2016 in Vilanova i la Geltru (Barcelona), Spain, the Group organised a new event in February 2017 in Pikkala, Finland, where Prysmian has a factory. This event involved 25 local representatives of seven categories of external stakeholder: customers; suppliers; local communities; universities and research centres; NGOs, public administrations and environment. The participants were able to play an active role in the discussions and workshops, during which they were free to express and exchange ideas, opinions and views on a variety of topics related to sustainability and corporate social responsibility. This open dialogue resulted in discussion of Prysmian's approach to sustainability, drawing out the subject areas considered priority by the stakeholders, in order to guide the Group towards new and ever broader horizons. In addition, during the discussions, participants made a significant contribution to identifying the principal effects of Group activities on the various stages of the value chain, highlighting the relevance and perceived importance of each sustainability-related matter. The principal matters identified were associated with the following topics: technological development, innovation and eco-design, sustainability in the value chain, sustainable production and consumption, clean energy, sustainable infrastructure and smart cities, and human rights.

Lastly, the stakeholders discussed the sustainability challenges that the Group should tackle over the long term, consistent with the SDGs that they identified as most significant for the organisation, in order to continue along the road towards sustainable development.

During 2017, Prysmian will continue the stakeholder involvement activities commenced last year. In particular, work to re-map the Group's stakeholders and their expectations is under way, with a view to expanding and giving new impetus to the related activities. The approach adopted is more inclusive, taking account of the sustainability indices and ratings that are routinely used by investors and commercial partners when making investment and purchasing decisions. Additionally, a new Multi-Stakeholder Engagement event will be organised during the year in a country in which the Group is active.



¹ The categories of Group stakeholder were identified from an internal analysis, updated periodically, with reference to the AA 1000 standards and the GRI. This analysis was updated during 2015.

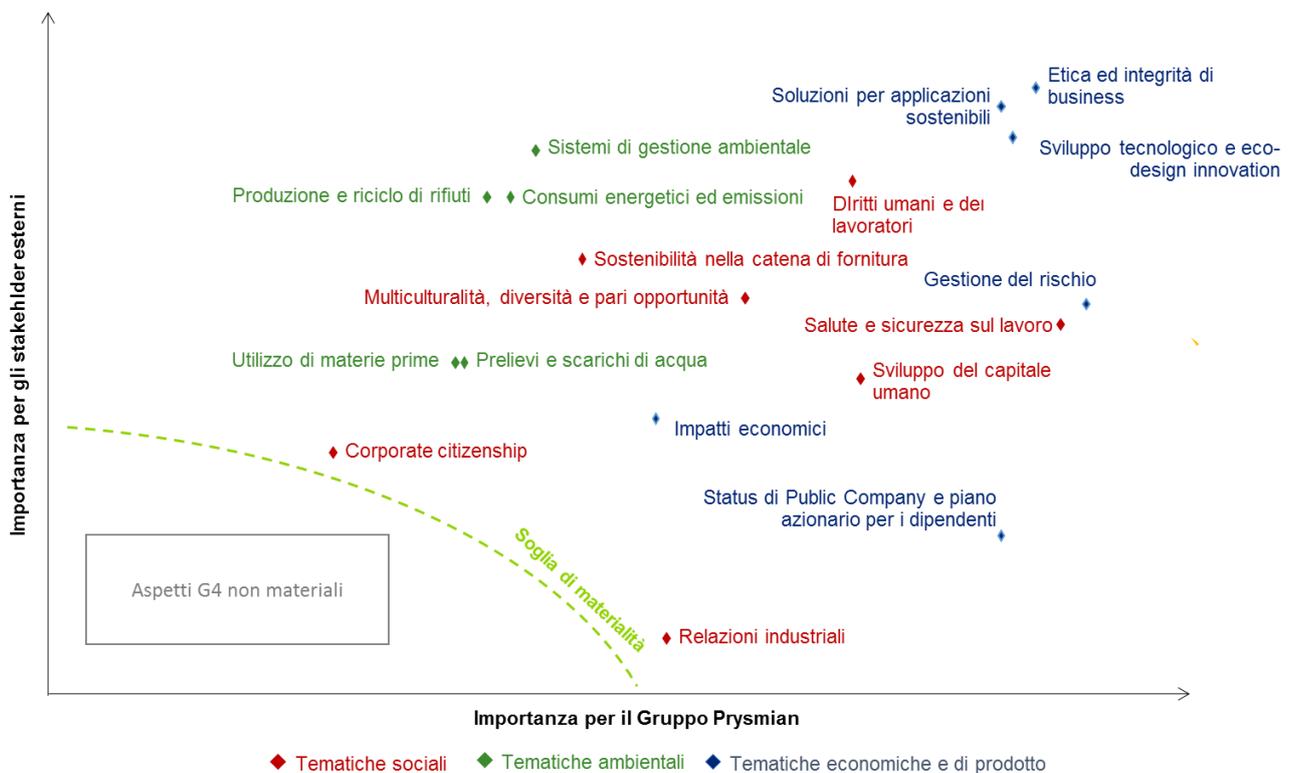
Analysis of materiality

Updating the work begun in 2014, once again Prysmian has carried out an analysis of materiality in order to map and classify the sustainability matters that are important for the Group and its stakeholders. This analysis identified the matters considered important, being those with a significant economic, environmental and social impact on the organisation and that significantly influence the assessments and decisions of stakeholders. Understanding the viewpoints of stakeholders is in fact key, if the Group is to continue to generate shared value over the short, medium and long term.

Consistent with the “G4 Sustainability Reporting Guidelines” defined in 2013 by the GRI – *Global Reporting Initiative* and adopted for the first time when preparing the 2014 Sustainability Report, Prysmian's analysis of materiality has been updated to take account of the new needs and requirements of the Group's external stakeholders identified at the Multi-Stakeholder Engagement event organised in Pikkala, Finland.

The output of the analysis identified the important sustainability matters for the Prysmian Group, which represent a starting point for reporting on the significant aspects central to the Group's commitments. Analysis of these matters took account of the impact of each, both within the Group and beyond, throughout the entire value creation chain. Further information about this analysis is presented in the Attachments to this Report.

Materiality diagram of the Group



Group ID Card

The Prysmian Group in the world

Market, innovation and technology leader in the global cables industry.

The Prysmian Group is world leader in the supply of cables and systems for energy and telecommunications. With almost 140 years of experience, sales of more than 7 billion euro in 2016, about 21,000 employees in 50 countries and 82 factories, the Group offers the broadest range of products, services, technologies and know-how for every type of industry, sustained by a grassroots commercial presence and 17 R&D centres in Europe, the United States, South America and China that are staffed by more than 500 experienced professionals.

Prysmian is a public company, listed on the Italian Stock Exchange as part of the FTSE MIB index.

The Group is organised into the Energy Projects, Energy Products, Oil & Gas and Telecom operating segments, and is active the development, design, production, supply and installation of cables for the most diverse applications. The Group supplies terrestrial and submarine cables and systems for the transmission and distribution of **energy**, special cables for applications in various industrial sectors and medium-low voltage cables for infrastructure and construction needs.

With regard to **telecommunications**, the Group produces cables and accessories for voice, video and data transmissions, drawing on a complete range of optical fibres, optical and copper cables and connectors.

The Prysmian Group has reached many major milestones over the years, completing projects with innovative and cutting-edge solutions that satisfy the highest expectations of customers and create value for both stakeholders and the Group.

The Group carries out major **undersea power delivery projects** for grid managers and utilities. These include the recent Cobra Cable submarine cable between the Netherlands and Denmark, contributing to the creation of a sustainable international market in electricity, and the record-breaking Western HVDC Link project in the United Kingdom. This last involves a number of industry firsts, in terms of voltage (600 kV), highest operational rating for an insulated cable (2200 MW) and distance (over 400 km). The Trans Bay, Neptune and Hudson projects in the United States are illuminating large areas from San Francisco to New York City with electricity from different sources. The Group is also world leader in submarine links for offshore wind farms. In addition to participating in all the major projects completed at European level in recent years, Prysmian has recently designed the cable link between a number of wind farms in the West of Adlergrund area of the Baltic Sea and the terrestrial electricity grids in Germany.

In terms of **terrestrial infrastructure**, the Group has helped to build electricity grids in some of the world's largest cities, from New York to Buenos Aires, from London to St. Petersburg, and from Hong Kong to Sydney. Prysmian is also leading a consortium of 7 firms in the creation of a new HVDC "Piemonte-Savoia" link between Italy and France. This project is strategic to increasing the security of electricity supplies and will allow up to 1,200 MW of power to flow between Italy and France.

The Group also assists the **petrochemicals industry**, offering sector operators solutions for use in exploration and production, as well as in the transformation and storage of hydrocarbons. These solutions extend from power, instrumentation and control cables to a range of SURF and DHT products and services, including umbilical cables for offshore platforms and high-technology flexible pipes for the lifting of petroleum.

In the renewable energies market, Prysmian technologies have been employed to establish several of the world's largest solar and wind farms, such as the Ohotnikovo PV plant in the Ukraine and the principal wind farms in southern Italy.

The Group's fire-resistant cables can be found at the heart of the most spectacular, state-of-the-art **buildings**, including the Wimbledon tennis stadium, the futuristic Marina Bay Sands in Singapore and the Shard skyscraper in London, which is the tallest in western Europe. In Milan, the Prysmian Group's cabling solutions contributed to guaranteeing the safety of the millions of visitors from all over the world who went to the 2015 Universal Exposition.

Turning to the **Elevator** business, the Group's cables can be found in many of the world's tallest or most prestigious buildings, such as the new World Trade Center in New York City. By cabling the Burj Khalifa in Dubai, the world's tallest building at 828 metres high, Prysmian has guaranteed safety on each of its 162 floors with elevator cables and fire-resistant cables whose length exceeds 1,300 times the height of the tower.

Prysmian has also achieved exceptional results in the **transportation sector** by cabling some of the world's biggest passenger aircraft and ships, such as the Airbus 380 and Royal Caribbean's GENESIS fleet, fastest trains and most innovative metro systems, such as that recently inaugurated in Shanghai.

Three million passengers travel on the London Underground each day, using 400 km of tunnels cabled by Prysmian and Draka fire-resistant products.

Lastly, the Prysmian Group is the world's leading producer of Telecom cables, with a wide range of optical fibre solutions for voice, video and data, continuous investment in R&D and around 30 factories dedicated to this sector. In this way, we help to develop the infrastructure that supports information flows and communications between communities around the world.

The quality of our optical fibres and innovative cabling solutions enables the Group to tackle the most difficult and ambitious challenges. The Group has recently been selected to support the development of a new broadband network in Singapore and, in Australia, Prysmian is helping the government to achieve the goal of creating a "Fibre-to-the-Premises" network that will connect 93% of the country's residential and commercial buildings. This project confirms the Prysmian Group's central role in the largest infrastructure challenge ever faced in Australia's history.

Operating segments

The **Energy Projects Operating Segment** comprises high value-added, high-tech businesses that focus on projects and implementation, as well as the customisation of products: High Voltage on land and undersea:

- Prysmian designs, manufactures and installs high and ultra-high voltage cables and systems for *underground and submarine power transmission* directly from generating stations to the primary distribution grids. Via Prysmian PowerLink S.r.l., the Group develops leading-edge turnkey submarine cable systems, with installation at depths of up to 2,000 metres using the Giulio Verne, one of the world's largest and most technologically advanced cable-laying ships. Prysmian also offers advanced services for the establishment of submarine power transmission links for offshore wind farms, ranging from project management to the installation of cables using the Cable Enterprise and the Ulisse, which are also cable-laying ships. The Group's technologies for this business comprise cables for the functioning of wind turbines, cables linking the various turbines and cable links to the terrestrial grid.

The **Energy Projects Operating Segment** comprises businesses capable of offering a complete and innovative portfolio of products that satisfy the most diverse market needed: Energy & Infrastructure, including Power Distribution and Trade & Installers, and Industrial & Network Components, including Specialties & OEM, Elevators, Automotive and Network Components.

- With regard to power transmission and distribution, the Group produces both medium-voltage cables and systems for joining industrial and residential structures to the primary distribution grids, and low-voltage cables for power distribution and the cabling of buildings. Prysmian's solutions are designed to support utilities and network managers, industrial firms, installers and wholesalers active in the electrical sector. In particular, the products presented for the Trade & Installers market include cables and systems used in the cabling of offices and the distribution of electricity to and within commercial and residential buildings. The range of products, considered among the most advanced and complete in the world, is supplemented by fire-resistant cables that generate low emissions of gas and toxic fumes.

- The integrated cabling solutions proposed by the Group for the Industrial market represent the most complete and technologically advanced response to the needs of a wide variety of industrial sectors. For the Specialties and OEM business, Prysmian offers cable systems for various industry-specific applications, including trains, aircraft, ships, port systems, cranes, mines, the nuclear industry, defence, the electro-medical sector and renewable energy. Further solutions are available for the elevator market, including flexible cables with connectors and cabling for elevator shafts, and for the automotive industry where the Group collaborates with the principal international manufacturers in the sector. The range of products is completed by network accessories and components for joining cables and other network components.

The **Oil & Gas Operating Segment** comprises then Down-hole Technology, SURF and Core Cables product lines for applications in Exploration & Production, Pipeline & LNG and Refineries & Petrochemicals.

- In the Down-hole Technology (DHT) sector, the Group offers products with a high technological content that are used in oil, geothermal and gas wells - as an integral part of systems for the control, injection and maintenance of fluid flow and for monitoring conditions within the extraction wells - including the latest generation of TEC (Tubing Encapsulated Cable) solutions, tubes for special applications and special fibre-

optic cable-sensors. The range is completed by a broad portfolio of protectors and the patented Safety-Strip® technology, which enables the rapid and secure installation of splicing and termination systems.

- The Group also offers products and services known to the market as “SURF” (Subsea Umbilical, Riser and Flowline) for exploration and the offshore production of oil and gas. This range includes: multi-function umbilical cables for the transportation of energy, telecommunications, fluids and chemical substances; flexible tubes for the offshore lifting of oil, accessories and installation and maintenance services.
- The Group’s solutions for the Core Cables product line include power, instrumentation, control and telecommunication cables designed specifically for applications in Exploration & Production, Pipeline & LNG and Refineries & Petrochemicals. The range is completed with packages of specific solutions for drilling installations that include ESP (Electrical Submersible Pump) cables and pre-assembled systems that power vertical traction equipment.

The **Telecom Operating Segment** comprises the production of cabling systems and connectivity products used in telecommunications networks. The product portfolio includes optical fibre, optical cables, connectivity components and accessories, Optical Ground Wire (OPGW) cables and copper cables.

With centres of excellence in Battipaglia (Italy), Claremont (USA), Douvrin (France), Eindhoven (Netherlands) and Sorocaba (Brazil), the Prysmian Group is one of the leaders in the production of the key component for all types of optical cable: *optical fibre*. A wide range of optical fibres is designed and produced to respond to the vast spectrum of applications demanded by customers, including single-mode, multi-mode and speciality fibres. In addition, the Group possesses all current technologies needed for the production of optical fibre, thus ensuring that solutions for the various applications are optimised.

The optical fibres are used in the production of a wide range of optical cables, whether standard or specifically designed for challenging environments where access is difficult: from underground conduits to overhead power lines, and from road and rail tunnels to gas and drainage networks.

The Prysmian Group also provides solutions for passive connectivity, guaranteeing the efficient management of optical fibres within the network. The growing demand for greater bandwidth has brought optical fibre ever closer to the end customer. The Group is extremely active in this rapidly growing sector of the market, known as FTTx, with a systems approach based on a combination of existing technologies and innovative solutions that introduce optical fibres to high-rise buildings and high density housing. Many of the cables employed in FTTx systems use BendBrightxs, a Prysmian optical fibre insensitive to bending, which was developed specifically for this application.

The Prysmian Group also produces a wide range of *copper cables* for buried and overhead cabling, as well as for residential and commercial buildings. The product portfolio includes cables of varying capacity, such as xDSL cables for broadband work and those designed for high transmission, low interference and electromagnetic compatibility.

Cabling systems for communications are produced by the Group for the widest variety of applications within buildings, industries and transportation systems: cables for radio, television and cinematic recording studies, cabling for railway environments, such as those buried for long-distance telecommunications, cables for signalling and train diversion systems, as well as antenna cables for mobile telephone systems and cables for communications networks.

A STORY THAT BEGAN TWO CENTURIES AGO

With almost 140 years of combined experience, the history of Prysmian and Draka is marked by numerous successes and ever more ambitious and challenging milestones. Over time, these achievements have enabled the Prysmian Group to consolidate its reputation as a pioneer in the sector, whose paramount objective is to meet the requirements of its customers.

1900

At the start of the 20th century, Pirelli Cavi, part of the Italian Pirelli Group, achieved international recognition thanks to several high profile projects, such as laying 5,150 km of telegraph cable across the Atlantic from Italy to America, linking North Africa with Brazil and installing a telephone line between Brazil and Italy.

1910

Hollandsche Draad en Kabelfabrieken was founded in 1910 and later became Draka.

1900-1950

Both companies expanded by internal growth during the first half of the 20th century, broadening their product ranges and opening factories in such strategic markets as Spain, the United Kingdom, North America, Argentina and Brazil.

1990-2000

The 1990s saw both companies engaged on acquisitions followed by major restructuring work, with a view to expanding their industrial and commercial activities.

2005

Pirelli Cavi was sold by Pirelli and Prysmian was founded.

2007

Prysmian was listed on the Milan Exchange's FTSE MIB.

2010

Prysmian became a public company. The assets and know-how accumulated in more than a century of history allow the company to pursue growth in markets and businesses with a high degree of value added.

2011

The acquisition of Draka by Prysmian gave birth to a new world leader in the cables sector: the Prysmian Group.

2015

Prysmian celebrates its first decade.

2016

The Prysmian Group inaugurates its new headquarters in the Ansaldo 20 industrial district of Milan-Bicocca.

New Headquarters, a sustainable revolution

After more than three years of work, the Group's new headquarters was opened in Milan-Bicocca during 2016. Extending over about 22,000 m², the facility was designed specifically to obtain the international LEED Platinum certification, which sets the standard for the measurement and evaluation of sustainable buildings, considering the reduction of CO₂ emissions and the quality of the materials used during the construction phase.

The central theme of the new headquarters is Smart Working, as an innovative and functional approach to the time spent in the working environment, employing: digitalisation, as the promotion of a work place that facilitates the creation and sharing of electronic information; team work and community building, where efficiency and a collaborative spirit are the order of the day; work-life integration, to improve the balance between work and private life via the increased flexibility of working hours; a war on waste and incentives to recycle materials via the separation of waste; 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 and promote respect for the environment.

The headquarters consist of new buildings separated by two full height, glass-covered areas providing sustainable recreation areas that, at the same time, ensure the maintenance of a stable micro-climate via the use of natural light. Internally, the various open spaces encourage interpersonal relations and promote the quality of the work performed.

This approach to sustainability is not limited to structural matters, but also includes good practices: the "Fruit Initiative" makes seasonal fresh fruit available to employees twice each week, while Prysmian provides urban transport passes free to all those who agree not to use polluting vehicles for travel between home and work.

VISION

Energy and information facilitate the development of the community. This means they must always be available and offered in an efficient, effective and sustainable manner.

No matter what the business of our customers, where they are located or how difficult their operating environment. We promise to keep them connected. Every day we are able to put our vision into practice, via the work we do. No matter how large or small our individual daily activities, we know that they will grow over time and help give us the strength to achieve our mission.

MISSION

We offer cables and systems for the transportation of energy and for telecommunications. Our strong reputation as seekers of performance and innovation enables us to offer opportunities for sustainable and profitable growth to our customers.

We do not want to be just good suppliers. We aspire to be excellent partners. So our shared values are fundamental for us. The things we do and the approach we take to achieving them gives us the opportunity to demonstrate how much we care about our work.

VALUES

Excellence. Integrity. Understanding.

EXCELLENCE. Doing well is never enough. A rigorous approach and entrepreneurial leadership are combined to offer innovative and complete solutions for every kind of business.

INTEGRITY. When it comes to ethics, no challenge is too great or too small, if the objective is to achieve the best.

UNDERSTANDING. We have great respect for different opinions and ideas, and a lively interest in the needs of our customers.

GLOBAL PRESENCE

EMEA

Ivory Coast
 Abidjian
Estonia
 Keila
Finland
 Pikkala
 Oulu
France
 Amfreville
 Charvieu
 Chavanoz
 Gron
 Paron
 Comimont
 Douvrin
 Calais
 Sainte Genevieve
Germany
 Neustadt
 Schwerin
 Nurnberg
 Wuppertal
 Berlin
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
 Nasjo
Tunisia
 Grombalia
Turkey
 Mudanya
U.A.E.
 Fujairah
UK
 Aberdare
 Bishopstoke
 Wrexham
 Washington
Hungary
 Balassagyarmat
 Kistelek

SOUTH AMERICA

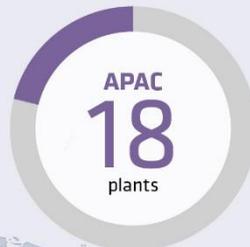
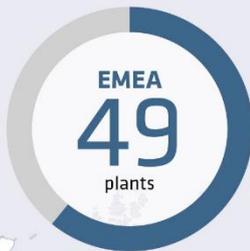
Argentina
 La Rosa
 Brasil
 Joinville
 Sorocaba (2)
 Santo André
 Vila Velha

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
Thailand
 Rayong
NORTH AMERICA
Canada
 Prescott
Mexico
 Durango
USA
 Abbeville
 Lexington
 North Dighton
 Bridgewater
 Rocky Mount
 Claremont
 Schuylkill Haven

 50 COUNTRIES
 82 PLANTS
 17 R&D CENTRES
 21,000 EMPLOYEES





- Energy (56)
- Combined Energy and Telecom (10)
- Telecom (16)
- HQ
- Offices (34)

A YEAR OF AWARDS AND RECOGNITION

- For the second consecutive year, Prysmian has placed in the Top 10 of the Comprend Webranking 2016 report, published in Italy by Lunquist. This report shows how and how well firms are able to dialogue with their stakeholders via the websites and digital channels available to them. Comprend Webranking Research is considered to be the leading European survey of corporate websites and is the only global classification based on requests from stakeholders. In its 20th edition, this survey assessed more than 800 firms worldwide, measuring how well they meet the expectations of their principal stakeholders.
- In 2016, the Group was recognised by the Italian Chamber of Commerce in Singapore (ICCS) as the “Best Italian Multinational in Singapore” at the annual Business Awards ceremony held for the best Italian firm operating in Singapore.
- Once again during 2016, the Group was retained in the FTSE4Good, a prestigious global index comprising firms that stand out for their ethical and transparent management practices, as well as the implementation of sustainable policies. In particular, Prysmian obtained the highest ratings for corporate governance and social matters, such as health and safety, human rights and the supply chain.
- Group is included in the STOXX[®] Global ESG Leaders Index, which is an index of sustainability created by STOXX Limited. This index is derived from an assessment process that identifies a selection of global firms based on Environmental, Social and Governance (ESG) indicators.
- During 2016, Prysmian celebrated inclusion in the prestigious Carbon Clean 200 report, as the only Italian firm present in forty-ninth place. Produced as a collaboration between As You Sow, a non-profit, and Corporate Knights, the Carbon Clean 200 report assesses the world’s largest firms, in terms of shareholder base, with reference to their revenues derived from green energy. For inclusion, firms must meet certain characteristics, such a share capitalisation in excess of one billion dollars and revenues from green energy that exceed 10% of total revenues.

Improved sustainability

Prysmian has achieved higher rankings in numerous international indices of sustainability, including a marked improvement in the assessment made by the Dow Jones Sustainability Index (DJSI). The Group came fourth in the “Electrical Components & Equipment” sector, following an improvement due to the many efforts made in the environmental, social and governance fields. These include tasking the Compensation and Appointments Board Committee with the supervision of sustainability; adopting inclusion and diversity policies; implementing and code of business conduct designed to spread responsible business practices throughout the supply chain; reducing the emission of ozone-depleting substances.

The attention dedicated to environmental sustainability has also been confirmed in the 2016 CDP Climate Change Report, in the Italian edition of which Prysmian is classified in the “Industrials” segment with a B (on a scale of 8 from A to D). This represents a benchmark against which CDP will monitor progress in the reduction of greenhouse gas emissions, consistent with the COP 21 objectives established in Paris.

The Group has also been included recently in two further indices of sustainability: the STOXX® Global ESG Leaders Index – created by STOXX Limited, a global provider of stock exchange indices – based on a transparent process of performance assessment that identifies a panel of global leaders in terms of environmental, social and governance (ESG) KPIs, and the Carbon Clean 200 – a report that assesses the world's largest public companies on the basis of their “green energy revenues.”

Prysmian has also been retained in the FTSE4Good, a prestigious global index comprises firms that stand out for the ethical, transparent and sustainable management of their activities.

ASSOCIATION MEMBERSHIPS

Prysmian's leadership of the cables sector is strengthened by the inclusion of the Group in the principal and most strategic global trade associations. In fact, participation in technical round-table discussions means that Prysmian can play a prominent role in the definition of guidelines, and in debates with partners and competitors.

Prysmian actively participates in the following major trade associations:

- **Europacable:** founded in 1991, members represent about 85% of the European cables market. The major global players in the sector are all members, together with more than 200 SMEs with a high degree of specialisation.

The Group has been a signatory of the Europacable Industry Charter since 2015. This document recognises and formalises the collective commitment made by the cables industry to support manufacturing and development objectives and principles founded on ethics, sustainability and high quality standards.

- **Friends of the Supergrid (FOSG):** brings together technology firms specialised in electricity transmission systems and firms that develop, install, own and manage the related infrastructure, in order to promote the development of a large-scale, pan-European, offshore electricity grid in order to distribute the energy generated by renewable sources.
- **Norstec:** represents the leading global operators in the energy sector, with a view to supporting the production of renewable energy by offshore wind farms in the North Sea.
- **Medgrid:** started in 2009 to study the feasibility of an electricity link across the Mediterranean, between Europe and the wind and solar farms established in North Africa. Twenty of Europe's leading operators in the energy sector are participating in this project;
- **FTTH Council:** non-profit organisation that seeks to accelerate the adoption of Fibre To The Home (FTTH) technology. Members include manufacturers, system designers, consultancy firms and academic organisations. The main aim of the FTTH Council is to interact with regulators and other bodies, such as the European Union, in order to enhance awareness within the regulatory environment about the adoption of this technology. The Prysmian Group is an active member of the FTTH Council in Europe, North America, the Middle East, North Africa, Latin America and Asia-Pacific. Via the various working parties, the trade associations develop and disseminate tools for the management of legislative requirements and for the development for sector-specific initiatives, such as the environmental declaration required for cables.

Ethics and integrity

The sustainability strategy adopted by the Prysmian Group is founded on a system of values that mark the behaviour of individuals both within and outside the organisation. The Code of Ethics establishes the principles for all to follow, consistent with the vision and mission of the Group. Acting as a veritable guide to daily behaviour, the Code of Ethics 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. 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 Organization (ILO).

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 published on the Group's website and on the corporate intranet, while updates are communicated to all Group employees. In addition, during 2016, Prysmian updated and implemented throughout the Group a Whistle-blowing procedure that complies with the principal best practices on ethical and compliance matters. In order to support and sustain one of Prysmian's key values, namely Integrity, during 2016 the Group established a compliance structure that, among other activities, monitors observance of the Code of Ethics and the Compliance Policies. This organisation comprises the following roles:

- Chief Compliance and Internal Audit Officer: reports to the Control and Risks Committee and to the Chief Executive Officer of the Group. Responsible for managing all compliance policies and procedures, including the Code of Ethics.
- Local Compliance Officers: present at each Group company, with responsibility for implementing and the constantly applying all compliance policies.

The Code and the above 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.

As part of the Group's commitment to ethical and legal behaviour, the Code of Ethics invites Interested Parties to report any real or apparent violations of the law, the Code or ethical standards, so that they can be examined and dealt with appropriately. In order to achieve this and create conditions that assure confidentiality, security and ease of reporting, Prysmian has adopted a procedure for collecting and managing reports on alleged violations of the Code of Ethics (so-called "*Whistle-blowing procedure*"). This procedure offers everyone (whether employees or not) the opportunity to submit reports to the Group, even on-line and in anonymous form, about improper conduct and alleged illegal activities within the organisation. This 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 Whistle-blowing mechanism: integrity above all

The system of values adopted by the Prysmian Group guides the conduct of individuals both within and outside the firm. This system is documented in the Code of Ethics, which 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. Prysmian has decided to take another step forward by launching the Whistle-blowing mechanism at Group level. This tool, which enables stakeholders to report any improper practices, is intended to disseminate further the principles and practice of ethical conduct. The mechanism is consistent with the best practices relating to ethics and compliance, given that Whistle-blowing procedures based on anonymous reporting have been shown to be the most effective way to identify fraud and improprieties. An independent third party (The Network, Inc.) manages the Whistle-blowing channels and ensures their security, with a strict mandate to protect the identity of whistle-blowers and to act as intermediary for the transmission of questions and follow-up replies, as well as to communicate information about the outcome of each case. The Group has also established a specific Whistle-blowing Committee, which will assess all reports carefully, carry out investigations and, if appropriate, take the necessary action.

Code of Ethics

"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 founded on three pillars:

- Ethics in business activities: the profit motive does not justify improper behaviour. 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.
- Ethics in internal relations: the Group is aware of the importance of our 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.
- Ethics in environmental and social matters: given our strong belief in the principle of sustainable development, the Prysmian Group operates worldwide with respect for the environment and local communities; at the same time, we encourage the responsible use of resources and promote 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 - available in the 26 languages used by the Group - is also published on the Company's website, www.prysmiangroup.com.

Anti-corruption policy

With a view to managing corruption-related matters, Prysmian has adopted an Anti-Bribery Policy that prohibits the corruption of public officials and private individuals, requiring Prysmian employees to comply with the policy and, if more restrictive, to observe and respect all the anti-corruption legislation in force in the countries in which they work or are active.

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 company controlled by the government, including commercial entities, or international public organisations, political parties or party officials or candidates for public office.

Specific actions to prevent corrupt practices within the Group include:

- Mandatory due diligence to be performed during the agent selection process (before signing the contract) and updated every 3 years, in accordance with Group policy.
- Supply of periodic information from each area to the Supervisory Body, pursuant to Decree 231/2001. These areas comprise:
 - New Prysmian agents
 - Results of due diligence
 - Commission payments above a certain threshold
- E-learning (training and testing) activities for compliance with the anti-bribery rules applicable to all Group personnel.
- 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.
- Implementation of 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.

Partly in view of the increased complexity of the regulatory framework, during 2016 the Prysmian Group decided to strengthen further the supervision and central guidance of compliance matters, by launching an *Anti-Bribery Compliance Program* based on the guidelines promulgated by ISO 37001 "*Anti-bribery management systems*" dated 15 October 2016.

Governance

Effective and efficient, to create sustainable value over time and give rise to a virtuous spiral centred on business integrity.

Prysmian is aware of the importance of a good system of corporate governance for achieving the Group's strategic objectives and creating sustainable value over the long term. The system must ensure that governance is effective, with respect for the institutions and the rules, efficient, with respect for the principles of cost saving, and proper in relation to all parties involved in the life of the Group.

With a view to sparking this virtuous spiral, the Group strives to ensure that the system of governance is aligned constantly with the relevant recommendations and regulations, and complies with domestic and international best practices. In addition, the Group has adopted principles, rules and procedures that govern and guide the activities of all organisational and operational units, as well as guarantee that all operations are carried out in an effective and transparent manner.

With a view to constantly improving the system of corporate governance, Prysmian took various additional steps during 2016 to implement the recommendations contained in the Code of Corporate Governance² for listed companies, adopted by the Group, and strengthen the principles of transparency and integrity applied.

The structure of corporate governance within the Group is founded on the core role of the Board of Directors - as the most senior body appointed to manage the Company in the interests of shareholders - in providing strategic direction, guaranteeing the transparency of decision-making processes and establishing an effective system of internal controls and risk management that encompasses the decisions made with internal and/or external effects. The Board of Directors exercises the widest powers of ordinary and extraordinary administration, except for those that by law are reserved solely for the Shareholders' Meeting. Consistent with the recommendations of the Code of Self-Regulation, the number and standing of the non-executive directors ensures that their opinions carry significant weight in the adoption of Board resolutions. The traditional model of governance and control adopted by Prysmian involves the presence of a Shareholders' Meeting, a Board of Directors and a Board of Statutory Auditors.

In compliance with art. 14 of the Articles of Association, the Company is administered by a Board of Directors comprising eleven directors - in office until the date of the Shareholders' Meeting called to approve the financial statements for the year ending on 31 December 2017 - of which seven are non-executive directors. Among all the directors, eight are men and three are women, four are aged between 30 and 50 and seven are over 50 years of age. Six of the non-executive directors are also deemed to be independent pursuant to art. 148, para. 3, of Decree 58 dated 24 February 1998 (T.U.F. - Consolidated Finance Law) and Application Criteria 3.C.1. and 3.C.2. Of the Code of Self-Regulation, while one non-executive director is considered independent pursuant to art. 148, para. 3, T.U.F. The Board of Directors has identified from among its members a Chief Executive Officer and General Manager, granting him all powers of ordinary administration that may be necessary or useful for the conduct of the business. The directors are responsible for managing the firm and carry out the operations necessary in order to achieve the corporate objects. The Board of Directors is also responsible for the Group's system of internal control and risk management and, accordingly, must check its adequacy and adopt specific guidelines specified by that system. The Board is assisted in this work by other persons involved in the system of internal control and risk management, being

² Code of Self-Regulation of 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

the Audit Committee, the Director responsible for the system of internal control and risk management, the manager of the Audit & Compliance function, the Board of Statutory Auditors and the Executive responsible for corporate financial reporting.

Prysmian's corporate governance structure also includes the Compensation and Appointments Committee and a Supervisory Body appointed pursuant to Decree 231/2001.

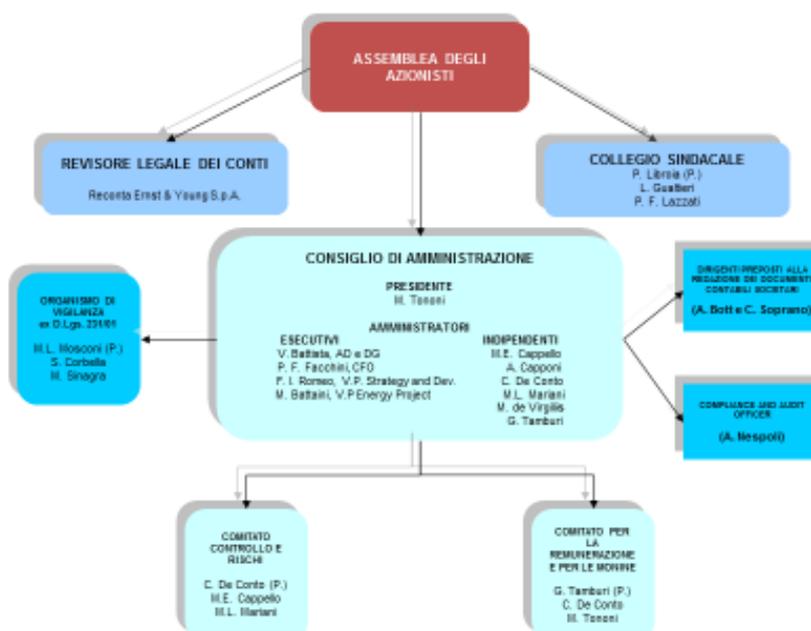
More complete information about (i) the system of corporate governance of Prysmian S.p.A. (ii) the ownership structure pursuant to art.123-bis T.U.F. (iii) the information provided by the directors about their appointments as directors or statutory auditors of listed or large companies can be found in the "Report on Corporate Governance and the Ownership Structure" available on the Company's website www.prysmiangroup.com, in the section on investor relations/corporate governance, which is prepared pursuant to art. 123-bis T.U.F.

Governance of Sustainability

The Corporate Governance Committee of Borsa Italiana approved certain changes to the details of the Code of Corporate Governance for Listed Companies in July 2015. In particular, the new version of the Code indicates the principles to be followed in the area of Social Responsibility, and the actions to be taken to guarantee the transparency and legality of business processes.

Reflecting the importance of sustainability matters in the management of business processes and accepting the invitation to formalise the approach taken to them contained in the Code of Corporate Governance for Listed Companies, the Board of Directors has tasked the Compensation and Appointments Committee with supervising, from 1 January 2016, the sustainability matters associated with the Group's activities and the dynamics of its interactions with all stakeholders.

Prysmian's Governance Structure



Anti-trust regulations³

Competition law on restrictive practices and the abuse of dominant positions now plays a central role in governing the activities of firms operating in all sectors of economic life. Prysmian's strong international presence in more than 50 countries subjects the Group to the competition regulations in force in Europe and in all other countries in which we operate. Each of these is more or less demanding in terms of the civil-administrative responsibilities and criminal penalties imposed for violation of the applicable laws. Over the past decade, the various local anti-trust authorities have dedicated increasing attention to the business activities of market players and, furthermore, have showed a greater propensity for international collaboration amongst themselves. Prysmian intends to operate in the marketplace in compliance with the rules in place to protect competition.

Consistent with the priorities defined in the ERM process, the Board of Directors 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. In addition, during 2017 Prysmian has introduced an anti-trust training programme 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, which is an integral part of this training programme, 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.

At the end of January 2009, the European Commission launched an investigation into the various European and Asian manufacturers of electrical cables, in order to check the existence of alleged anti-competitive agreements in the HV terrestrial and submarine cable businesses. On 2 April 2014, the European Commission ruled that, between 18 February 1999 and 28 January 2009, the world's largest cable manufacturers, including Prysmian Cavi e Sistemi S.r.l., had acted to restrict competition in the European markets for, respectively, submarine and high voltage terrestrial power cables.

The European Commission deemed Prysmian Cavi e Sistemi S.r.l., together with Pirelli & C. S.p.A., responsible for the alleged violation during the period from 18 February 1999 to 28 July 2005 and condemned them to pay a fine of 67.3 million euro. It also deemed Prysmian Cavi e Sistemi S.r.l., together with Prysmian S.p.A. and The Goldman Sachs Group Inc., responsible for the alleged violation during the period from 29 July 2005 to 28 January 2009, condemning them to pay a fine of 37.3 million euro. Prysmian appealed to the European Court against this decision and applied to participate in the appeals against the same decision filed by Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. Both Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. have, in turn, presented requests to participate in the appeals promoted by Prysmian against the decision taken by the European Commission. The participation requests presented by Prysmian, Pirelli and The Goldman Sachs Group Inc. have been accepted by the European Court. Prysmian has not made any cash payments as a result of the above decision, having elected - while awaiting the appeal - to give bank sureties guaranteeing payment of half the fine levied by the European Commission

³ Further information is available in the 2016 Annual Report.

(amounting to about 52 million euro) for the disputed violation in both the above periods. Prysmian understands that Pirelli & C. S.p.A. has also given bank sureties to the European Commission covering half the fine levied in relation to the disputed violation in the period from 18 February 1999 to 28 July 2005. Pirelli & C. S.p.A. has also taken civil action against Prysmian Cavi e Sistemi S.r.l., before the Milan Court, requesting to be held free from any demands advanced by the European Commission consequent to the enforcement of its decision and from any related enforcement charges.

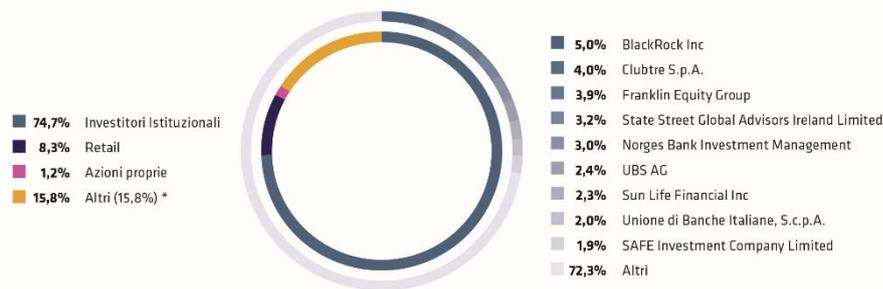
In February 2015, Prysmian Cavi e Sistemi S.r.l. filed in relation to the above action, requesting complete rejection of the demands advanced by Pirelli & C. S.p.A. and, with reference to the disputed violation in the period from 18 February 1999 to 28 July 2005, that Pirelli & C. S.p.A. be required to hold Prysmian Cavi e Sistemi S.r.l. free from any demands advanced by the European Commission consequent to the enforcement of its decision and from any related enforcement charges. The action was then suspended, by order of the Court in April 2015, while awaiting the outcome of the appeal against the European Commission decision promoted in the European Courts by both Prysmian and Pirelli. Pirelli appealed to the Court of Cassation to overturn this order, which however confirmed the suspension ordered by the Milan Court.

Shareholders and Investor relations

The Prysmian Group is for all purposes a Public Company: floating shareholders own 100% of the shares, with almost 80% of capital held by institutional investors.

As of 31 December 2016, the share capital of Prysmian S.p.A. amounts to Euro 21,672,092.20, represented by 216,720,922 ordinary shares with a nominal value of Euro 0.1 each. The ownership structure at that date is indicated below.

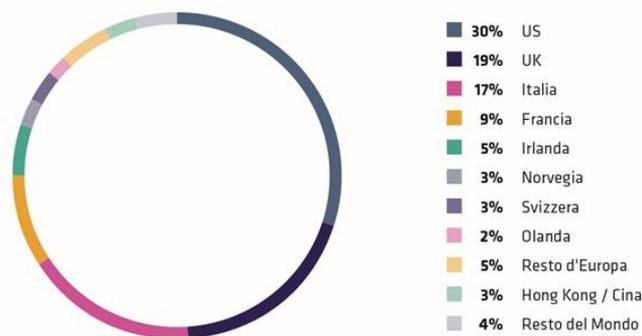
Share ownership by type and significant shareholders⁴



* Include principalmente azioni detenute da investitori non istituzionali e terzi depositari di azioni a fini di trading.

All the shares in circulation as of 31 December 2016 are floating shares, with major shareholdings (in excess of 3%) accounting for around 12% of share capital. Accordingly, there are no majority or relative majority shareholders. Prysmian is one of the few Italian manufacturers with a global presence that, in recent years, has achieved true public company status.

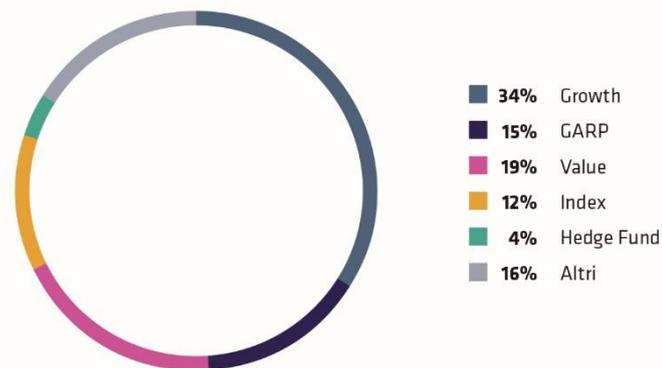
Institutional investors by geographical area



⁴ Source: Nasdaq OMX, December 2016 (Share ownership by type); Thomson One public sources; CONSOB, January 2017 (Significant shareholders, over 3%); Consob Declaration 120B received by the company on 18/01/2017.

Analysis of share ownership by geographical area confirms the predominance of the United States, with 30% of capital held by institutional investors following a slight decrease since 2015. At the end of 2016, investors in the United Kingdom held about 19% of capital, following an increase since 2015. Institutional investors in Italy held about 17% of capital at the end of 2016, following a rise since 2015, as was the case in France where institutional investors held 9% of capital. The weighting of Asian investors is stable.

Institutional investors by investment style



Source: Nasdaq OMX, December 2016

About 68% of the capital held by institutional investors is owned by Value, Growth or GARP investment funds that have a medium/long-term time horizon. With respect to the prior year, 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 4% of the total.

Once again, the Prysmian Group has attracted the attention of numerous Socially Responsible Investors (SRI), whose investment strategy is linked both to financial objectives and an assessment of the social and environmental impact. These investors are increasingly important component of the financial markets.

Prysmian shares are also included in the FTSE ECPI Italia SRI Leaders, comprising a basket of selected Italian shares that excel on environmental, social and governance (ESG) matters.

INVESTOR RELATIONS

Transparency in communications, increased market confidence in the company and promotion of a long-term approach to investment in the shares.

The creation of value for shareholders and other stakeholders is a key priority for Prysmian, whose group policy for strategic and financial communications is founded on the highest standards of propriety, clarity and transparency. Actions and procedures are designed to provide the market with credible information about the business, with a view to boosting confidence in the company and facilitating a long-term approach to investment in our shares. Every effort is made to avoid biased disclosures and ensure that all current and potential investors receive the same information, so that balanced investment decisions can be made.

Upon publishing its quarterly data, the Company organises conference calls with institutional investors and financial analysts and also invites specialist media representatives to take part. In addition, the Company promptly informs shareholders and potential shareholders about every action or decision that could have a material impact on their investment.

Relations with the financial market were intense during 2016, with more than 400 meetings with institutional investors at the Company's offices, whether in the form of conference calls or one-to-one or group sessions. The Company was also involved in numerous road shows during the year, visiting the principal financial markets in Europe and North America, and also took part in conferences organised by leading international brokers. In addition, the increasing attention paid to the activities of the Group by socially responsible investors (SRI) was confirmed by their growing attendance at the road shows and meetings held for them. Lastly, the Group organised various visits to factories and R&D centres for institutional investors and financial analysts during the year, in order to provide them with more detailed information about its products and production processes.

The coverage of Prysmian shares by analysts remains very high, with wide geographical diversification.

The Investor Relations function has maintained constant contacts with institutional investors, not least via the website www.prysmiangroup.com, which includes the recordings of conference calls and presentations to the financial community, corporate documentation, press releases and all other information relating to the Group, in both Italian and English. The Investor Relations section also contains the financial calendar, meeting documents, the Code of Ethics and contact information for the analysts that track the stock, as well as specific sections on Corporate Governance, Risk Factors and the share price.

Risk Management

The Prysmian Group adopts a system of internal control and risk management based on tools and information flows that enable the Board of Directors to take strategic decisions and establish guidelines for the system in an informed manner, considering the context in which the Group operates and the related financial, environmental and social risks.

The value creation policy pursued by the Prysmian Group is and always has been based on the effective management of risks. Commencing from 2012, on adoption of the recommendations of the "Code of Corporate Governance for companies listed on the Italian Stock Exchange" regarding the management of risks, Prysmian has taken the opportunity to strengthen the Group's governance model and implement an advanced risk management system. This promotes the pro-active management of risks using a structured and systematic tool that supports the principal decision-making processes. This "Enterprise Risk Management" (ERM) model, developed in line with internationally recognised models and best practices, allows the Board of Directors and management to evaluate in an informed manner those risk scenarios that might compromise the achievement of strategic objectives, and to adopt tools that are able to foresee, mitigate or manage significant exposures.

The Group's Chief Risk Officer (CRO), appointed to govern the ERM process, is responsible for guaranteeing together with management that the principal risks faced by Prysmian and its subsidiaries are identified, assessed and monitored on a timely basis. In addition, an Internal Risk Management Committee comprising senior managers ensures, via the CRO, that the ERM process remains dynamic to reflect changes in the business, requirements and events affecting the Group over time. The CRO reports periodically (at least twice each year) to senior management on these changes.

The ERM model adopted, formalised in the Group ERM Policy that incorporates the guidelines for the System of Internal Control and Risk Management approved, in turn, by the Board of Directors back in 2014, follows a top-down approach, i.e. based on direction from senior management and the medium/long-term strategies and objectives of the business. This extends to all types of risk/opportunity that are potentially significant for the Group. These are shown in the risk model - presented below - which groups the areas of internal and external risk into five families that characterise Prysmian's business model:

- Strategic Risks: risks deriving from internal and external factors, such as changes in market conditions, business decisions that are wrong and/or implemented improperly, and slow reactions to changes in the competitive environment that might threaten the Group's competitive position and the achievement of its strategic objectives;
- Financial Risks: risks associated with the availability or sources of finance, or the ability to manage efficiently the volatility of exchange and interest rates;
- Operational Risks: risks deriving from events or situations that limit the effectiveness and efficiency of key processes, affecting the ability of the Group to create value;
- Legal and Compliance Risks: risks connected with violations of national, international and sector regulations or professionally improper behaviour that does not comply with the Code of Ethics, which expose the Group to possible penalties and damage its reputation in the marketplace;

- Planning and Reporting Risks: risks associated with the adverse impact of incomplete, incorrect and/or untimely information, with possible effects on the Group's strategic, operational and financial decisions.

Risk Model adopted by the Prysmian Group

STRATEGIC	FINANCIAL	OPERATIONAL
<ul style="list-style-type: none"> • Macroeconomic, demand trends & Competitive environment • Stakeholder expectations and Corporate Social Responsibility • Key customer & business partners • Emerging country risk • Law & regulation evolution • Research & Development • M&A / JVs and integration process • Operative CAPEX • Strategy implementation • Organizational framework & governance 	<ul style="list-style-type: none"> • Raw materials price volatility • Exchange rate volatility • Interest rate volatility • Financial instruments • Credit risk • Liquidity risk / Working Capital risk • Capital availability / cost risk • Financial counterparties 	<ul style="list-style-type: none"> • Sales & Tendering • Production Capacity / Efficiency • Supply Chain Capacity / Efficiency • Business interruption / Catastrophic events • Contract execution / liabilities • Product quality / liabilities • Environmental • Information Technology • Human Resources • Outsourcing
LEGAL & COMPLIANCE	PLANNING & REPORTING	
<ul style="list-style-type: none"> • Intellectual Property rights • Compliance to laws and regulations • Compliance to Code of Ethics, Policies & Procedures 	<ul style="list-style-type: none"> • Budgeting & Strategic planning • Tax & Financial planning • Management reporting • Financial reporting 	

Managers involved in the ERM process are required to use a clearly defined, common methodology to measure and evaluate specific risk events in terms of "Impact - Probability of occurrence" and the adequacy of the system of controls in place. ERM is a continuous process that contributes, as defined in the ERM Policy, to the determination of the Group's three-year business and strategic plan by identifying possible events that could influence the sustainability of the plan, which is updated annually with the involvement of all key managers.

During 2016, the ERM process involved the Group's principal business/function managers, resulting in identification and assessment of the principal risk factors that are summarised below, together with the mitigation strategies adopted.

Sustainability risks

The Group constantly reviews its approach to the management of risks. Consistent with this and aware of the important opportunities deriving from the efficient management of sustainability risks, as well as the growing attention paid by regulators and stakeholders, Prysmian has decided to adopt a more holistic approach by identifying, for each area, the risks deriving from the environmental, social and economic impact of its activities.

Sustainability Risk Model adopted by the Prysmian Group

STRATEGIC	FINANCIAL	OPERATIONAL
<ul style="list-style-type: none"> • Macroeconomic changes and Geo-political environment • Industry Trends and competitive environment • Stakeholder expectations (incl. sustainability ratings) • Natural Environment / Human Capital Responsibility • Operative Green CAPEX • Organizational sustainability (framework & governance) • Sustainability M&A, JVs, business partners • Sustainability Strategies and Business integration • Sustainable R&D • Law & regulation evolution • Country Risk & Ethical Culture 	<ul style="list-style-type: none"> • Economic and Financial Integrity • Capital availability / cost risk • Sustainable Financial counterparties • Commodity risk and natural resource security 	<ul style="list-style-type: none"> • Eco-conscious customers and Green Sales • Green Products and Technologies • Product Lifecycle Footprint • Sustainable Supply Chain • Environmental (water, energy, emissions, waste, etc.) • Labor Practices & Human Resources (incl. Health & Safety) • Outsourcing • Sustainable Information Technology • Contract execution / liabilities
LEGAL & COMPLIANCE		PLANNING & REPORTING
<ul style="list-style-type: none"> • Sustainability Intellectual Property rights • Compliance to environmental and social laws and regulations • Compliance to Code of Ethics, Environmental and Social Policies & Procedures 		<ul style="list-style-type: none"> • Sustainability Budgeting & Strategic planning • Sustainability Tax Planning & Reporting • Management Reporting • Sustainability (Environmental and Social) Reporting

ORGANISATIONAL MODEL (DECREE 231/2001)

Prysmian adopted an organisational model (the "Model") in compliance with the requirements of Decree 231/2001 on 24 January 2006. This Model is periodically revised and updated to take account of changes in the list of administrative offences and crimes envisaged by the Decree, as well as the dynamics of the system of corporate governance and the organisational structure of the Group. This activity ensures that the Model is always up to date and applicable over time. The Company is and has always been determined to comply with the related legislative requirements, to implement the principles of proper management laid down in the Decree and to improve systematically the system of corporate governance, in order to combine the achievement of excellent results with full compliance with the regulations and the highest ethical standards.

The Model, which is an integral part of the Group's broader system of governance, is designed to establish operational rules of behaviour that are suitable for preventing illicit conduct deemed significant by the Company pursuant to the Decree, based on analyses of Prysmian's business activities, decision-making processes and system of internal control.

The Model comprises two sections. The first part, of a general nature, describes the Decree, the rules of governance and the general principles on which the Model is based.

- Code of Ethics, which sets out the key principles of ethical behaviour that must be observed by all those who work on behalf of Prysmian or its affiliates. Translated into 26 languages, the Code of Ethics is displayed at each Group affiliate and periodic training sessions are held for employees and collaborators;
- Guidelines for Conduct that, by analysing the key principles expressed in the Code of Ethics, identify required behaviours in the areas of "what to do" and "what not to do", thus responding to the need to prevent possible offence risk scenarios.

The second section, on the other hand, seeks to identify and govern the specific conduct required in areas that are known to expose the Company to offence risk situations.

The fundamental principles laid down in the Code of Ethics and the Guidelines for Conduct are rendered operational by the definition of specific Decision, management and control protocols that govern, for each process exposed to offence risk: the roles and responsibilities of the parties involved, the decision-making/authorisation procedures, and the management and control methodologies adopted.

Lastly, the governance rules for the Model specify the organisational rules for implementation, ensuring the continuous functioning of the Model.

Following the amendments made to the Decree during 2015 and 2016, with particular reference to eco-crimes⁵ relating to environmental matters, corporate crimes⁶, self-money laundering⁷ and the crime of worker exploitation⁸, the Internal Audit Function has completed a risk assessment for the purpose of evaluating the Group's exposure to the above offence risk scenarios and, if necessary, updating the Model adopted by Prysmian and each Italian company within the Group.

⁵ Law 68/2015, so-called "Eco-crimes Law": "Instructions on crimes against the environment".

⁶ Law 69/2015: "Instructions on crimes against the public administration, mafia-type associations and false financial reporting".

⁷ Law 186/2014: "Instructions on the emergence and return of capital held abroad, as well as for strengthening the fight against tax evasion. Instructions on self-money laundering". This measure amended the existing legislation by adding the new crime of self-money laundering to art. 25-octies of Decree 231/2001 and to the criminal code (art. 648-ter.1), as well as by increasing the penalties for money laundering (art. 648-bis) and the use of cash, goods or other value obtained from illegal sources (art. 648-ter).

⁸ Law 199/2016: "Instructions on the fight against undeclared work, the exploitation of agricultural workers and the realignment of wages in the agricultural sector".

Internal Audit, Compliance and Internal Control

In order to strengthen the system of internal control and risk management, commencing from 28 July 2016 the Board of Directors established a *Compliance* Function and, acting on a recommendation from the director responsible for the system of internal control and risk management approved by the Audit Committee and having consulted the Board of Statutory Auditors, appointed a *Compliance and Internal Audit Officer* to manage the new *Compliance* department as well as the *Internal Audit* department. As a consequence, the *Compliance and Internal Audit Officer* was granted the rights and duties envisaged in the Code of Self-Regulation for the managers of *internal audit* functions. The Group decided to maintain a separate Internal Audit organisation, which now reports hierarchically and functionally to the *Compliance and Internal Audit Officer*. Including the Compliance function, the Internal Audit function has now become larger and more structured.

The *Compliance and Internal Audit Officer* reports hierarchically to the Board of Directors who appointed him, while also reporting on his work to the Audit Committee and the Board of Statutory Auditors. This person is not responsible for any operational areas, despite having direct access to all the information needed for the performance of his functions.

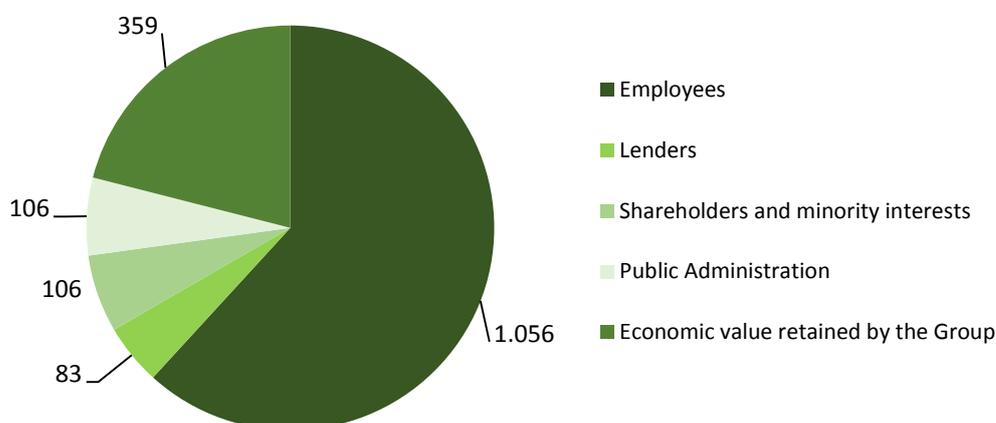
The *Compliance and Internal Audit Officer* is mandated to check the adequacy and functioning of the system of internal control and risk management in compliance with international professional standards, both on an ongoing basis and with regard to specific requirements. Accordingly, he prepares an annual Audit and Compliance Plan for the Group, based on the risk assessment carried out as part of the ERM process.

Economic performance

ECONOMIC VALUE DISTRIBUTED TO STAKEHOLDERS

The Prysmian Group makes a constant effort to create and distribute value to its stakeholders. Economic value represents the wealth produced by the Group that, in various forms, is distributed to the stakeholders in the following ways: remuneration of human resources (direct remuneration, comprising wages, salaries and severance indemnities, and indirect remuneration in the form of social security and pension contributions), remuneration of lenders (interest expense), remuneration of Group shareholders (dividends paid) and other investors, remuneration of the Public Administration (total taxes paid), gifts and donations to the community. The value retained by the Group is represented by the profit reserves carried forward.

Allocation of economic value created in 2016 (in millions of euro)



The schedule showing how the economic value generated by Prysmian is allocated was prepared with reference to the income statement captions reported in the consolidated financial statements as of 31 December 2016. The economic value generated by Prysmian in 2016, net of reclassified costs, amounted to about 1,710 million euro or about 23% of consolidated sales. The largest part of this value is represented by the remuneration of human resources (62%), followed by the remuneration of lenders, shareholders and minority interests and the Public Administration (6%), and contributions to the Community of about 120 thousand euro⁹. The remainder (21%) represents the value retained by the business.

⁹ This amount only includes the gifts and donations to the community reported by a number of companies within the Prysmian Group: China, France, Italy, Australia, Spain, Germany, Hungary and Russia.

Integrated Sustainability

Group approach

Prysmian strives to find technologically advanced solutions and to develop efficient products that are both cutting-edge and sustainable, in order to meet and satisfy the expectations of customers.

The Prysmian Group has consolidated its leadership position in the design, development, production, supply and installation of terrestrial and submarine cables and systems for the transmission of electricity, special cables for applications in various industrial segments, medium and low voltage cables for buildings and infrastructure, and cables and accessories for the transmission of voice, video and data.

Quality, an ability to innovate and high value-added solutions mark Prysmian's strategic approach in every sector, whether those in which technology is a differentiating factor or those that are more standardised, such as medium and low voltage cables.

The constant development and improvement of power and information networks are key to achieving the Group's objectives of supplying electricity efficiently and effectively, and improving the level of worldwide telecommunications. Modern, reliable, eco-sustainable and efficient electricity grids and telecommunications networks are both critical and strategic for the growth of the global economy.

Via its products, Prysmian supplies electricity and lighting to cities, enabled people to move around and communicate with each other, and contributes to the steady industrial development of the sectors in which we operate.

Prysmian products are central to the concept of sustainability. They are used in the construction of major wind and solar farms, of infrastructure that accelerates the flow of information and communications between communities throughout the world while reducing energy losses, and of terrestrial and submarine electricity links that improve the efficiency of the entire electrical power network. Our product responsibility is considered throughout the entire life cycle of each product, from design to delivery, by constantly monitoring performance against specific standards.

For this reason, the Group strives constantly to develop innovative and technologically advanced solutions that strengthen our leadership and meet the requirements of our commercial partners and end users. The Group's growth strategy is founded on our ability to innovate and, therefore, promote the improvement of the entire sector via the development of leading-edge products.

The Prysmian Group is strongly oriented towards the creation of value for all stakeholders. Daily activities principally draw inspiration from the concepts of:

- **Customer Centricity**, being the ability to foresee and satisfy customer requirements via the offer of innovative products and cabling systems on a solution-driven basis. For this reason, the Group tirelessly seeks improvement in the areas of R&D, employee development and environmental sustainability.
- **Value Creation for Shareholders**, in terms of return on investment and profitability in the short term and, above all, in the medium and long term.

Customer Centricity

Over the years, the Prysmian Group has perfected its approach to the market by placing the customer at the centre of every strategic, organisational and business decision. The efforts made to analyse the expectations of customers, and how these change over time, in fact allow the Group to develop organisational and operational models that translate into rapid, efficient and targeted responses to the markets concerned.

Pivotal to this approach is our "**Customer Centricity**", being the ability to understand early and satisfy the needs of the customer. This calls for the dedication of constant attention at all stages, from product design to delivery, with performance measured against predetermined and agreed parameters.

The Prysmian Group is able to develop solutions that meet specific standards responding the precise requirements of an individual customer.

In particular, the Group is able to serve highly diverse segments and markets due to an ad hoc matrix organisational structure. This means that highly specific local markets are served by country development and commercial organisations, while markets with global products and customers are served by fully-integrated business units. Other segments requiring both a local presence and cooperation between countries benefit from the matrix structure.

Customer centricity and satisfaction underpin a strategy that is implemented via the fast, smooth organisation of the entire supply chain. This approach accelerates decisions and the time to market, while adapting to the needs of various industries and ensuring continuous investment in innovation.

"**Factory reliability**" is one way to implement customer centricity. This process improves the reliability of production planning and performance in terms of both mix and volume, with ever faster response times and stricter control over inventory levels of every type (raw materials, semi-finished items and finished products). This enables the Group to deal efficiently and effectively with fluctuating sales volumes and the consequent changes in production levels.

In addition to the "Customer Centricity and Factory Reliability" initiatives, the Prysmian Group has also launched "**Supply Chain Integration**" projects together with a number of major global customers. The objective is to improve the effectiveness and efficiency of all processes throughout the supply chain, from the producers of the raw materials and semi-finished products used in factories to the end users of our cables.

In the context of customer satisfaction, Prysmian seeks to become the partner of choice. Given this, the Group works with customers using essentially two main tools: specific surveys and one-on-one interviews.

Since 2005, the Group has commissioned specific surveys to measure the level of customer satisfaction. In the past, these surveys were carried out by a market research agency and used standardised questionnaires that were completed by telephone interviews (CATI methodology) with the managers of Prysmian's principal 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 900 customers in the Trade & Installers sector, in 15 countries. The scores ranged from 1 to 10 and the areas covered were Sales, Services, Product and Marketing.

In view of the growing digital sophistication of customers, from 2016 Prysmian decided to introduce a new system capable of conducting specific interviews and collecting the data provided via a web portal dedicated to surveys, which is administered directly by the central Customer Centricity office. Using this new and more powerful tool, the Group expects to increase the quality of interviews, the opportunities for customer contact

and, most importantly, the openness of the interactions between Prysmian and its customers. The new tool will make it possible to improve our follow-up and problem-solving capabilities, while also increasing the satisfaction of customers with their partnerships with Prysmian. In addition, this more electronic approach will make it possible for those Group divisions that have already developed a CRM tool to manage directly the interview feedback, taking specific action as necessary and monitoring developments in order to ensure that their customers receive the best treatment.

The new web interviews will commence during the first four months of 2017, principally involving customers in the T&I sector. In particular, two pilot projects will be launched (South America and Spain) and then followed during the year by the addition of other countries. The scores will range from 1 to 5, in order to simplify and accelerate the activities requested of customers. The questionnaires will cover the following areas: commercial conditions, products and services offered, customer support, brand awareness, product range, net promoter score and effort score.

In addition to these surveys, Customer Centricity has also been developed from 2015 via specific interviews with customers. The objective of the Group is to strengthen its relations with end users, holding specific interviews that are customised depending on the customer, the business unit and the geographical area concerned. This approach is managed directly from Prysmian's headquarters, thus enabling the Group to increase its commitment to each customer, regardless of the countries in which they are located. Over the years, these one-on-one interviews have given very positive results, as the persons involved have appreciated the opportunity to share their ideas and feedback directly with the Group's headquarters. The interviews cover the following areas: conditions of sale, product range, service/delivery, documentation, customer support, brand/relationship, net promoter score and effort score, as well as more specific questions. The one-on-one interviews will continue in parallel with the new web portal for the annual on-line surveys, involving the principal customers in specific business and geographical areas.

Following the one-on-one interviews carried out in China and Hong Kong during 2015, in 2016 the Group selected eight major customers in the T&I and Utility Business sectors in North America. The results were positive, especially in the United States, 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 with the product range (score of 7/10). On the other hand, the scores obtained from the Utility customers were never less than 8/10 in any area.

With regard to the interviews held in Canada, the Group obtained an overall score from one Distributor of 6.8/10, and scores of 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 Centers, the delivery process and customer support. Lastly, the results obtained from Utility customers were higher overall, reaching 7.4/10 and 8.7/10.

Based on the results of these interviews, the North American organisation decided to take specific action during 2016 and 2017. The Prysmian headquarters in Milan is providing support to North America.

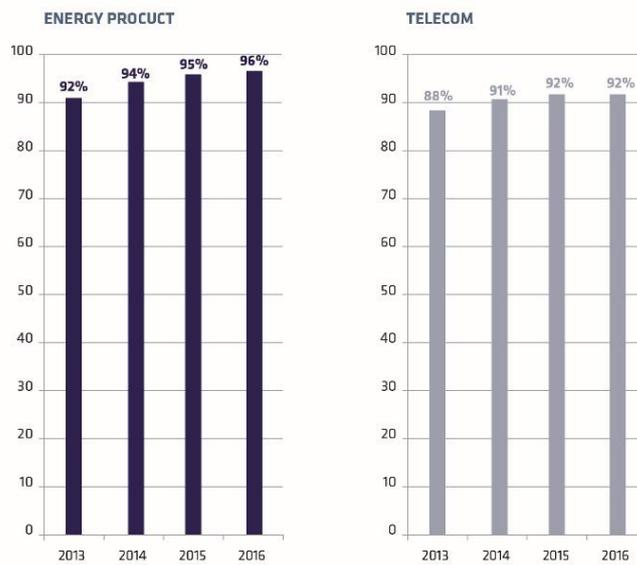
ON TIME DELIVERY

Prysmian has confirmed our strong orientation to continuous improvement in the punctuality and reliability of our processes. As shown in the chart below, the measurement of On-Time Delivery (OTD), being the ability to serve customers by respecting the delivery date promised on confirmation of the order received, highlights

further improvement by the Energy Products segment and the stability of the Telecom segment, despite a strong upturn in volume.

In addition to the improvement in on-time deliveries in absolute terms, the number of units performing below the 90% threshold decreased further in 2016, thus ensuring greater uniformity in the service provided by the Group's factories.

The projects designed to reduce time to market were completed during the year. The “Fast Order Entry” project has slashed by 90% the time taken to input and process orders by Sales Customer Care, optimising product searches and inventory availability, as well as the ability to input many order items at the same time with just one operation.



Operations

The Prysmian Group's manufacturing operations are highly decentralised, with 82 factories in 30 countries. This enables us to react in good time to the various requests received from world markets. Once again during 2016 the Group continued to implement an industrial strategy based on the following factors:

- Manufacture of higher value-added products with greater technological content at a limited number of factories, which thus become centres of excellence with outstanding technological skills. This ensures the generation of significant economies of scale, with a consequent increase in production efficiency while reducing capital invested.
- Constant search for greater manufacturing efficiency in the commodities sector, while maintaining at the same time a well-diversified territorial presence in order to minimise distribution costs.

Gross capital investment amounted to Euro 233 million in 2016, following an increase with respect to the prior year (Euro 210 million). In addition to the usual investment in submarine cables and fibre optics, the largest block of expenditure reflected the priority given to the reduction of our industrial footprint and continuation of the work on the new headquarters in Milan.

In particular, the drive to downsize manufacturing was reflected in further efforts to rationalise the Group's production capacity. In this context, the factories in Brøndby (Denmark), Angy and Neuf Prè (France), Amsterdam e Delfzijl (Netherlands) and Quilmes (Argentina) were closed during 2016. The related production volume was reassigned to other factories within the Group. This concentration of production was carried out to optimise the cost structure and guarantee the appropriate saturation of plant capacity in each country. Analysing capital investment in more detail, it is important to note that the work dedicated to increasing production capacity and to changes in mix was very significant, representing 40% of the total.

In the Energy Projects sector, we have almost completed the investment to increase the capacity of the Group's two main factories dedicated to submarine cables: Arco Felice (Italy) and Pikkala (Finland). This investment became necessary on the signature of the "50 Hertz" contract in 2014. This contract, worth more than 700 million euro, involves the design, supply and installation of high voltage submarine cable systems between offshore wind farms situated in German waters. At the same time, work is well advanced at Pikkala on the completion of a new vertical extrusion line needed for the manufacture of the COBRA cable, which will be supplied for the undersea link between Denmark and the Netherlands. Lastly, improvement work that began in 2015 has been completed on the "Ulisse", a new cable-laying ship; as a result, the Group now has a third vessel dedicated to installation services, alongside the "Giulio Verne" and the "Cable Enterprise".

With regard to the High Voltage business, a long-term plan to upgrade the capacity to test cables has been launched in various geographical areas (North America, Northern and Southern Europe), in order to ensure the full verticalisation of the manufacturing process for all cable produced by the Group, including those in the highest voltage class.

Lastly, towards the end of the year, the Group commenced procedures for the purchase of certain assets from the factory in Yixing, China, that was previously operated by ShenHuan Cable Technologies. The machines at this facility, which produces HV cables, include two vertical extrusion lines.

Considering the investments made around the world, the Energy Products sector benefited from major efforts to satisfy the increasing demand from various value-added sectors. Investment in Suzhou and Tianjin,

China, has increased the production capacity of Trade & Installer, Rolling Stock and Elevator cables. A catenary line for medium voltage cables has been installed in North America at Prescott (Ontario, Canada). With reference to the European market, a catenary line has been installed at Pikkala (Finland), while the capacity to manufacture fire-resistant cables has been expanded at Bishopstoke (England); the capacity to produce elevator cables has been increased at Velke Mezirici (Czech Republic) and work on the production of rubber cables for the Central European market has commenced at Kistelek (Hungary).

In addition, from this year, the Prysmian Group is consolidating the investments made at Oman Cables Industry, after having acquired majority ownership last year. These investments principally focus on low and medium voltage cables, which are used by local utilities as well as the major EPC (Engineering Procurement and Construction) companies active in the Arabian Peninsula.

With regard to the Telecom business, major investment in the optical fibre factory at Sorocaba (Brazil) has been completed. This was necessary in order to verticalise production for the South American market - especially Brazil. In the same sector, a vertical plant has also been installed at Claremont (USA), while increasing drawing capacity at the same time, in order to satisfy the demand for fibre needed for the production of optical cables.

Lastly, the Group has decided to invest in the optical cables factory in Lexington (USA), where the capacity to produce ribbon cable has been expanded.

About 30% of total investment was allocated to achieving efficiency improvements and reductions in fixed and variable costs (mainly product design and material usage). In addition to the rationalisation of production capacity already described, Prysmian has worked hard to optimise production costs throughout the entire Telecom business segment. This was made possible by the construction of two new factories in Eastern Europe: the first in Slatina (Romania) for the production of optical cables used in telecommunications, and the second in Presov (Slovak Republic) for the production of optical cables for multimedia applications. At the latter location, the current capacity to manufacture copper cables has also been expanded. These two new factories confirm the Group's interest in creating two centres of excellence in Europe for these types of cable. With the same objective in mind, work has begun on a factory at Durango (Mexico) for the production of optical cables used in telecommunications, in order to satisfy the growing demand from North and Central America.

In addition, investment to enhance efficiency has continued at the European factories for the production of optical fibre in Battipaglia (Italy) and Douvrin (France), with a view to reducing fibre manufacturing costs significantly while focusing particular attention on increasing the size of preforms. Lastly, work is well advanced in Tunisia to expand the existing plant for the kitting of cables used for connectivity, following a decision to bring activities in-house that were previously outsourced.

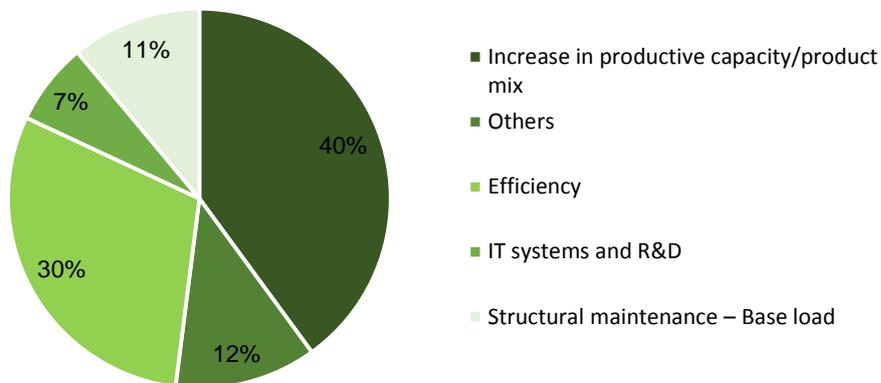
Prysmian dedicated 7% of total investment to research and development during 2016. In particular, investment continued on the development of the "SAP Consolidation (1C)" software, with a view to harmonising the back-office IT systems used by all units throughout the Group. The infrastructure of the SAP 1C system was significantly upgraded during the year by adopting the SAP HANA in-memory technology (with a marked improvement in operational performance) and, at the same time, the system was extended geographically to Australia and New Zealand. In parallel, work commenced on the Data Center Consolidation project, which will harmonise and strengthen the infrastructure layer of the Group's systems, while generating at the same time a significant reduction in the associated operating costs.

Lastly, the principal business components of the Customer Centricity software (Pricing tool, CRM, Customer Portal) have been developed, with a view to creating a modern integrated platform that will support the Group's business processes.

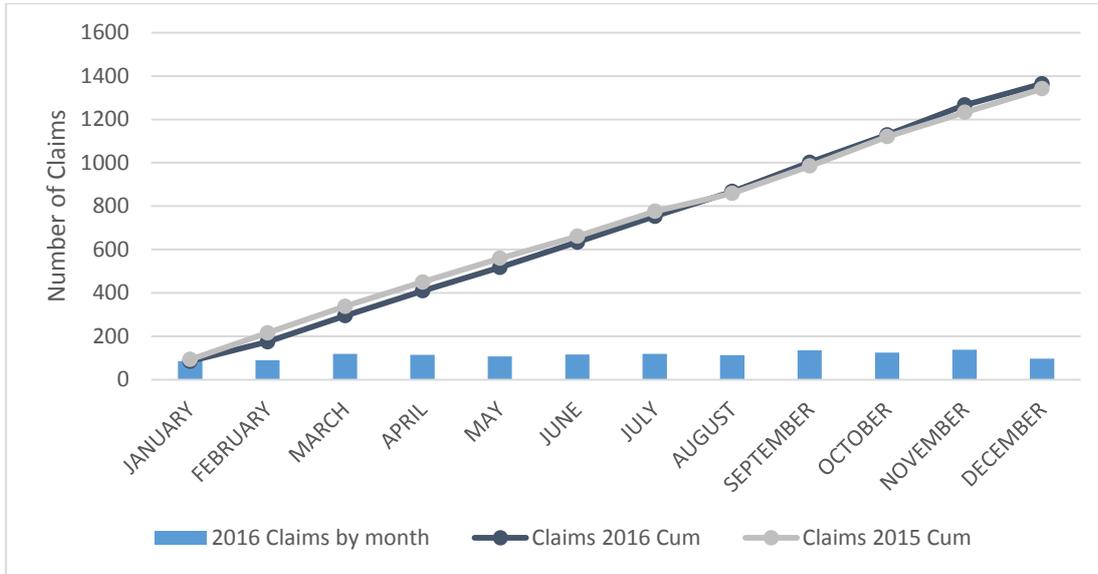
Capital investment on structural maintenance work amounted to 11% of the total, in line with prior years. A significant part of this amount related to the start of work to remove all asbestos present at every Group factory around the world.

Lastly, other investment included the purchase of land in Taunton (Massachusetts, USA) next to the existing factory that makes industrial cables, as well as completion of work on the Group's new headquarters at the Ansaldo 20 industrial area in the Bicocca district of Milan.

GROUP INVESTMENT IN 2016



CUSTOMER CLAIMS IN 2016



The positive performance reported in the prior year with regard to customer claims was confirmed by Prysmian in 2016, as the volume was essentially unchanged. Special attention has been given to the related response times, which have decreased by about 40% due to a series of actions designed to improve internal efficiency.

Sustainable innovation

Commitment to innovation

Being a leader means knowing how to innovate. The Prysmian Group seeks to generate innovation, quality and know-how, with a view to developing innovative products and systems with a lower environmental impact and higher value added for customers, even in those sectors in which products are largely standardised.

The Group's commitment to innovation and the development of new products with a reduced environmental impact stems from the conviction that this is the best way to guarantee economic sustainability over the long term. Such a commitment is essential in order to assure well-being and the quality of life in today's society and for future generations. In particular, development projects seek to increase the efficiency and reliability of the finished products offered by Prysmian while, at the same time, lowering energy and power losses, as well as reducing greenhouse gas emissions and the consumption of electricity and water during the production processes.

Sustainability is a constant focus for the Prysmian Group, in step with the times and the markets; it is not only a prerogative for research, development and innovation in the more developed countries, but also for that performed in the emerging countries. Investment in sustainability helps, in fact, to lower risk in places where energy costs are rising and access to energy sources remains unstable. In addition, the Group's engineers employ advanced tools to validate the performance of our cables and simulate applications, even before any prototypes are made. This process helps to maximise the use of laboratory time, for example by avoiding unnecessary repetitions, and therefore reduce the consumption of materials and energy.

Spending by Prysmian on Research, Development and Innovation during 2016 totalled about 83 million euro¹⁰, confirming our constant commitment and focus on sustainable growth over the long term.

Work dedicated to the optimisation of costs via the Design-To-Cost (DTC) programme has also continued. This methodology is used to lower production costs, both when developing a new product and when re-engineering an existing product. This programme achieved cost savings totalling almost 17 million euro in 2016. More than 1,100 projects have benefited from this programme.

The Group's constant drive to innovate is also supported by 17 Centres of Excellence, which have their headquarters in Milan and employ more than 550 experienced professionals.

Cables as the driver of sustainability

Sustainable innovation had a profound effect on Prysmian during 2016. On the energy and telecommunications fronts, the Group reached a series of technological milestones that will have a considerable market impact in terms of energy saving and sustainability. Key among these, HVDC technology will enable large quantities of electricity to be transmitted over long distances, frequently across national borders. In a world first, Prysmian has launched systems using 700 kV (PPL) and 600 kV (XLPE) HVDC cables, which guarantee increases of up to 15% in power transmission capacity and network reliability. In addition, the Group has extended P-Laser technology – for the manufacture of cables that are 100%

¹⁰ Including 75 million opex and 8 million capex.

recyclable and eco-sustainable – to HVDC systems, by bringing to market the P-Laser 600 kV, which can achieve cost reductions of up to 30% per MW transmitted.

In addition to the application of P-Laser technologies to terrestrial and subsea HVDC cable systems, marking an absolute innovation in the cables industry, the Group has also introduced a 66 kV cable system, which represents the highest voltage for electrical connections between offshore wind turbines and enables wind farms to lower their costs by up to 15%. This system has been qualified for the Offshore Wind Accelerator (OWA) programme promoted by Carbon Trust, an independent company based in the UK whose mission is to stimulate the accelerated achievement of a low-carbon, sustainable economy. The OWA project is one of Carbon Trust's most important R&D programmes and, with support from the UK government's Department of Business, Energy and Industrial Strategy (BEIS) and from the Scottish government, its objective is to reduce the cost of offshore wind energy via the development of innovative ideas and their translation into commercial solutions.

UNIVERSITIES AND RESEARCH CENTRES

Prysmian has established consolidated collaborative relations with major universities (more than 40 agreements) and research centres in various countries around the world: China, Netherlands, New Zealand, Brazil, Finland, UK, United States, Spain and Italy. Such collaboration is strategic for Prysmian, in order to keep constantly updated about all technological innovations and ensure adoption of the most advanced technologies available to the scientific community.

Among the numerous collaborations, those with the following bodies are particularly worthy of mention:

- Politecnico di Milano
- University of Milan-Bicocca
- University of Salerno
- University of Palermo
- Department of Information Engineering, University of Padua
- Department DITEN, University of Genoa
- National Electrical Energy Research & Application Center (NEETRAC)
- Georgia Institute of Technology
- University of South Carolina
- Centro di Pesquisa e Desenvolvimento em Telecomunicacoes (CPqD)
- Universidade de São Paulo (USP)
- Universitat Politecnica de Catalunya
- Shanghai TICW

During 2016, the Prysmian Group continued work on the project to develop subsea cables using the composite materials technology identified, together with MIP (Politecnico di Milano) by applying a new methodology for innovation: the design-driven funnel. In addition, in collaboration with Human Foundation, the Group has launched the second edition of the Technology for Human Beings contest, which assesses the undergraduate and post-graduate dissertations of engineering, physics and science students enrolled at Italian Universities, on topics relating to the applicability of new technologies to sustainable development. This year, Prysmian chose to focus on *Sustainable Development Goals*: the theses submitted analysed the following topics from a technical/applications point of view:

- Resilient infrastructure, fair, responsible and sustainable innovation and industrialisation
- Access to information and communications technology
- Sustainable models of production and consumption: sustainable and efficient management of natural resources
- Technologies and access to economic, reliable, sustainable and modern energy systems

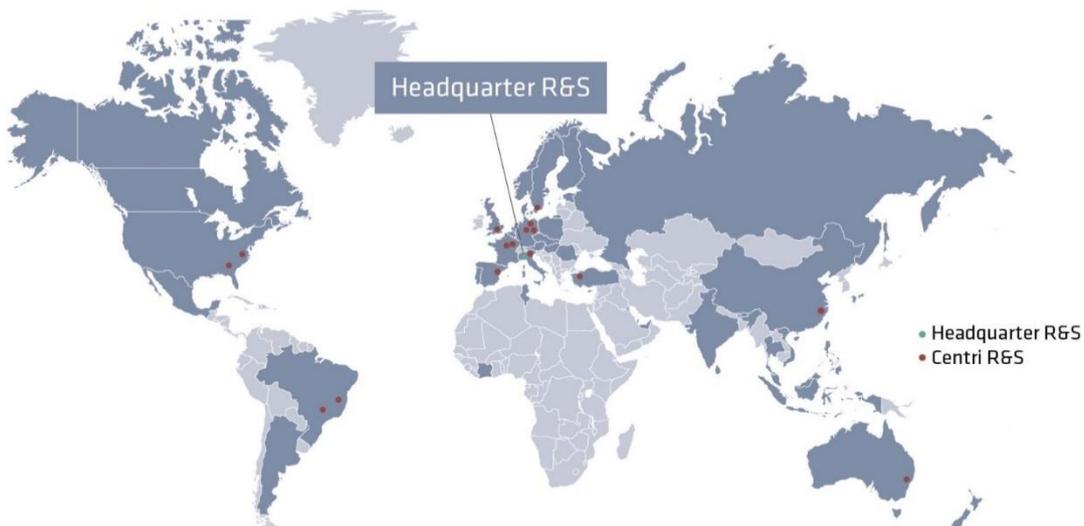
Cash prizes were awarded to 3 first-cycle dissertations and 3 second-cycle dissertations and the winners of each category were offered a six-month internship with the firm. The Scientific Committee consisted of experts on the topics addressed by the competition appointed by Prysmian and Human Foundation. The objective of this project, in line with the Corporate Citizenship and Philanthropy Policy, is to support the study of sustainable technologies with potential practical applications in the sectors in which the Group is active. One of the winners of the previous edition (2015) has been employed by the Group.

Technology for Human Beings

Premio per tesi di laurea triennale e magistrale
INGEGNERIA, FISICA e SCIENZE DEI MATERIALI

- 6 tesi sulle nuove tecnologie per lo sviluppo sostenibile
- Montepremi in denaro e due tirocini in Prysmian Group

HUMAN FOUNDATION Prysmian Group

€ **83** million (1% of sales) invested in R&D

17 R&D centres

Over **550** professionals

4,651 patents

Principal projects

Prysmian developed numerous R&D projects during the year. The most significant are presented in this section.

Energy

Submarine cables

The year saw completion of the type-approval process and a good part of the production of the 50 Hz 220 kV cable, with 1,200 mm² copper conductors. In addition, a new design of unipolar cable, with optical elements incorporated in the sheathing, was installed and entered into service as part of the undersea project in the Philippines.

The Group has continued work on new splicing techniques linked to the diameter of the conductors, making it possible to join large aluminium conductors and splice conductors with different sections and made of different metals, for both 320 kVDC and 220 kVAC systems. The development work includes testing and long-term trials that will be completed in the coming years.

With regard to the development of systems for installations at great depth, the prototype with optimised double sheathing has been completed and tested internally, confirming the feasibility of installations at depths of up to 3,000 metres.

In addition to the work on MI (Mass Impregnated) cables intended to improve the recovery plan for the WesternLink project, the first phase of research has been completed into alternative materials and optimisation of the design and production process, obtaining internal qualification at 700 kV.

With regard to the project for 600 kVDC extruded cables, the first positive results have been confirmed for application of the XLPE and P-Laser technologies. In particular, feasibility studies have been carried out for the development of long distance EHVAC submarine systems (up to 200 Km), as well as for the monitoring (partial discharges) of long distance EHVAC or DC submarine systems, using the Prycam Gate technology.

Lastly, the project for the implementation and industrialisation of lead-less submarine systems, with welded copper sheathing, has been approved and launched at the Pikkala factory in Finland. The industrialisation work will be completed by the end of 2017.

Terrestrial cables

With regard to the product development of EHV terrestrial cables, the development and type tests have been completed on the new 600 kV HVDC system with extruded sheathing, as certified in accordance with the CIGRE TB496 specifications. This important result is a milestone in the cable transmission of power, enabling the transportation using a single bipole of power in excess of 2.6 GW. The know-how of the Prysmian Group, in terms of materials, technology and electrical testing, was decisive in achieving this result. HVDC systems are preferred for high power transmissions via insulated cables over long distances.

In terms of EHV product development, three prototype cables with extruded insulation have been produced with Milliken conductors comprising 2,500 and 3,500 mm² section copper with aluminium sheathing welded longitudinally; the two 2,500 mm² prototypes have been insulated with alternative materials with respect to those currently used.

T&I (Trade and Installers)

With regard to the T&I business, R&D has focused on three key topics: safety, sustainability and new product indicators.

On the subject of safety, the entry into force of EN 50575, a harmonised European standard, on 10 June 2016 was an important change. There will be a one year transition period before this standard becomes compulsory throughout the European Union (on 1 July 2017). During this period, it will be possible to launch old products compliant with current national legislation, as well as new products compliant with the new EU directive. Nevertheless, only the latter will be authorised for sale from 1 July 2017 onwards. As a consequence, all affiliates of the Prysmian Group operating in the European countries covered by the new legislation are making a major effort to align the characteristics of their product portfolios (cables for permanent installation in closed environments) with the performance categories adopted by each country. This development activity is accompanied by intensive certification work, given that the new standard establishes very rigorous criteria for the testing and type approval of the cables concerned. In this regard, the results achieved during 2016 mean that we can view with optimism the 1 July 2017 deadline, when the CPR (Construction Product Regulation) comes into force in EU countries.

Oil & Gas

This year, the O&G sector focused on two main aspects. The first related to the development of solutions designed to increase the safety of cables used in Gas (formerly LNG) projects. One of the most significant efforts made involved the assessment and improvement of seals against the passage of gas via cables connecting areas at risk of explosion with those at lower risk or the exterior. Consistent with the vision of the Prysmian Group, this project seeks to offer customers support in assessing the effects of cables and complete systems, and not just technical solutions.

The other area of focus for development activities related to Electrical Submersible Pumps (ESP). The Prysmian Group is currently developing a new generation of products that will have a vast range of applications (for operating conditions that are more or less challenging), with accelerated testing procedures on full-scale samples, as well as hybrid solutions for Downhole Technology that cope with high temperatures and are highly resistant to corrosion, which is a new concept in this sector of the market.

OEMs

With regard to cables for special OEM (Original Equipment Manufacturer) applications, the breadth of the product portfolio and the number of live applications has resulted in a substantial number of development projects dedicated to various markets and customers. The main efforts are concentrated on the application of methodologies for extreme climates - such as in the Arctic - and for the North American, Australian and Chinese markets.

Development and Transfer of Technology

In terms of Development and Technological Improvement, the project to optimise conductors for medium and high voltages has continued, with a view to reducing the weight and diameter of cables, while complying with the regulatory specifications for resistance under direct current. Work this year has focused on aluminium, given the 2016 production mix. Weight savings of around 1-1.5% have been achieved and work to rationalise

the grades of aluminium used has been completed, resulting in a shift from 16 to 12 and, therefore, savings for the purchase and management of raw materials.

Monitoring systems

With regard to the Prycam technology, work on the development of Pry-cam® Gate was completed during 2016. This new patented technology can automatically measure the time interval between two partial discharges and therefore establish, with absolute certainty, if an accessory or a stretch of cable is affected by partial discharges, without having to employ any kind of expertise or AI algorithms. Pry-cam® Cable is a second important innovation at an advanced stage of development. This hybrid cable, used exclusively for sensing, is considered to be the embryo of the next generation of integrated monitoring systems, which is currently under development for presentation in 2017.

Telecom

Optical fibre

In terms of the optical fibre sector, 2016 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.

Numerous Group factories have been equipped to produce BendBrightXS (BBXS) fibres, which perform better than competitive products in the presence of micro and macro bends. The bending performance of this fibre, even at low diameters, means that it can be used in the manufacture of smaller cables for various layers of FTTH (Fiber to the Home) networks.

With regard to multi-mode fibres, adoption of the OM5 standard from September confirms the leadership of the Group in this sector too. In particular, this fibre is able to transmit 4 channels at 25 Gbit/s, or even 50 Gbit/s, at wavelengths of between 850 nm and 950 nm.

Another important innovation benefits from the Few Mode technology. In single mode fibres, information is coded and sent in association with a single mode of transmission, while in few mode fibres it is associated with a few modes of transmission. A number of preliminary tests, conducted together with various partners, were successful in the transmission of data (100 Gbit/s systems with 10 Gbit/s signals transmitted at 1310 nm in each mode) and in the field of access networks.

Optical cables

Group activities in the optical cables field principally involved three types of product. Firstly, Flextube cables have shown their suitability for many markets and their production has been extended to multiple factories. A version for aerial cables (ADSS), operating under adverse environmental conditions, has also been industrialised. Cables with 2,112 fibres have been developed and installed successfully, while work continues with a view to obtaining cables with 4,000 fibres.

Development activity on the Multiloose family of cables has mainly focused on reducing their diameter, in order to maximise the number of fibres that can be blown into the dedicated underground conduits. In these cases, the high level of stress to which the fibres are subjected requires them to perform particularly well.

Lastly, the range of ribbon cables has been extended by adding 864 fibre and 1,728 fibre products (UL Riser Rated Indoor/Outdoor cables), which lower cost and complexity within Hyper Scale Data Centers. Our "dry" cable technology has also been certified for highly saline environments.

Accessories and connectivity

With regard to connectivity, Prysmian has continued to develop new accessories for the use of FTTH (Ultra Broadband Access networks). The Group has focused on the cabinets, with the development of optical distribution racks (switches), joint boxes for the splicing of cables, and termination solutions for customers with wall-mounted boxes. A series of new components has been designed to supplement the range of multifunction joint boxes (Compact Joint - CMJ, Medium Joint - MMJ and LMJ) and make them suitable for global markets. In addition, a new range of termination caps has been developed, specifically for the French market, and industrialised at the Menzel plant (Tunisia).

The Connectivity products currently under development include the PBO solution designed to simplify externally protected connectors, ROE16 and ROE32 optical distributor termination boxes for the Italian market, a new modular Subrack System (SRS) increasing joint/termination capacity from 48 to 144 fibres in the same space (1U), that should become available in May 2017, and the design of plastic versions of the modular racks (currently made from metal) for the French market.

OPGW (Special and submarine optical cables)

Efforts with regard to OPGW cables have concentrated on developing the portfolio of steel tubes in the high fibre content segment: both central tube structures (1x96fo) and multi-loose structures. A number of steel tubes for OPGW applications have also been developed and qualified.

With regard to the transfer of technology, the production of ALPA/ALPAM and sheathed submarine cables has been moved from Delfzijl to Vilanova.

Multimedia and Data Centre solutions

Improvements were made during 2016 in the solutions based on the discontinuous metallic ribbon in category 6A U/UTP cables for cabling structured using copper cables.

In addition, there have been interesting developments in the remote-powering technology. In particular, Power over Ethernet (PoE) technology has been incorporated in a family of cables, optimised for connections over longer distances than is standard for cat. 7 cables, that supply both power and data in order to connect such devices as wireless access points and security cameras. A complete family of optical cables, based on Flextube technology, has been developed for the cabling of buildings.

There were further developments with regard to data centres during 2016. Working together with an industrial partner, the first fully cat. 8.2 connection has been qualified and is now available on the market. This product allows transmission at 40 Gbit/s over a 30m copper channel.

High speed (40/100 Gb/s) cables using MM fibre have also been developed and are available in two versions: Plenum/Riser and low emission of toxic fumes and gases.

Lastly, the Group is making a major effort to adopt the EU Construction Product Regulation (CPR). Most of our existing products will be classified in accordance with the new fire resistance classes, but development work is in progress in order to achieve the more advanced categories.

Industrial innovations

Prysmian is strengthening the exploratory studies into materials, in view of the strategic role they play in the technologies employed by cables and accessories. The principal results achieved during 2016 include:

- Laboratory production of joints with variable resistance compounds, confirming the good performance of the materials studied. As a result, full-size joints have been made for electricity testing in a circuit.
- Production of new compounds with high electric permittivity for both joints and terminals, enabling new accessories to be qualified in the 36 kV class.
- The Group is considering the use of grafene and nanotubes in polyethylene sheathing in order to improve, respectively, its impermeability to water and its conductivity. A further area of research into nanotubes relates to their possible use in low voltage insulation, in order to determine if they might help inhibit the propagation of flames.
- Studies are currently under way into substances that absorb water without subsequently releasing it, which might provide solutions capable of replacing the metal insulation used in the Group's products.
- Experimental work continues on the light sheathing of submarine cables, with a view to optimising the designs for new cable structures. In addition, Prysmian is working with an external supplier on the joint development of a new traction element.
- A special type of polymer that absorbs methane has been identified and synthesised. The method for assessing the efficiency and effectiveness of absorption at ambient temperature and at 70°C has also been optimised. The Group is moving on to industrial trials, in a bid to confirm the good performance found in the laboratory.
- A number of analytical techniques have been defined in order to improve our understanding of the behaviour of cable materials (content of the ashes of materials for fire-resistant cables, impermeability of paper and PPL at various temperatures, simulation of the jacketing and impregnation of insulation with PPL, efficiency of water absorption of swellable tapes).
- The study of polymers resistant to oils, considering both thermoplastic and cross-linked materials, is still in progress. This study is supported by the development of a new method of cross-linking using a process similar to that of silanes, but with improved cross-linking density.
- The new Afumex compounds for high levels of CPR classification have been industrialised and commercialised, confirming the high levels of fire resistance expected.
- Prototype cables have been made in Australia, the United Kingdom and Italy with enamelling compounds that have intriguing fire-resistant properties. Experimental work on this product will continue during 2017.
- Based on a system of tests devised and carried out by the Group, it has been shown that aluminium coating is more resistant to corrosion than zinc in aggressive environments (being the combined presence of salt water, H₂S and CO₂).
- The use of tetrazoles to inhibit the corrosion of aluminium has been shown to be a valid alternative to the current methods. At least 200g are being synthesised for an industrial trial. In addition, we are studying suitable methods for applying these inhibitors to aluminium wire.

Rationalisation and management of materials

- Work on the approval of alternative materials, especially those of major technical or commercial importance, is continuing throughout the Group in order to eliminate monopoly suppliers.
- Work to rationalise the raw material codes for cables has been completed.
- Software has been written that will make the specifications of raw materials available at the time that the material code is activated. This software will supply all the specifications to Prysmian in a unified database that can be searched.
- Software for cataloguing the technical sheets of compounds has been written and is now being implemented.

THOUGHTS ABOUT THE ENVIRONMENT

The R&D activities of the Prysmian Group dedicate great attention to the social and environmental aspects, seeking to use materials that do not represent a hazard for human health or the environment. Efforts include performing up-front analyses of the data for materials, in order to check their possible impact on the environment and the Group. During the year, the Group therefore developed initiatives and projects designed to reduce the environmental impact of the product range.

In order to increase the efficiency and reliability of finished products while, at the same time, lowering the dissipation of energy and power, Prysmian has worked to reduce the set-up times of the machines used and increase the speed with which products are manufactured. As a result of introducing these innovations, the Group has achieved greater manufacturing efficiency, increase the volume produced per unit of time and, consequently, reducing the energy consumed per unit of production.

Additionally, all HV projects have focused on increasing the transmission capacity of links and therefore improving efficiency, while the monitoring systems developed by the Group seek to facilitate the management of assets, by optimising losses and downtime.

Lastly, with regard to the new generation of Afumex LS0H cables, energy consumption during production has been reduced significantly and better surface finishing has been achieved by the development and industrialisation of new formulas. Examples of this initiative within the Telecom business include the efficiencies achieved in the manufacture of data transmission cables and optical cables with loose tube and Flextube micro-module design. In a specific improvement programme, the speeds of the buffering lines and the insulation lines were compared at various factories, using a best practices approach. This resulted in efficiency improvements, as well as a reduction in the energy consumed by these manufacturing processes.

Improvements achieved in relation to the Category copper cables included reductions in conductor diameter and ribbon width, as well as the thickness of the insulator. The use of recycled materials has been further optimised at a number of factories.

With regard to optical cables, where filler is normally used to block the longitudinal penetration of water, the Prysmian Group's 'dry/dry' platform has been further developed.

The family of dry/dry cables with Flextube micro-modules has been expanded. This technology is used advantageously to reduce installation times even further and thus lower the total cost of the system. Elimination of the filler in fact facilitates recycling and the separation of components.

Another important step has been taken in reducing the energy consumed to manufacture optical fibres. The system employed to mesh the plastic sheathing of the glass is phasing out the use of UV lamps in favour of

LED lamps. The qualification trials have already been completed: the energy consumed to manufacture a bobbin of fibre could be reduced by more than 20%.

With regard to the Gas Getters technology, further industrial trials have identified the possibilities and limitations of the system. Initial studies of materials capable of absorbing water and gas vapour have produced interesting results.

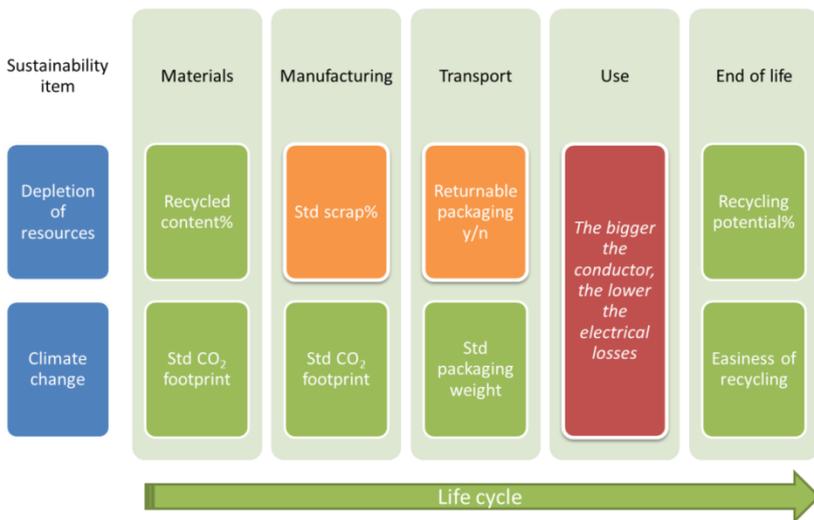
Lastly, improvements have been made to the cables manufactured using PVC compounds or halogen-free formulations, in order to reduce the quantity of materials used in a considerable number of products.

CFP – Carbon Footprint

Work has started on the development and application of a tool capable of providing a partial assessment of the environmental impact of Prysmian products, in terms of their carbon footprint (CO₂ equivalent) and recyclability.

These parameters will be assessed with reference to the standard design data for each product (BOM and Routing), considering just that part of the life of each cable directly controlled or influenced by the manufacturer. The intention is to apply this tool extensively to the Group's products. A pilot project will be carried out during 2017, followed by application on a vast scale in 2018.

Proposal for advanced Eco product data sheet



NPI – New Products Introduction

An information tool has been developed to monitor and quantify the impact of the development of new products at all Prysmian Operating Units. The tool is applied to new products, classified into three categories (Innovation, Product Development and Technology Transfer), and the economic results, sales and contribution margin are assessed over the first 3 years in the life of each new product, starting from the first sale.

Eco-sustainable solutions

Afumex family

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. The new member of the Afumex family, Afumex Green 1kV, is now the safest and most sustainable cable on the market.

With this launch, the traditional petroleum-derived polyethylene, used for insulation purposes, is replaced by bio-polyethylene ("green" polyethylene) derived from sugar cane, which is 100% renewable, certified at international level and reduces CO₂ emissions. It is calculated that for every tonne of green polyethylene produced, more than two tonnes of carbon dioxide are captured from the atmosphere.

Afumex Green 1kV cables meet the standards (NBR5410 and NBR12570) for electrical installations in areas with a high concentration of people in a confined environment. The new green cables are used to power machines, equipment and lighting systems in general; accordingly, they are particularly suitable for stadiums and arenas, airports, shopping centres, libraries, museums, cinemas, theatres, underground railways, data centres, hospitals, schools and commercial and residential buildings.

The Afumex Green range does not propagate flames in the event of fire and has very low emissions, without any toxic gases. As a result, it is the safest range on the market. These cables are extra flexible, have a double layer, do not contain lead or other heavy materials, and resist temperatures of up to 90 degrees.

P-Laser

P-Laser is the first high performance, eco-sustainable cable for electrical circuits. Produced using recyclable materials, P-Laser lowers the environmental impact of circuits while also raising their efficiency and power transportation capacity.

The Prysmian Group's R&D department has completed a project that compared the environmental impact of two different systems for the production of medium voltage power cables: P-Laser and XLPE. This study used the Carbon Footprint methodology to quantify the entire environmental impact of each system in terms of its emissions of CO₂ equivalent. The results showed that the CO₂ emissions associated with P-Laser cables are 30% of the total emissions attributable to XLPE cables, being about 800-1,000 kg of CO₂ for each kilometre of cable produced. The Group is ready with the market launch of an innovative product offering better performance at a lower cost. In particular, the new P-Laser 525 kVDC cable (HVDC technology) represents a point of strength for Prysmian, as it will be manufactured using materials that are completely recyclable with, at the same time, a reduction in CO₂ emissions. The manufacturing process has just one continuous phase, without chemical reactions, thereby making the product faster with a lower consumption of energy and release of greenhouse gases. At the same time, the technology employed also achieves a 10% reduction in power transmission costs with respect to the classic XLPE technology.

P-Laser 600 kV HVDC

Prysmian has launched an innovative technology for power transmission networks that guarantees better electrical performance, lower costs and greater environmental sustainability. The 600kV P-Laser cable, designed for direct current (HVDC) applications, is more efficient to manufacture than traditional XLPE cables. The world's most powerful cable solution for the transmission of electricity is considered to be an

innovation of strategic importance in the field of high voltage cables. In particular, the product is able to reach the maximum level of power transmissible while reducing costs by up to 30% per MW transmitted.

Aircraft completes flight around the world using solar energy

After a journey of 40,000 km that took more than 500 hours, leaving from Abu Dhabi and landing in Asia, Japan, Hawaii, the United States and North Africa, the Solar Impulse 2 has completed a world tour fuelled solely by solar energy. This achievement, unparalleled in the history of aviation and energy engineering, was supported by Prysmian, which supplied 150 km of cables designed specifically for the devices that distributed power throughout the entire aircraft.

COMMITMENTS FOR THE FUTURE

In 2017, the Prysmian Group is committed to pursuing product development that increases the efficiency and reliability of products, while also reducing the dissipation of energy and power. Implementation of the Design To Cost (DTC) project will also continue, resulting in reductions in the weight of conductors and direct materials used in the production of cables.

Intellectual property rights

Protecting the portfolio of patents and trademarks is a key part of the Group's business, particularly in relation to our strategy of growth in high-tech market segments. In particular, the intensive R&D activity carried out in the Energy Projects, Energy Products and Oil & Gas segments, as well as in the Telecom sector, has resulted in further growth in the number of patents held by the Group, especially in the high-tech and high value-added segments. These justify the major investment made in these areas by the Group in recent years, and protect the current and future activities of these businesses.

As of 31 December 2016, the Prysmian Group holds 4,651 patents and patent applications throughout the world, covering 749 inventions (of which 210 in the Energy Projects and Energy Products segments, 13 in the Oil & Gas segment and 526 in the Telecom sector). A total of 31 patent applications were filed during 2016, of which 20 in the Telecom sector and 11 in the Energy sector. Following examination, 183 patents were granted during the year, 47 by the European Patent Office (EPO) and 33 in the United States.

The most important products, typically involving specific characteristics or a specific production process, are protected by trademarks that allow them to be identified and guarantee their uniqueness. As of 31 December 2016, the Prysmian Group owns 570 trademarks, with 2,597 registrations in the various countries in which we operate, covering the names and logos of our companies, activities, products and product lines.

Supply Chain

Strategic approach by the Group

The Group constantly strengthens relations with strategic suppliers, seeking to build together a common organisational process focused on sustainability throughout the entire production chain.

The focus on customer service continued during 2016. This policy was adopted in prior years with the objective of improving flexibility, reliability and time to market. Implementation of the "factory reliability" concept, introduced in 2010, has improved the quality of our planning and supply processes with regard to the control of volumes and inventory levels.

Group suppliers source the principal raw materials used by Prysmian in the production processes: copper, aluminium, lead, 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.

With reference to the strategic approach adopted to supply chain management, the Group has established five priorities that 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.

Purchasing of metals

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.

With regard to the procurement of metals, 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 absorbs slightly more than 2% of the world's copper production and about 5% of the copper used in the electrical and electronic sector¹¹. Given the substantial fragmentation of the copper market, Prysmian is one of the leading economic players in the sector.

Accordingly, considering the importance of the role played by suppliers within the Group's value chain, the high consumption of metal and the very broad geographical distribution of Prysmian's factories, the procurement of metals follows two strategic directions. Firstly, Prysmian uses manufacturers that are as integrated as possible, with direct access to the raw material (mines or concentrates) and the ability to guarantee long-term suppliers; secondly, Prysmian purchases from all major global manufacturers, in order to ensure the efficient coverage of requirements and optimise the metals logistics chain.

¹¹ Source: Global data Source from Natixis, Reuters and Morgan Stanley.

The Group has therefore chosen to develop long-term agreements, veritable industrial partnerships, with integrated suppliers that guarantee sourcing for extended periods via reciprocal volume commitments. The necessary flexibility needed to follow the natural cycles of demand is assured by short-term agreements (usually annual, with considerable flexibility regarding volume). These include suppliers that are not integrated, since this characteristic guarantees greater flexibility.

Even with regard to the purchasing of aluminium, the Group has decided to concentrate increasingly on suppliers that are vertically integrated (with processes that manufacture aluminium rod directly from aluminium oxide), in preference to those that are not integrated (manufacturers that smelt aluminium ingots in order to produce rod). This strategy assures the security of supplies and also has cost and environmental advantages, due to simplification of the logistics and elimination of the ingot re-smelting cycle.

Long-term strategies for the purchasing of copper and aluminium naturally lead Prysmian to work with the largest and most important companies in the respective sectors. With regard to the principal quantities of non-ferrous metals, this approach enables the Group to deal with suppliers that focus strongly on all aspects of sustainability, thus creating a highly sustainable end-to-end cycle.

THE GROUP'S SUSTAINABLE SUPPLY CHAIN

In terms of supplier management, Prysmian identifies its suppliers via a formal process founded on economic and financial analysis. Specifically, the Group examines data and information about the risk of dependency on the suppliers considered and, also, about their technical and technological capabilities and skills.

In order to monitor the sustainability of the supply chain, especially with regard to critical suppliers, the Group analyses all associated risks and opportunities on a centralised and integrated basis, focusing most on the critical risks.

In this regard, Prysmian carried out an internal analysis of key suppliers during 2014, assessing them against a number of sustainability criteria. This analysis considered the Group's strategic suppliers: those that are critical and those deemed significant in terms of the value of purchases. The selected suppliers covered about 51% of the Group's purchases in 2014.

Continuing this approach, Prysmian implemented multiple initiatives in 2015, with a view to strengthening its commitment on sustainability matters. In order to guarantee the quality of the materials purchased, the Group is committed to using only those raw materials approved by the responsible technical functions following laboratory tests and extended processing trials conducted both in-house and by qualified suppliers. This process seeks to check the environmental and social aspects, as well as those of a qualitative nature. The qualification process starts by sending a questionnaire that the supplier is required to complete in full, addressing every aspect. This is followed by an audit of the materials classified as critical, or if further details are needed because, for example, the replies to the questionnaire were not considered sufficiently complete. Raw materials are considered critical if purchased from a single supplier or if the supply percentages are particularly high, or if they are used in applications that are especially demanding in terms of the performance required.

The work commenced in prior years was continued during 2016 and new initiatives were launched. In particular, 10 audits of raw material and base metal suppliers were carried out, consistent with the level of activity in the prior year. In one case, these checks identified the need for a plan to improve certain phases of the production process and product testing, in order to guarantee the stability of quality levels.

Following activation in 2015, once again all new suppliers in 2016 were assessed using a qualification questionnaire that covers environmental, social and sustainability matters.

With regard to the work commenced in 2015 on the management of metals suppliers, work on their mapping, classification and involvement continued in 2016 using a self-assessment questionnaire designed to assess the principal parameters affecting sustainability:

- Integrity: fair trade, conflicts of interest, gifts and entertainment, bribery and corruption
- Human and workers' rights: under-age working, health and safety, non-discrimination
- Environment: use of raw materials, use of energy and carbon dioxide emissions, water consumption and associated risks
- Mining activities and conflict minerals: resettlement, closure plans and sustainable use of land

Compared with 2015, when the self-assessment questionnaires covered about 80% of all metals suppliers, in 2016 the mapping managed to analyse all regular suppliers.

Once again in 2016, the replies to the self-assessment questionnaire were analysed by an external agency specialised in sustainability audits. This agency prepared evaluation forms for each supplier, highlighting any areas for improvement that Prysmian then discussed directly during the usual negotiation meetings. In this way, the Group's supply chain has become much more aware of the importance that Prysmian attaches to sustainability as a criterion for the selections of suppliers and the assignment of contracts. Based on the information and data collected, there are no sustainability issues with any of the principal base metal suppliers used by Prysmian in 2017.

With regard to the work performed in relation to the suppliers of raw materials other than base metals, the Group has launched 3 initiatives focusing on:

- Stability and continuity of production processes: new system for the collection of data and the monitoring of supplier service levels;
- Anti-corruption ethics, especially in geographical areas commonly thought to be at risk: special initiative addressing the supply base in China;
- Under-age working ethics: special initiative addressing mica suppliers.

With a view to increasing awareness about environmental, social and sustainability matters, a new system for monitoring supplier service levels was developed and implemented during 2016. The principal objective is to reduce the risk of interruptions in the flow of purchased raw materials.

The report was developed together by the Purchasing, Logistics and Quality functions, which defined the related operating procedures. The instrument, which has already been implemented throughout Europe and is now being extended to other regions, provides monthly performance indicators analysed by country/factory/supplier. In addition, a number of initiatives were launched during 2016 on matters and geographical areas commonly thought to be at risk. The entire supply base in China was asked to sign a document confirming their commitment to and focus on our anti-corruption policies and practices.

Further action launched in 2016 addressed a specific product category: mica.

A responsible approach to mica mining

In order to manufacture certain safety cables and make them fire resistant, Prysmian purchases limited quantities of a few types of tape that contain small quantities of mica-glass, 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 during 2016 by requesting all suppliers of products with a sub-supply of mica to complete a questionnaire certifying the absence of child labour anywhere in the supply chain.

In addition, Prysmian opened a dialogue on this matter with significant international peers and NGOs, participating in numerous workshops and initiatives intended to analyse the issues in a responsible manner. In particular, building on the report entitled 'Beauty and a Beast, let's beat child labour in the mica industry' published in May 2016 by Terre des Hommes – an international organisation dedicated to the defence of children's rights and to the promotion of fair development without discrimination – Prysmian took part in a working party on these topics chaired by the NGO in collaboration with several international firms affected by the use of this mineral. Possible solutions were agreed and opportunities for action were identified in order to establish a sustainable chain of production for this mineral in the mining areas.

Lastly, 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.

Code of business conduct

With a view to spreading responsible commercial practices and ensuring that ethical, economic, environmental and social standards are met throughout the value chain, in 2014 the Prysmian Group decided to promote a responsible and sustainable chain of supply by adopting a Code of Business Conduct. This Code took effect in 2015 and applies to all employees and business relations. The principles set down in the Code apply to the business transactions and daily activities of the employees of all Group entities and their suppliers, commercial partners, commercial agents, sub-contractors and distributors. The document covers the following matters: business integrity (fair trade, conflicts of interest, gifts and offers of entertainment, corruption, accountability); human rights and those of workers (under-age working and slavery, health and safety at work, non-discrimination, freedom of association and collective bargaining); environment (principle of precautions, use of raw materials and compliance, use of energy, greenhouse gases and other emissions, water consumption, waste production and recycling).

The Prysmian Code of Business Conduct was published on the Group's website in 2015. In addition, its existence and Prysmian's application of the related guidelines are highlighted to suppliers at the scouting and qualification stages.

The above work on anti-corruption and child labour in specific geographical areas and product categories was carried out in 2016 in order to support the operational implementation of the principles laid down in the code of business conduct. In addition, the Group's *Human Rights Policy* was extended by adding a specific chapter on the monitoring and identification of potential violations in the supply chain, with remedial action in the first instance and, if necessary, the exclusion from all commercial and business relations of suppliers that do not respond promptly to the standards required.

PRYSMIAN POWERLINK: AN INNOVATIVE APPROACH TO THE SUSTAINABILITY OF SUPPLIERS

Prysmian PowerLink implemented a cloud platform for the Vendor Management process about 2 years ago, with a view to improving the process of qualifying suppliers by facilitating customer-supplier communications.

The portal comprises two distinct sections: Supplier Information Management (SIM) and Supplier Performance Management (SPM), respectively used to manage the qualification phase (ex-ante) and the performance evaluation phase (ex-post) of suppliers. In particular, the first area (SIM) provides a centralised system for managing the entire life cycle of the customer-supplier relationship, from the creation of the master details database to the monitoring of financial strength indicators. The data used for the selection process is input by suppliers with direct access to the system, via the completion of a questionnaire that, once completed, is sent to the following functions for assessment: Purchasing, HSE, Installation/PM, Quality. The second area (SPM) guides the process of defining, measuring, monitoring and analysing the performance of suppliers in terms of the service provided. The purpose of the system is to improve the quality of service, while achieving an overall reduction in costs and the related risks. Each supplier is assessed against specific criteria: compliance with technical, HSE and Quality requirements, and level of contractual and business flexibility. In the event of an adverse result, Prysmian will be able to promote corrective actions designed to steadily improve performance or, depending on the seriousness of the case, to "black-list" the supplier. To date, out of 355 registered suppliers, more than 90% have been qualified and 84% are used regularly. The others must still complete the qualification process, while a small number representing about 2% of the total have been black-listed and are not used.

PURCHASING PROFESSIONAL ACADEMY

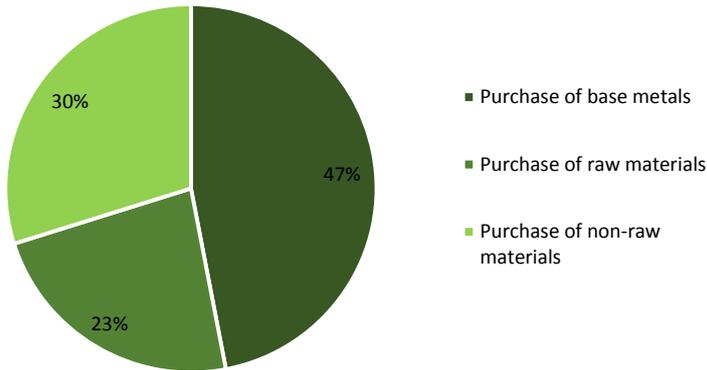
Prysmian Group Academy is the Group's international professional and management education and training school. Over the past three years, the *Professional School* has specifically addressed purchasing by delivering an annual one-week course for 30 participants that combines contributions from highly professional internal lecturers (from both Corporate HQ and country management) with those from external supply chain professionals. Attendance is open to buyers from all Group companies, with a view to reviewing purchasing fundamentals and the integrated management of global commodities.

A section dedicated to understanding the importance of sustainability matters, entitled "Purchasing & Sustainability", has been included since 2015. This lesson focused on sustainability with the Prysmian Group, as it relates to the supply chain and purchasing, highlighting the activities and topics of concern to the function and also covering aspects of the Group's Code of Business Conduct. Additionally, the lesson guided buyers to take full account of sustainability when scouting for and selecting suppliers, alongside the traditional selection criteria based on technical, economic and financial parameters, risk management and overall cost effectiveness. By the end of 2016, 25% of Prysmian purchasing personnel around the world have received training in this area.

COMMITMENTS FOR THE FUTURE

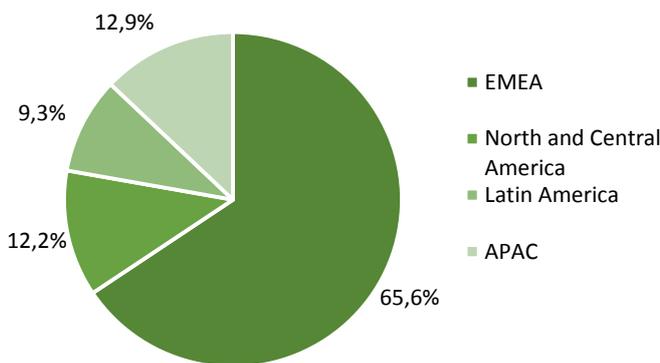
In confirmation of the commitment to manage the sustainability risks relating to first-level suppliers, Prysmian expects to continue the programme of supplier audits during 2017 at the same level of intensity as in prior years.

Total purchases in 2016, analysed by type



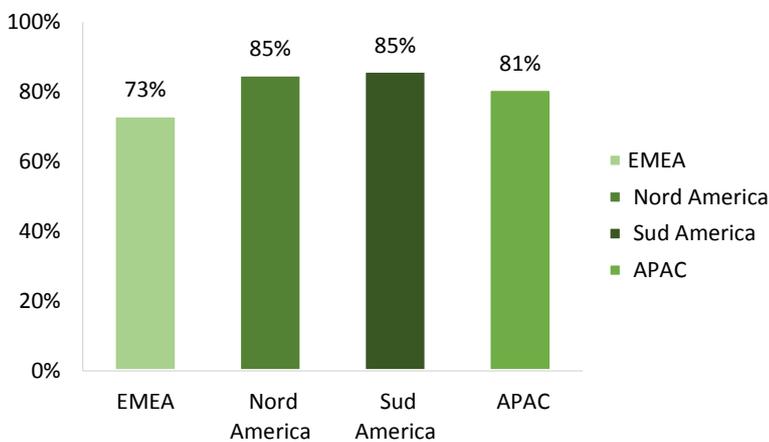
In 2016, 47% of total Group purchases related to base metals, with the remainder split between raw materials and non-raw materials.

Total number of suppliers in 2016, analysed by geographical area



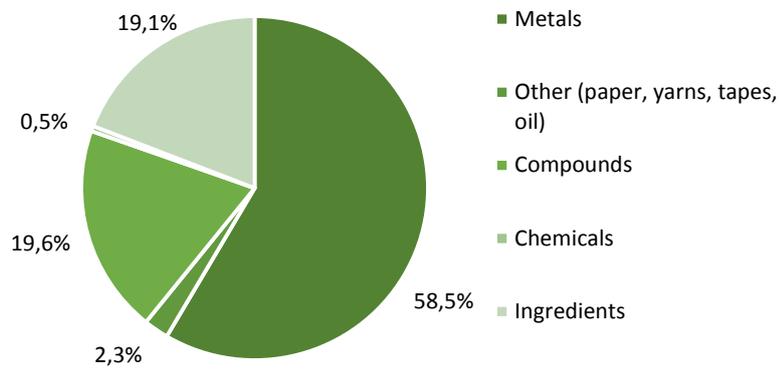
In 2016, out of 5,020 suppliers of base metals and raw materials, 65.6% were located in the EMEA area, much as in 2015. The remainder were split almost equally among the other geographical areas.

Percentage of goods and services acquired locally in 2016



In confirmation of Prysmian's commitment to promoting the culture of local buying, purchases of goods and services classified as "non-raw materials" from local suppliers exceeded 80% in all geographical areas of operation except EMEA, which reached 73%.

Raw materials purchased by the Group in 2016 (% based on purchases in tonnes)



Raw material purchases in 2016 totalled 1,121 Ktonnes, of which more than 58% were metals, in line with the quantity purchased in 2015. Once again, 11% of the raw materials used were sourced from recycled materials.

Logistics

The Logistics function manages all the Group's intercompany flows, both at annual budget and monthly operational level, with the aim of satisfying demand in all markets that do not have a local production source due to capability or production capacity reasons. The Logistics function also manages short and medium-term production allocations and planning through the Sales & Operations Planning (S&OP) process, which links the demand cycle (sales) with the supply cycle (manufacturing and procurement). The Group's planning activities differ, depending on how the product is classified. "Engineer to Order" products are used mostly in Energy Projects for submarine, high voltage and umbilical cables, being businesses in which the Prysmian Group supports customers from the design of the "system" to the final laying of the cables. "Assemble to Order" products allow the Group to respond rapidly to demand for items that use standard components, and which are only differentiated at the final stages of production or in terms of packaging, while maintaining minimum inventories of finished products. "Make to Order" products are only manufactured and shipped after receiving an order from the customer, thus reducing the level of slow-moving inventories considerably while increasing the rotation of raw materials, components and finished products. The "Make to Stock" approach is generally used for the most standardised products, which require an inventory management policy capable of responding rapidly to demand. This last model is mostly applied in the "Energy Products" and "Telecom" areas.

The Prysmian Group continued the strategic focus on Customer Centricity during 2016, stabilising the high level of service achieved in terms of delivery reliability while, at the same time, starting work to reduce the lead-time between the receipt of an order to delivery of the product to the customer. The Group has also continued work on the reduction of inventories (overall, 60 million euro lower than in 2015, on a like-for-like basis), with a further positive effect on cash flows.

Further, the optimisation of the distribution chain has continued at the operational macro-region level, with a particular focus on the consolidation of warehouses/distribution centres and the outsourcing of logistics services in order to lower distribution costs.

The Logistics function has optimised the allocation of production, with an increase in intercompany flows in line with the consolidation of the global organisation into regions. Consistent with the Group's strategic objectives and in addition to the Customer Centricity and Factory Reliability initiatives, during 2016 the Prysmian Group continued the work carried out in recent years to improve our logistics services in terms of flexibility, timeliness and shorter lead-times.

The distribution logistics market in 2016 was characterised by the continued excess capacity of all leading airlines, while carriage by sea also continued to demonstrate unused capacity due to an increased number of ships and containers, as well as to the ongoing consolidation processes implemented by the principal global carriers. Prysmian has concentrated work to improve physical distribution in the South-East Asia / China region, reducing the number of sea carriers to just one, with a marked reduction in costs and improved efficiency.

In addition, projects for the outsourcing of logistics (3PL) have been implemented in North America (USA and Canada) and in Europe (United Kingdom), applying the same format and best practices already found in the area, in order to obtain significant cost savings.

During the year, in the context of the Prysmian Academy, the Logistics function continued the process (launched in 2015) 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 of this course is to facilitate networking, enhance the professional standing of the individuals concerned and share ways to improve the Group's logistics and make them more efficient.

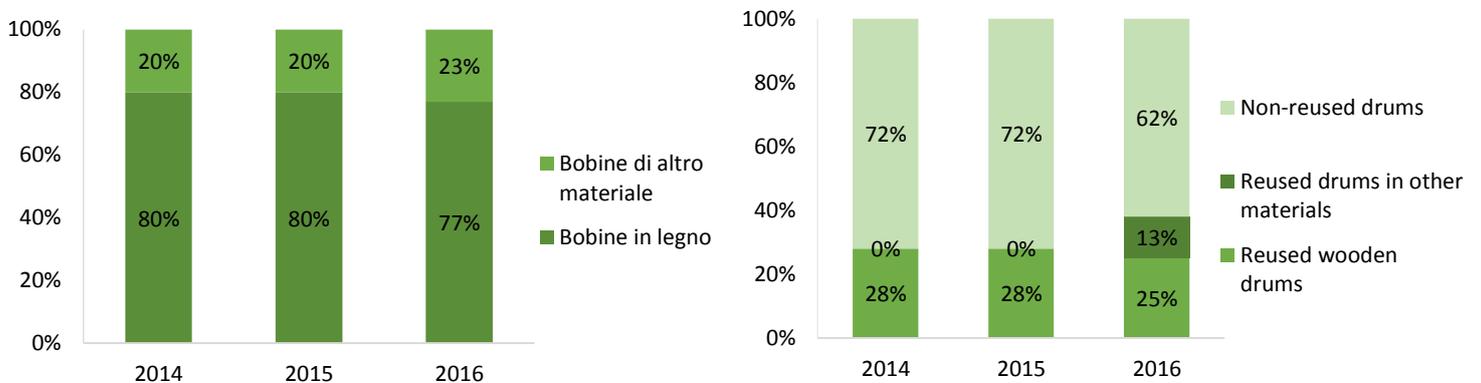
COMMITMENTS FOR THE FUTURE

During 2017, the Optical Fibre business unit will continue to prefer sea shipments between North America and Europe, rather than air shipments, with a view to reducing the environmental impact of product transportation.

The expected reduction in air carriage was not achieved in 2016 due to a shortage of optical fibre caused by the growth in the world market (China in particular) for optical cables. However Prysmian has planned capacity increases that will enable the more balanced scheduling of optical fibre in raw material form during 2017. This will ensure a reduction in air transport costs for the optical fibre business, with a consequent beneficial effect on the environment in terms of emissions.

In addition, the Group will continue to encourage the replacement of road transportation with carriage by sea. Lastly, Prysmian is committed to using 3PL when negotiating future North American and Australian carriage contracts, in order to actively reduce GHG emissions via the optimisation of transportation.

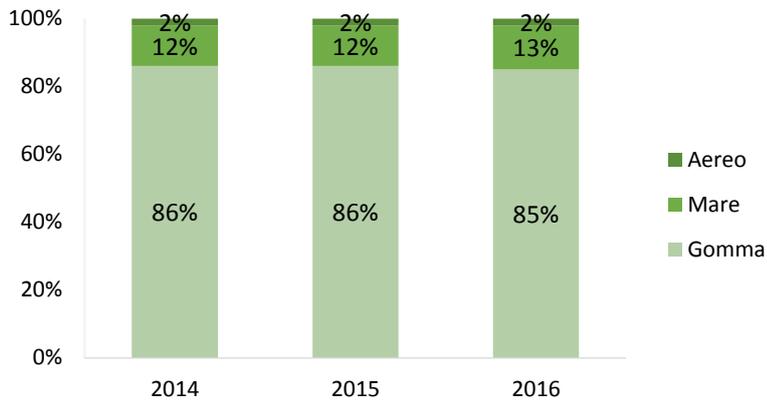
DRUMS MADE OF WOOD AND OTHER MATERIALS



Small diameter drums are made from plastic/plywood, wood is used up to 3 metres in diameter, while larger drums for cables are made from steel. In general, the drum material selected depends on the diameter and length of the cable, criteria for the optimisation of logistics in order to reduce the carbon footprint, and specific requests from customers associated with regulatory aspects in the destination country.

The Group is heavily committed to maximising the re-utilisation of drums and lowering their environmental impact. For example, this involves using wood from replanted forests and implementing lagging solutions that reduce the recourse made to quality materials, while continuing to use recyclable materials. This commitment over the years has helped to improve the re-use rate of drums, as a consequence of our more precise and modern management techniques.

METHODS OF TRANSPORTATION



As regards transport, Prysmian not only gives preference to local suppliers but is also committed to optimising the carriage of goods by air and by sea, as well as to selecting road hauliers that seek to implement sustainable policies and actions. In recent years, the Group has increased efforts to minimise the adverse effects of transportation on the environment.

As in prior years, road transport was the main type of transport used by the Group during 2016.

Prysmian's People

Enhancement of personnel

Sustainability also means creating value internally. Prysmian knows that our people represent the most important value added; accordingly, the Group strives to ensure their growth, while also maintaining the cohesion needed to compete at the highest levels of the sectors concerned.

Within the social dimension of our business, Prysmian recognises its commitment and responsibility towards the persons who work for the Group, as well as those who form the local communities in the territories in which we are active. Over more than 140 years, the Group has built its history and successes on the abilities of its employees. Individuals who have been leading actors in the achievement of these results, thanks to their ability to transmit to younger colleagues, generation after generation, their values, experience and attachment to the firm.

The new human capital strategy, launched in 2015 in support of our business strategy, our growth in the period to 2020 and our sustainability objectives, will guide the development of specific initiatives in this area.

The human capital strategy is founded on the following pillars:

- Constant improvement and development of the organisational model, consistent with our business strategies and priorities;
- Strategic planning of resources in order to ensure, over the medium term, the compatibility of our human capital with the needs of the Group in terms of ability and skill;
- Development of employer branding: increase awareness of the Prysmian brand as an employer and develop the positioning of the brand in the international job market, partly via strategic recruitment initiatives;
- Creation of a strong talent pipeline that ensures the sustainability of the Group's human capital strategy;
- Development of technical, professional and managerial skills via the training initiatives of the Prysmian Academy, which has now been active for six years;
- Development of meritocracy and sustainability via global initiatives focused on improvement;
- Development of employee engagement and sense of belonging via a structured approach to measuring the corporate climate, in order to align management and the initiatives with the perceived priorities of employees and, in particular, via a broad share ownership programme designed to make most of them shareholders.

NEW MILESTONES

To maintain the commitments made last year, during 2016 Prysmian launched a series of employee-focused initiatives that are described below:

- Continuation and expansion of the strategic recruitment initiatives: the Build the Future programme has resulted in the recruitment of an additional 40 persons, while successful implementation of the Make-IT programme, to recruit professionals for critical roles in the Manufacturing and Quality areas in particular, enabled us to find 50 persons. The Group intends to repeat this initiative in future.
- HR management has organised a roadshow that visited every region with the involvement of local management, sharing the results of the viewpoint (engagement) survey, as well as the principal

ongoing HR initiatives, with a special emphasis on personnel development. The results of the survey were also described to employees in the various countries, both via special meetings organised locally and via a dedicated page on the Intranet.

- Prysmian developed a *Human Rights Policy* during 2016 that was published in early 2017. The objective is to define the Group's commitment to the protection of human rights in the world and the criteria to be agreed with our suppliers.
- While providing an opportunity for employees to present their personal objectives, the P3 performance management process will also enable colleagues at the same level to exchange feedback.
- A process for the evaluation of potential (P4) was implemented during the year, enabling us to make a worldwide assessment of management succession paths.
- The Senior Leadership Program, attended by senior managers in order to create a common corporate language to deal with managerial challenges, has been completed within the Leadership Academy.

Policy on Human Rights

Prysmian is committed to respecting human rights via the adoption of a Human Rights Policy, activating a structured, long-term process to support internationally-recognised human rights and avoid any involvement in their violation.

Protecting the dignity, liberty and equality of all human beings is the cornerstone of our ethos. The Group rejects all discrimination and illegal deeds or activities, such as corruption, slavery and child labour. The Policy adheres to and complies with numerous international conventions, such the International Human Rights Charter, including the Universal Declaration of Human Rights and the ILO Fundamental Conventions, included in the ILO Declaration on the fundamental principles and rights at work. This Policy defines Prysmian's commitment to protect the fundamental human rights, including the dignity of the persons who work for the Group, and also to promote respect for all human rights throughout the entire value chain and in the Group's business relationships.

Ethical principles play an extremely important role in the context of Prysmian's commitment to sustainability. The Group believes, in fact, that ethical business conduct is a key success factor for the business.

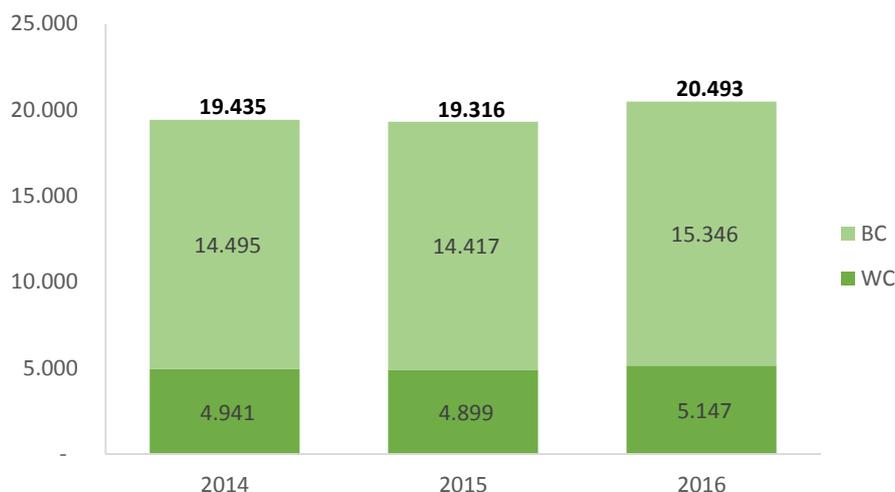
COMMITMENTS FOR THE FUTURE

In 2017 the Prysmian Group expects to launch a new series of initiatives for staff and external stakeholders. In particular:

- The global recruitment programme "SELL IT", which was launched at the end of 2016 to fill critical professional positions in the Commercial, Marketing and Product Management areas, is expected to find 40-50 staff with experience and will be repeated in future;
- A new Group Viewpoint Survey will be conducted, while also implementing the actions identified in relation to the topics already determined to be important;
- The "Build the future" recruitment programme for new graduates will be held for the sixth time, with the aim of making recruitment a key element of the Group's workforce and skills planning strategy.

- The *Human Rights Policy*, approved in early 2017, will be circulated to all employees during the year, promoted via specific communications and implemented throughout the value chain together with the supply and distribution network, in order to create synergies within the entire business process;
- The P3 performance management process will be further improved, by giving staff the opportunity to state their objectives to their superiors in order to boost engagement and participation. In the near future, this system will also allow the exchange of peer-to-peer feedback.

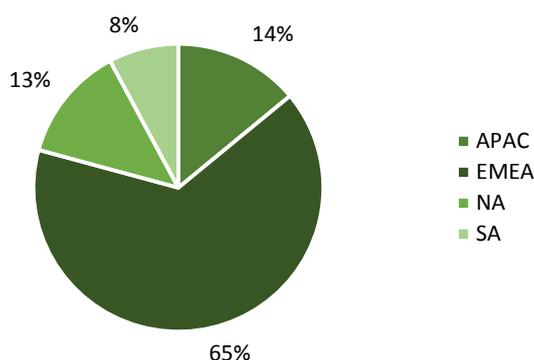
TOTAL GROUP EMPLOYMENT AS OF 31 DECEMBER 2016¹²



The Prysmian Group employs¹³ 20,493 persons, comprising 5,147 white-collar staff including executives and 15,346 blue-collar workers.

There were 1,177 more employees in 2016 than in the previous year. This net increase includes 877 persons from the consolidation of OCI (Oman Cables Industry) and OAPIL (Oman Aluminium Processing Industries LLP) and the acquisition of Data Cables (104 persons), as well as increases resulting from new investments in certain countries. The ongoing industrial restructuring and reorganisation processes in Europe resulted in further departures during 2016. The Build the Future programme continued during the year with the induction of new graduates (40 persons) and the first edition of the Make-IT recruitment plan was held, with a view to recruiting key personnel in the Manufacturing, Logistics, Quality and R&D areas (50 persons).

EMPLOYMENT BY GEOGRAPHICAL AREA AS OF 31 DECEMBER 2016¹⁴



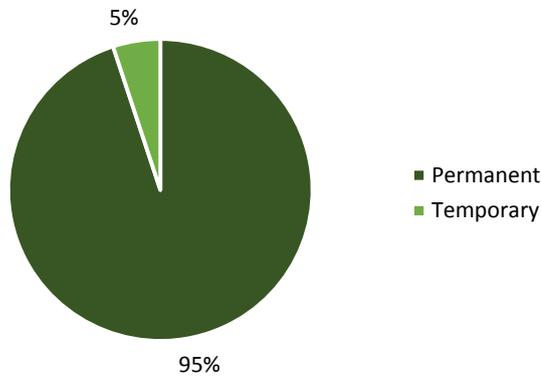
¹² Data expressed in FTE (Full Time Equivalents), including the employees and temporary staff of companies that are Group subsidiaries or subject to management and control.

¹³ In order to guarantee the reliability of this document and its comparability with previous editions, the data of Prysmian India has been estimated using the best methodologies available. In fact, due to a lack of data, the number of persons employed by Prysmian India has not been changed for 3 years, while the qualitative breakdowns have been estimated with reference to Group averages.

¹⁴ Headcount data at year end, including solely the employees of companies that are Group subsidiaries or subject to management and control. This data represents 100% of total employment by the Prysmian Group.

In 2016, 65% of personnel were located in EMEA (Europe, Middle East and Africa), including 17.13% in Italy. North America (United States, Canada and Mexico) and South America employ respectively 13% and 8% of personnel, while APAC (Australia, Asia and China) account for 14%.

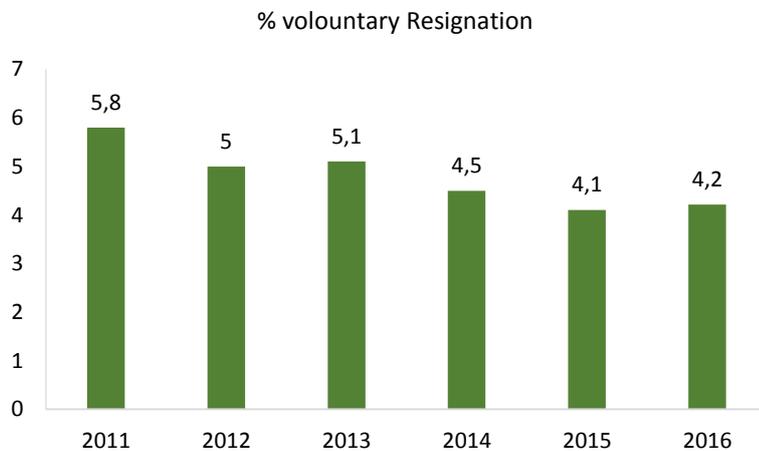
EMPLOYMENT BY TYPE OF CONTRACT AS OF 31 DECEMBER 2016¹⁵



The Group had 17,446 permanent employees in 2016, comprising 12,645 blue collar and 4,801 white collar, which represented 95% of the total work force.

TURNOVER – VOLUNTARY DEPARTURES OF WHITE-COLLAR STAFF¹⁶

There were 205 voluntary departures (4% of the white-collar population) during 2016, out of a total of 508 leavers, which was in line with prior years (4.1% in 2015 and 4.5% in 2014).



¹⁵ Headcount data at year end, including solely the employees of companies that are Group subsidiaries or subject to management and control. This data represents 100% of total employment by the Prysmian Group (excluding OCI and OAPIL).

¹⁶ Data expressed in FTE (Full Time Equivalents), including the employees and temporary staff of companies that are Group subsidiaries or subject to management and control (excluding OCI and OAPIL).

Investing in people

For Prysmian, intellectual capital and talent are strategic assets for the achievement of our profitability and value creation objectives. As such, they must be supported by appropriate actions to develop and enhance their worth.

Over the period 2012-2016, the Group designed and implemented a human capital development strategy in order to minimise the errors made when deciding on people and, therefore, to equip the business with valuable resources capable of contributing to future growth and maintaining our global leadership position in the sector.

The Human Capital Development strategies based on an integrated management system that can attract, develop, promote and retain talented people.

The talent management system is based on four pillars:

- Recruiting and Talent Acquisition
- Training and Development
- Performance Management
- Talent and Succession Management

RECRUITING AND TALENT ACQUISITION

EMPLOYER BRANDING

Numerous initiatives during 2016 were designed to position the Group as the **Employer of choice** on a global scale:

- The Group has carried out employer branding campaigns on LinkedIn, building a strong partnership with the most important professional social network. This involved opening an increasingly detailed careers pages and publishing job vacancies
- We held numerous career fairs in order to strengthen the participation at job fairs of the world's best engineering and business universities
- Lastly, Prysmian also carried out intensive and targeted recruiting and communications activities on Facebook, LinkedIn and other social networks. In particular, during 2016 Prysmian made use of live webcasts to candidates in order to present the Group and its culture in the best possible way, respond in real time to the more important questions and keep them updated regularly about the selection process. This tool has proved to be a great success, being rewarded by thousands of comments and visits.

GRADUATE PROGRAM

The development of managers and technicians of the future starts by recruiting the most capable individuals available, with particular reference to new graduates. "Build the Future, the Graduate Program" is an international programme for the recruitment and induction of new graduates. The objective is to place young graduates with high-potential profiles in various functions and geographical areas.

The Graduate Program comprises the following phases: a careful selection process; 2 weeks of induction in Milan during the first year with the Group, plus another 3 weeks of training in the following two years, as part of the Post Graduate Program (PGP); job rotation for a year with support from a mentor; a two-year

international assignment in one of the Group's locations; lastly, assignment to an important technical or managerial role at the end of the 3-year program.

Starting from 2012, this programme has already resulted in the recruitment of about 170 young people from all over the world. Forty new international staff were taken on during the first half of the year, while in the second half of the year 28,000 applications were received. This will lead to the selection and recruitment of another 50 persons in 2017.

MAKE IT

In 2016, in line with the talent acquisition strategy, Prysmian presented again the international recruiting programme known as "Make It". This specifically targets engineers with 3/5 years' experience, who are interested in taking key, highly challenging positions at the principal factories within the Group.

The aim is to recruit engineers from other sectors and given them an opportunity to contribute to the growth of the manufacturing business.

The objective of the programme is to develop and grow additional industrial talent. The Make It steps involve: on Boarding & Training on the Job for about 2 months in order to settle into the local business and the specific role assigned; a period of technical and managerial induction at the Manufacturing Academy in Mudanya (Turkey); support from a mentor and continuous technical training linked to participation in the Lean Six sigma skills development programme; lastly, opportunities for career development via assessments of performance and potential.

The first edition, which attracted about 6,000 direct and 1,500 indirect candidates, resulted in the global recruitment during 2016 of about 50 engineers from the most advanced sectors.

SELL IT

Consistent with the various Strategic Recruitment activities, a new recruitment programme known as "SELL IT", addressing the commercial area, was devised in 2016. The objective for 2017 is to identify engineers and others with a passion for and 3/5 years' experience in the commercial area, who are interested in taking key and highly challenging positions in the Energy and Telecom businesses at the Group's most important factories.

This programme was developed with a major line contribution, drawing on detailed interviews and a survey of a representative sample of about 100 employees working in the commercial function.

TRAINING AND DEVELOPMENT: PRYSMIAN GROUP ACADEMY

1,200 employees involved in 2016

In order to develop its people, the Group has created the Prysmian Group Academy, an international managerial and professional training school, whose objective is to develop and consolidate the leadership and technical expertise of its management. The Academy is organised into two distinct but synergistic schools: the School of Management and the Professional School.

School of Management

The School of Management, which is run in partnership with SDA Bocconi and a network of another 9 leading international business schools (ESADE, FUDAN, SMU, STENBEIS, CORVINUS, SSE, FGV, ESSEC, USC), has involved 563 participants over 5 years and has already awarded 333 diplomas, with plans for further growth in 2017.

The School is designed to attract talented staff with the aim of sharing a common vision of the business, diffusing the values and culture of Prysmian and exposing them to the best managerial practices.

The Prysmian Group's School of Management is unique in that, due to a system of credits and examinations, the complete portfolio of training programmes leads to obtaining the internationally-recognised GEMBA (Global Executive Master Business Administration), awarded by SDA Bocconi in partnership with an international network of business schools.

Additionally, all programme content has been heavily customised to meet the competitive challenges of the industry in which Prysmian operates. This has been made possible thanks to the contribution of the Faculty of SDA Bocconi in preparing "Prysmian Global and Regional case studies". Based on real situations, these case studies allow participants to pit themselves against the daily challenges they will find when developing strategies in the world of cables. The portfolio of management training is therefore organised into seven leadership programmes:

- **Post Graduate Program:** a Group training programme for new graduates that have just joined the Prysmian Group, introducing them to the fundamentals of business, products, processes and customers;
- **International Leadership Program:** an intensive Group programme for talents with 5/7 years' experience, preparing them to take leadership positions within the Prysmian Group at an international level;
- **Regional Leadership Programs:** programmes for each region (Southern Europe, Northern Europe, South America, North America, Central-Eastern Europe, APAC), designed together with leading business schools for regional middle management not involved in the global programmes. The programmes are tailored to suit the particular characteristics of the various businesses and local markets, reinforcing the network within the region without losing sight of the Group's unitary strategy;
- **Advanced Leadership Program:** an ad-hoc Group programme for middle and senior managers intended to assess and develop their managerial skills and ability, in preparation for rapid career advancement within the Group;
- **GEMBA Global:** executive MBA from SDA Bocconi;
- **SLP (Senior Leadership Program):** programme introduced in 2016, based on training and business workshops for senior managers. In particular, the topic of innovation was addressed in 2016;
- **Alumni:** programme launched in 2016 in order to maintain and promote the School alumni network, as well as to provide regular refreshers on management-related matters. During 2016, this programme involved over 100 employees who had previously completed past editions of our leadership programmes.

The first Regional Leadership Program (RLP) in South America

The first Regional Leadership Program was launched in South America during 2016. This programme, designed to create a cohesive managerial network, involved about 20 managers and professionals. Consistent with Group strategy, this programme focuses on the strategic challenges faced in the South America region by developing the managerial skills and leadership ability of local personnel.

Professional School

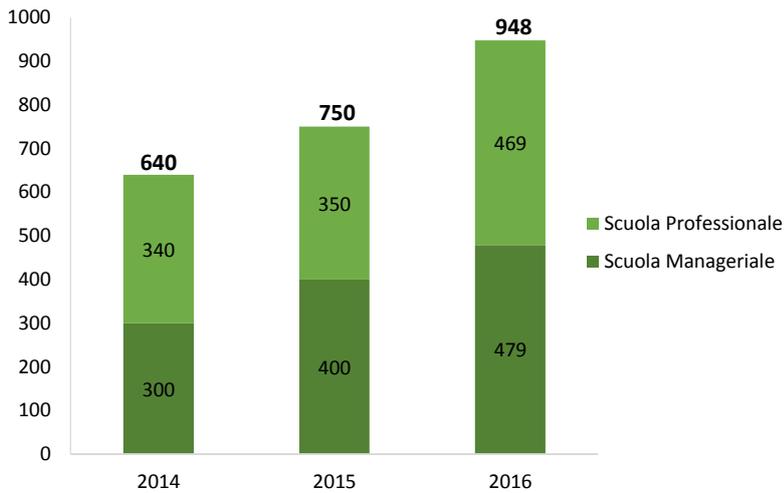
The Professional School, organised into function academies (Manufacturing, Supply Chain, Quality, Purchasing, R&D, Product & Sales, IT, HR and Cross-functional) and centres of expertise (Manufacturing, Technology, Sales), has trained over 1,000 employees over the past five years, involving more than 100 experts and with plans to involve the same number in 2017 as well. This School seeks to develop and share the key technical and professional abilities, with support from internal teachers from all over the world. The main objective is to develop and consolidate know-how and technical skills, ensuring their transmission from more experienced personnel to younger persons. The areas concerned comprise:

- Manufacturing Academy: the first Centre of Expertise was established in 2016 with facilities in Mudanya (Turkey), at one of the Group's largest factories. The centre has already provided technical training to about 100 employees from every factory. The Lean Six Sigma training was one of the most important courses, following which the participants received Green Belt certification;
- Research and development: courses delivered by senior Group experts, which seek to develop technical skills in the areas of innovation and product development with the aim of providing customers with technologically innovative solutions at ever more competitive prices;
- Quality and Supply Chain: dedicated to staff in the Operations division to develop key skills in production management;
- Purchasing: designed to develop excellence in managing the procurement of materials and services, tackling in particular such key topics as negotiation;
- Sales and Marketing: designed to consolidate and develop technical-commercial skills relating to the various business segments, such as market analysis and the commercialisation of Group products;
- IT: dedicated to providing the knowledge needed for the effective use of SAP One Client;
- Cross-functional: specialised courses aimed at developing cross-sector knowledge;
- Human Resources: courses that consolidate the skills needed for managing the fundamental processes of recruiting, training and personnel development.

A number of partnership, innovation and knowledge management practices are also worthy of mention:

- Preparations for the start-up of the Group's Technology and Product School in Lexington (USA) under the leadership of the Group's most expert chief engineer (who retired in 2016);
- Printing by the Prysmian Academy of the first internal publication on fibre optics, edited by our own leading experts, for the first edition of the professional training course on fibre carried out in December 2016 at the Douwrin factory;
- Launch of the Digital Academy, addressing about 250 employees of the quality function, which represented an important step for digital practices. In this regard, a specific learning platform was established, which can be accessed at the website www.prysmiangroupacademy.com;
- Delivery of courses to Prysmian customers. In particular, various technical training courses were held on the PRYCAM product.

PRYSMIAN GROUP ACADEMY – PARTICIPANTS



Once again, the number of participants in the Prysmian Group Academy rose substantially in 2016 compared with previous years (over 26%). This statistic is even more important given that the Professional School's e-learning courses were launched during 2016, involving 214 persons and training for the Make It programme (50 persons).

Manufacturing Academy, where training meets production

Prysmian Group has launched the new Manufacturing Academy, which seeks to consolidate the skills relating to the production of all product ranges throughout the Group, as well as to established a solid Manufacturing Community. Based in Mudanya (Turkey), the Academy will receive and train the greatest manufacturing talents, with a view to expanding Group know-how in this field. According to Fabrizio Rutschmann, SVP Human Resources and Organisation, "the Manufacturing Academy is hugely important for the Group and its employees. Global and local experts can meet at this outstanding centre for production excellence to exchange more readily their knowledge and experiences and, therefore, consolidate best practices in the technical area."

Given the location, at one of the largest Prysmian factories in the world, and its role as a centre of excellence and skills, the facility is able to provide in-depth knowledge that is unparalleled in the manufacturing world. The Manufacturing Academy will offer Prysmian employees three different programmes, depending on their roles and seniority: "Manufacturing Fundamentals", "Advanced Manufacturing" and "Excellence in Manufacturing". The teachers, including experts from within the Group, will share their specialist knowledge and experience on various subjects. The training will address such topics as KPIs, processes, materials, controls, worker management, continuous improvement, instruments and methods, best practices and efficiency, maintenance and machinery, cost management and cross-functional knowledge.

PERFORMANCE MANAGEMENT: P3 PRYSMIAN PEOPLE PERFORMANCE

About 5,000 staff involved in 2016

In order to achieve our business objectives and continue to improve our results, each employee must be put in a position to make a daily contribution. This requires the allocation of clear objectives agreed with management and the provision of constant feedback about the work performed and results obtained.

The Prysmian People Performance system (P3) was introduced for the first time in 2012. After a pilot phase targeting the Group's executives, the system was then extended to the entire managerial and clerical population in all countries involving, as in the past two years, around 5,000 persons in 2016.

The objectives of the Prysmian People Performance system are to:

- align personal objectives with those of the Group, thereby motivating each employee to do their best and generate value for the entire organisation, creating a single business identity;
- guide leadership behaviour;
- facilitate communications between managers and staff, so that the results achieved can be shared;
- train those deemed most deserving, based on objective appraisals.

This process, backed by an on-line platform, implements 5 main steps:

- definition of performance: determine targets and expected behaviours;
- overall assessment: appraisal of the quantitative and qualitative results achieved;
- calibration: sharing and comparison of the assessments made by management at various levels (country/region, business unit, Group);
- feedback: provision of feedback to staff.

As part of the constant improvement of the business and business processes, a number of actions were implemented and monitored in 2016 in order to enhance the meritocracy and employee engagement:

- possibility for staff to present their target objectives, agreeing them with their superiors, and redefine them during the year in response to changes in their roles or external conditions;
- preparation and documentation of an action plan for the improvement of performance;
- alignment of the performance process with career programmes;
- association of assessment systems with the reward system.

TALENT AND SUCCESSION MANAGEMENT: P4 PRYSMIAN PEOPLE PERFORMANCE POTENTIAL

About 800 staff involved in 2016

Following various talent assessment and measurement projects and, not least, in accordance with the recommendations of the Italian Stock Exchange Code of Self-Governance on management succession, in 2015 the Group - acting on a mandate from the Compensation and Appointments Committee - decided to streamline its talent assessment procedure by introducing a single process for the identification of talent and the preparation of succession plans.

Accordingly, for the first time, the Group introduced a structured process for the identification of talent in 2016, known as P4 (Prysmian People Performance Potential), together with MERCER, a consultancy. The main purpose of this process is to assess potential and predict future performance in roles of greater responsibility.

The process is based on Prysmian's definition of talent, as the sum of consistent performance and potential, that was identified from a series of structured interviews with 35 key Group managers.

Consistent performance means having delivered good results in at least the two previous years, as determined using the P3 assessment system, while potential means a combination of 8 personality traits that are important for the Group.

This process, launched in March 2016, involved all participants in the P3 process in the following phases:

- **Potential Scouting:** all employees were screened with reference to the consistent performance criteria. This scouting activity involved about 800 employees (defined as consistent performers), via the guided observation of 8 traits indicating potential and a rating of potential on a scale of 1 to 3;
- **Talent Pools:** all assessments were consolidated in a 9-quadrant matrix and consolidated by organisational band, giving rise to the talent pools;
- **Talent Discussion:** discussion committees met in each country in order to review the results of the observations made and prepare the succession tables;
- **Group Validation:** all country-level reports were discussed at an annual meeting in order to identify a talent pool of about 300 persons, which will be reviewed every year;
- **External Assessment:** for 10 strategic positions, an external partner (Spencer Stuart) was involved on completion of the process, to make an independent assessment of the potential of about 30 managers, in order to evaluate their readiness.

Given the good results achieved in 2016 and the importance of this process in terms of risk assessment and the sustainability of the business, it has been confirmed and established as an annual process that will constantly monitor the pipelines and the risk of discontinuities affecting critical positions.

With regard to the evaluation of talent, it is useful to highlight the work carried out in the Academy classrooms in partnership with CEB, a consultancy. In particular, consistent with the P4 process, a "process of leadership assessment and development" was included in the leadership programmes of the School of Management and in some programmes of the Professional School. To date, about 400 executives, middle managers and technicians have benefited. This process supplements the programmes of the Prysmian Academy with action plans and individual development plans. The same methodology was also used by various Group affiliates for critical selection processes, thus obtaining additional information about the candidates and strengthening the decision-making process.

COMMITMENTS FOR THE FUTURE

Strategic Recruitment

“Build the Future, the Graduate Program”, “Make It, Manufacturing career at Prysmian Group” and “SELL IT; a growing path at Prysmian Group”: 120 new staff are ready to join the Group in 2017, which confirms the great success of the two strategic recruitment programmes aimed at building the future of our business.

Training and development

For 2017, Prysmian Group Academy plans to run more than 60 Technical/Managerial courses with the aim of diffusing technical and specialist knowledge and of strengthening the managers' ability to guide the business and manage their staff along with the many change processes currently under way on the industrial, strategic, organisational and commercial front.

In particular, the School of Management will launch the following initiatives:

- the first edition of the Women in Leadership Program (WLP) that, as part of SIDE BY SIDE, the project to promote diversity within the Group, and in collaboration with SDA Bocconi and Valore D, seeks to train a group of talented women from various countries and regions within the Group on the topics of strategy, leadership, social intelligence and the change management;
- a broader programme of awareness about diversity matters, again as part of the SIDE BY SIDE project. Initially, those attending the courses provided by the School of Management will be involved;
- the first edition of the Telecom Business Leadership Program, which is an induction programme for new recruits of the Telecom BU who are not involved in other programmes at the School of Management. Lecturers from SDA Bocconi and BU managers and senior managers will talk to the participants on such topics as strategy, market, business, finance, culture and organisation.

Activity at the Professional School during 2017 will, on the other hand, include:

- strong commitment to preparing for the start-up of the Group's Technology and Product school in Lexington;
- expansion of the Digital Academy, with further innovations in the types and methods of learning;
- launch and implementation of training programme on compliance matters in general and anti-trust issues in particular. This programme, to be delivered to a large number of managers working in the Sales function, will consist of a mixture of digital and classroom training. The purpose of both initiatives is to increase the awareness of participants about the importance of adopting managerial practices founded on ethics and integrity.

Performance, Career and Total Rewarding

In line with the strategic development of the business and the systems for managing the performance and careers of employees, the integrated management of talent on a meritocratic basis is becoming of more central importance. Accordingly, the systems for the management of performance (P3) and scouting for potential (P4) will be supplemented with reward policies, thus structuring all initiatives to quantify the value of merit and making them more transparent.

Sharing of knowledge: learn from others

Last October, 10 employees of the Supply Chain and Corporate Purchasing functions at various factories in the Netherlands participated in a two-day meeting in Delft (Netherlands) on Good Practices, with a view to enhancing coordination and efficiency among business functions and improving the safety and performance of the Compliance lines.

INTERNATIONAL MOBILITY

As of 31 December 2016, the Prysmian Group's expat population counts about 233 employees from about 30 different countries (36% are Italians) who are living in 36 different destination countries. Of these, 72% are at a non-executive level and 16% are women. There were 88 new departures during 2016.

These statistics evidence the importance of the international mobility programme within the Group. International mobility is an integral part of the Group's policies for the growth and development of talent. On the one hand, it spreads the culture and values of Prysmian to all countries and Group affiliates, which is a need that became central following the acquisition of the Draka Group in 2011. On the other hand, international mobility helps to meet local organisational requirements, via the transfer of managerial and technical know-how from one country to another.

In this regard, the implementation of the new policy and mobility processes continued during 2016, with a view to aligning Prysmian's policy with the most advanced market practices, in order to facilitate expatriation even outside of the Group's headquarters, align the conditions and segment the various types of assignment. International experience is also central to the professional and managerial growth of the young talents participating in the Graduate programme.

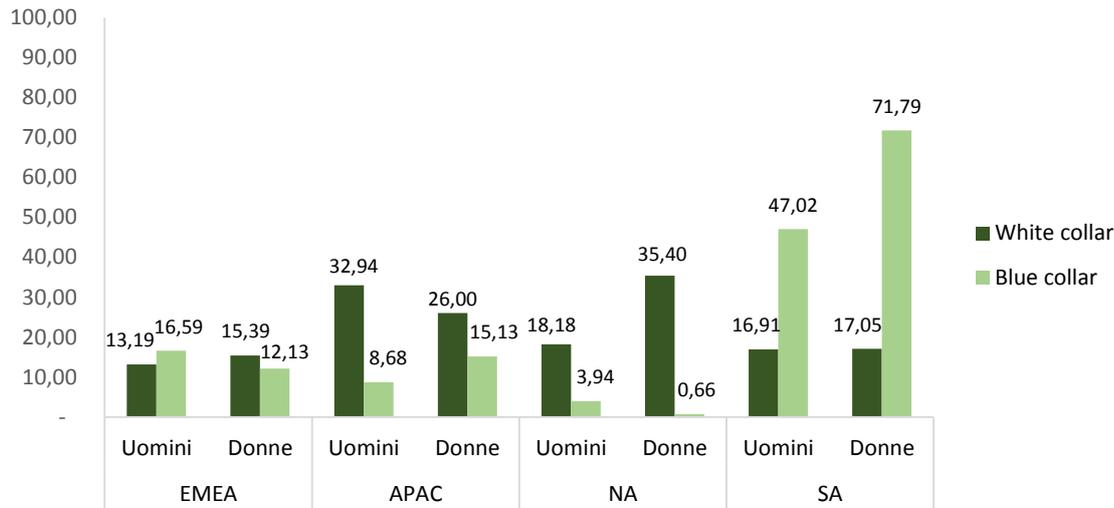
During 2016, 40 new graduates from 18 countries of origin commenced an international experience due to last two years in 19 destination countries.

Despite this great attention to internationalism and the cross-country development of resources, the Prysmian Group also dedicates much energy to appreciation of the cultural diversity that exists within each country where the Group is present. About 58% of the Group's senior executives work in their country of origin.

International mobility during 2017 will again focus on guaranteeing the success of the international assignments, as measured in terms of its effectiveness in transferring know-how and developing the local team. Efforts will also be made to improve the career planning for expatriates on completion of their international assignment.

The success of the international mobility policy very much depends on expatriates sharing and strengthening Prysmian's identity, culture and values with local teams, thus strengthening cohesion, while also drawing on the diversity of talent available across borders in order to obtain superior results for the Group.

PER CAPITA TRAINING HOURS BY EMPLOYMENT CATEGORY AND GENDER

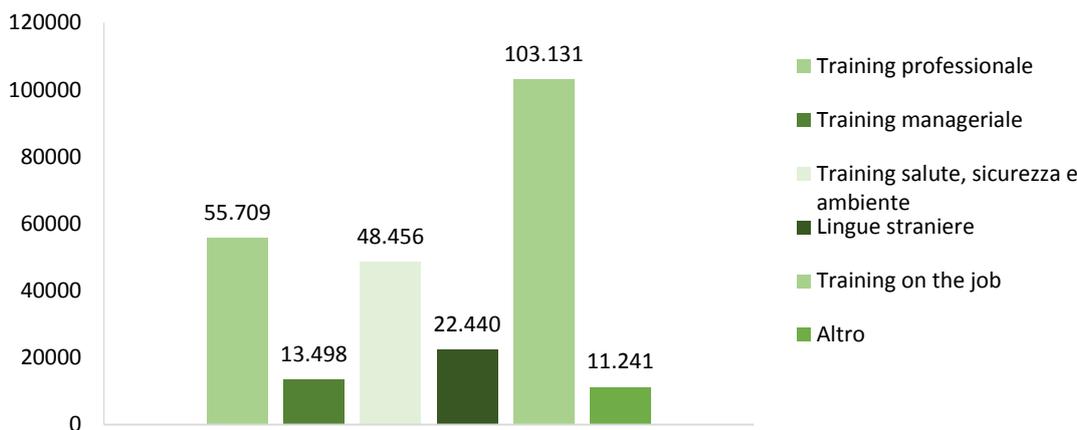


The chart¹⁷ shows the per capita training hours delivered at some of the Group's principal locations during 2016.

Between June and October 2016, 22 executives based in Milan were involved in a Neuro-empowerment training programme. As part of this initiative, they participated in training exercises covering memory, attention, perception and the management of emotions and stress that, supplemented by neuro-scientific research, technology, learning design and coaching, helped them to improve their mental wellness and work performance.

TRAINING HOURS DELIVERED BY TYPE

The chart¹⁸ shows the training hours delivered at some of the Group's principal locations, analysed by type. The principal types of course included training on the job, professional training and training on health, safety and environmental matters.



¹⁷ The following countries are included: Brazil, China, Czech Republic, Denmark, Estonia, Finland, France, Germany, Headquarters, Hungary, Indonesia, Italy, Malaysia, Netherlands, Norway, Philippines, Romania, Russia, Singapore, Slovak Republic, Spain, Sweden, Thailand, Turkey, United Kingdom, USA.

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Remuneration policies

The Compensation & Benefit policies adopted by the Prysmian Group are designed to attract and retain highly professional resources, especially for key positions, having regard for the complexity and specialised nature of the business. Growing internationalisation requires constant focus on the different geographical realities in order to ensure assignment of the right talents in the context of a competitive marketplace. The policies are defined in a way that aligns the interests of management with those of shareholders, pursuing the priority objective of creating sustainable value over the medium-long-term by building a real, verifiable link between pay and performance both individually and at Group level.

These policies are defined and implemented centrally in relation to executive personnel (about 300 employees) and expatriates (233 employees), but are addressed locally for all other employees subject to the guidelines which are issued centrally.

The main new measures introduced in 2016 were:

- Launch of the special-rate share purchase plan (named YES) for the period 2016-2018;
- Introduction of a sector benchmark for the executive directors;
- Launch of a total reward project that links remuneration policies more directly with processes of assessing performance and potential.

In addition, detailed and specific analyses of earning levels were carried out in certain pilot countries during 2016, in order to develop a method of analysis that can be implemented by all divisions within the Group. In particular, data was analysed for the population in a number of the Group's principal regions.

The remuneration policy for executive directors and executives with strategic responsibilities is determined as the result of an agreed and transparent process, during which the Compensation and Nominations Committee and the Board of Directors of the Company both play a central role. Every year, in fact, the Compensation and Nominations Committee submits the remuneration policy to the Board of Directors for approval and checks on its application during the year.

The pay structure for executive directors and managers with strategic responsibilities and executives comprises a fixed component, a short-term variable component and a medium-long-term variable component. The monetary-equity offer is supported by additional benefits such as supplementary welfare, additional medical care, personal accident policies, a company car for staff who are entitled to one, and company canteen or restaurant vouchers. These benefits are adapted to local conditions, having regard for market characteristics and relevant regulations. All employees in the Milan office have access to doctors at specialist medical facilities, and their children can obtain grants for advanced secondary education and for their university studies. The benefits available to full-time workers are also available to those on part-time contracts. The analysis was broadened in 2016 to include such new "intangible" benefits as smart working and flexible hours.

Work also continues on the global mapping of benefit policies, prior to commencing rationalisation work and welfare development projects.

After this analysis, the Group intends to evaluate the implementation, where possible, of flexible benefit projects and the launch of new initiatives that draw on existing approaches. Greater focus and investment in this area will undoubtedly improve employee engagement and, consequently, the results of the Group. This focus on individuals is confirmed by the Prysmian Group's commitment to investing in the development of

employee-company relations, via numerous initiatives designed to encourage involvement. The Group also signs agreements with external partners for the supply of products and services on attractive terms to employees, such as discounts on theatre tickets, gym subscriptions, magazines and products purchased in shops. Notable initiatives include that of Prysmian Australia which, via the issue of discount coupons and other benefits for employees, has launched a partnership with a supplier and an on-line and mobile service that allows benefits to be customised to meet the needs of each person. In addition, Prysmian Hungary organised a corporate family day and other minor events during the year, while action taken in Romania promoted health insurance discounts for employees, as well as the implementation of a welfare policy that supports the families of employees afflicted by serious or incurable illnesses. Prysmian Brazil has also taken similar action, while also providing its employees with health cover.

Following a trial last year, Prysmian Russia offers employees a chance to send their children to summer camps, with 80% reimbursement of the cost. Additionally, the most deserving children of employees are eligible for study grants from the age of 14 until they graduate from University.

In Finland, Prysmian has promoted healthcare designed to increase wellness in the workplace, involving medical examinations, vaccines and other specific procedures.

The Prysmian Group also provides a series of post-employment benefit plans via programmes that include defined benefit plans and defined contribution plans.

The defined contribution plans envisage payment by the Group, based on legal or contractual obligations, of contributions to public or private insurance institutions.

The Group satisfies its obligations by making these contributions. The defined benefit plans principally include pension funds, employee severance indemnities (for Italian companies), medical care plans and other benefits, such as long-service awards.

The remuneration policy and long-term incentive plans were well received by the stakeholders (votes in favour exceeded 98%), whose opinions and feedback are considered when preparing the annual policy. In fact, the human resources department analyses the reports and opinions obtained from the principal proxy advisors about the compensation report and the incentive plans, and recommends amendments and changes in practices in response to this input.

In the context of transparency on compensation matters, the Group has issued guidelines in accordance with local laws to link pay measures to all levels of the organisation, while variable pay schemes will be linked to individual performance appraisal. The fixed element of remuneration is reviewed annually and, if necessary, updated to remain competitive with market conditions, while also considering internal equity, personal performance and the requirements of local regulations. This meritocratic approach is based on a global system of performance assessment (P3) that is applied on a consistent basis throughout the entire Group.

YES: YOUR EMPLOYEE SHARES

Towards the end of 2013, the Group launched the YES (Your Employee Shares) Plan, which is a share ownership scheme open to all employees. The Plan has been introduced in 28 countries, informing employees via an intensive communications campaign and dedicated training sessions. The plan regulations allowed employees to purchase Prysmian shares, in certain time windows during 2014, 2015 and 2016, on advantageous terms with the agreement not to sell the shares for at least 36 months subsequent to their purchase date. Employees would have obtained shares at a variable discount, ranging from 1% for the Chief

Executive Officer and Senior Managers, to 15% for other executives and 25% for the remaining employees, in order to encourage employees at all levels to take part. In addition, all participants were given 6 free shares as a welcome bonus. The objectives pursued by this plan are to increase the involvement, sense of belonging and business understanding of our employees, confirm the shared, long-term mutual interests of employees, customers and shareholders, and strengthen the internal perception of the Prysmian Group as truly "One Company". In short, the wish expressed by the Group via the launch of this plan is to encourage employees to become stable shareholders, thus making them owners of a small part of the business in which they work.

The YES programme has proved to be a real success. It was taken up by more than 7,200 employees: around 44% of the entitled population became shareholders. Participation in the Plan in certain countries was very high throughout the entire three-year period. For example, almost all staff in Romania joined the plan, 85% in Turkey and about 65% at the Milan head office. The results of the programme are summarised below:

- Over 7,200 employees involved, being 44% of those entitled;
- 16.8 million euro invested;
- 420,000 treasury shares assigned to employees.

Following the success of YES, a meeting was held at the Milan Stock Exchange during 2016, where over 200 employees from many countries, acting as YES ambassadors, participated in one day of courses on the programme.

The high level of participation convinced Prysmian to extend the programme with a few changes for another three years, with a view to increasing employee share ownership to at least 1.5% of the total.

The Shareholders' Meeting held in April 2016 approved extension of the plan to 2019, raised the number of bonus shares at the time of subscription (8 for those who have already participated, 3 in subsequent years), introduced a loyalty bonus for those who decide to extend the lock-up period for their shares, and improved the flexibility of the plan rules (multiple windows, purchase close to the subscription, exit clauses linked to the personal life of individuals).

The promotional campaign carried out in December 2016 suggests that the results will be good, with a considerable number of acceptances (5,200 participants) and investment estimated to exceed 6 million euro. Based on this, more than 50% of employees will be shareholders. The shares will be purchased during 2017.

New three-year plan for YES - Your Employee Shares

Prysmian has launched a new three-year share participation plan reserved for employees. This plan, named YES – Your Employee Shares, has already generated much interest within the Group and, to date, more than 40% of the Group’s approximately 20,000 employees in 50 countries have become shareholders. “Our objective – explained Valerio Battista – is for employee shareholders to represent 1.5% of the shareholder base by the end of this second three-year period. The alignment of the interests of shareholders and employees is of fundamental importance for a public company like Prysmian”. “However – added Fabrizio Rutschmann, SVP Human Resources & Organization – we don’t just want to offer our employees a financial investment opportunity. Our objective is to promote their involvement and awareness that we all work for a common goal, which is the creation of value for the benefit of all stakeholders, both inside and outside the Group.”

YES represents one of the various programmes for the employees of the Prysmian Group, which constantly promotes policies designed to develop and train our personnel and position the Group among the leaders in People Value Management.

COMMITMENTS FOR THE FUTURE

For 2017, the Group has planned new transparency and process automation activities with regard to pay issues, designed to simplify procedures and provide employees with immediate information.

Diversity and equal opportunity

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

During 2016, Prysmian launched the “Side By Side” programme with a view to promoting and supporting diversity within the Group. The initial scope of this activity is to support gender diversity and then extend to diversity of other kinds (age, culture etc.). This programme is founded on four pillars:

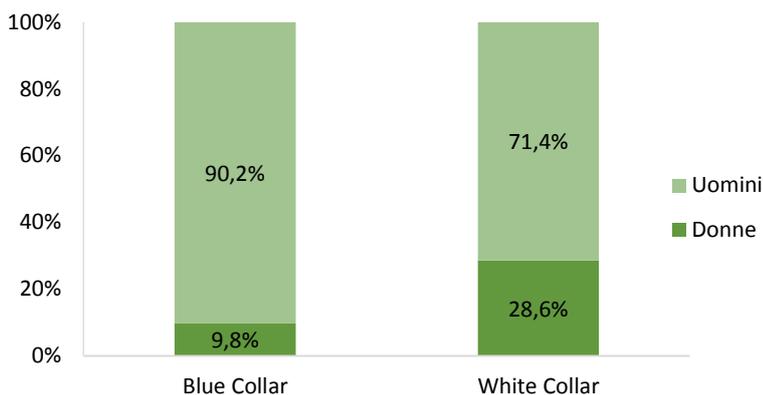
- In addition to the Diversity and Inclusion Policy that has already been defined and communicated, recruitment and gender equality policies will also be disseminated;
- Identification of quantitative objectives for female participation at each level of the business and for inclusion in HR processes (e.g. selection);
- Specific internal and external communications campaigns;
- Development and delivery by the Prysmian Academy of training and awareness-building initiatives about diversity. In order to ensure maximum employee agreement and involvement, all initiatives will be designed with the help of focus groups comprising persons at all levels within the organisation and of all ages.

The project was presented to and approved by senior management during 2016 and the first initiatives will take place in 2017.

Another Prysmian objective is to increase the female presence at each organisational level by 2020, with set targets for the inclusion of female candidates in the personnel selection process.

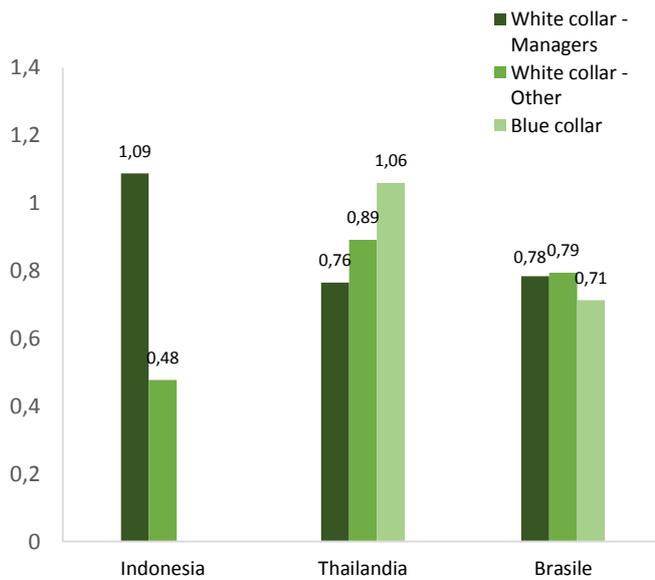
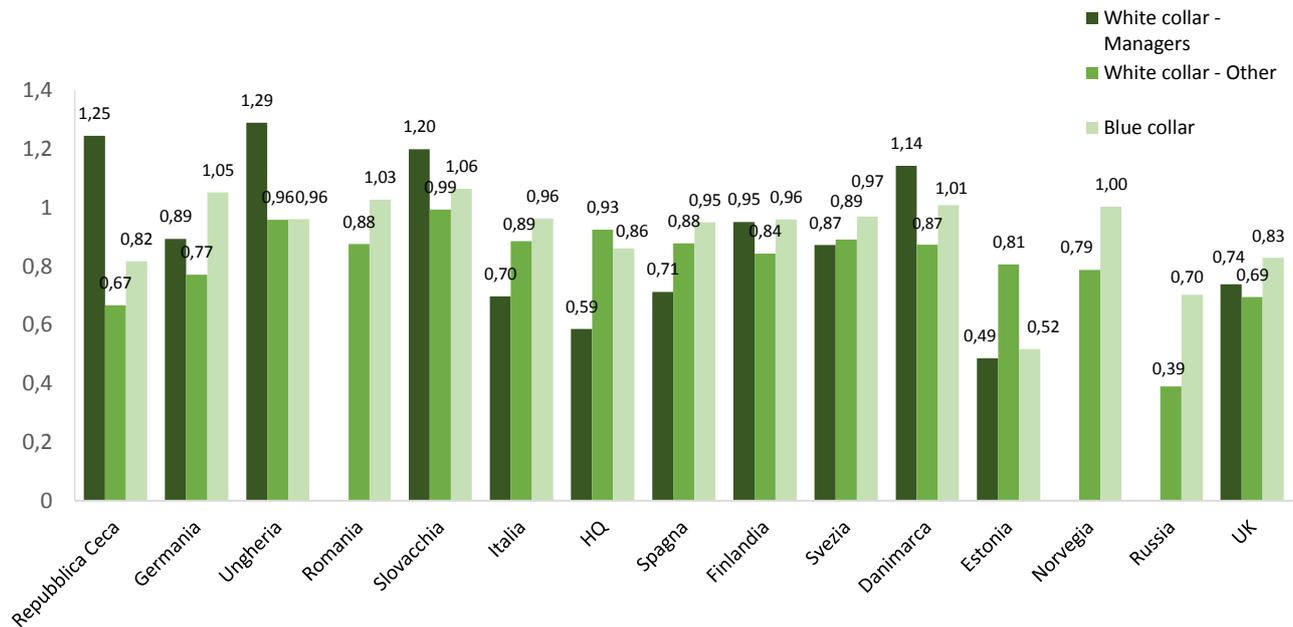
EMPLOYMENT BY GENDER AND PROFESSIONAL CATEGORY AS OF 31 DECEMBER 2016¹⁹

About 15% of Group employees in 2016 were women. 9.8% of blue-collar staff are women, while this quota is almost 30% in the white-collar category.



¹⁹ Headcount data at year end, including solely the employees of companies that are Group subsidiaries or subject to management and control. This data represents 100% of total employment by the Prysmian Group (excluding OCI and OAPIL).

RATIO OF WOMEN'S PAY COMPARED TO MEN'S PAY, BY PROFESSIONAL CATEGORY (BASIC GROSS SALARY)

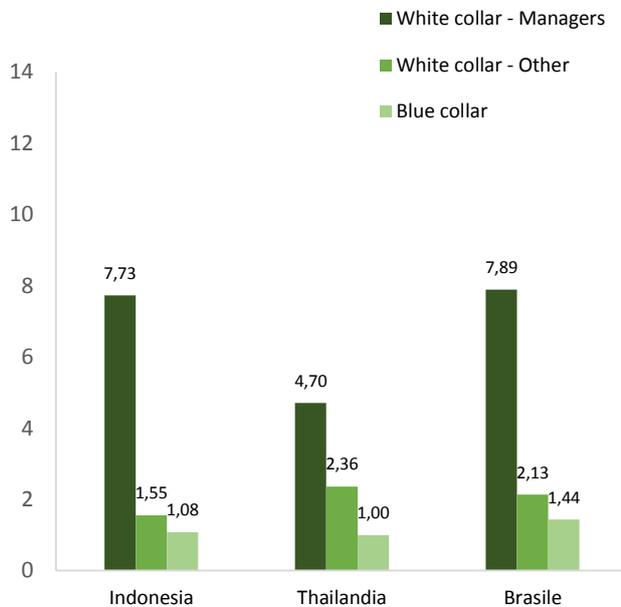
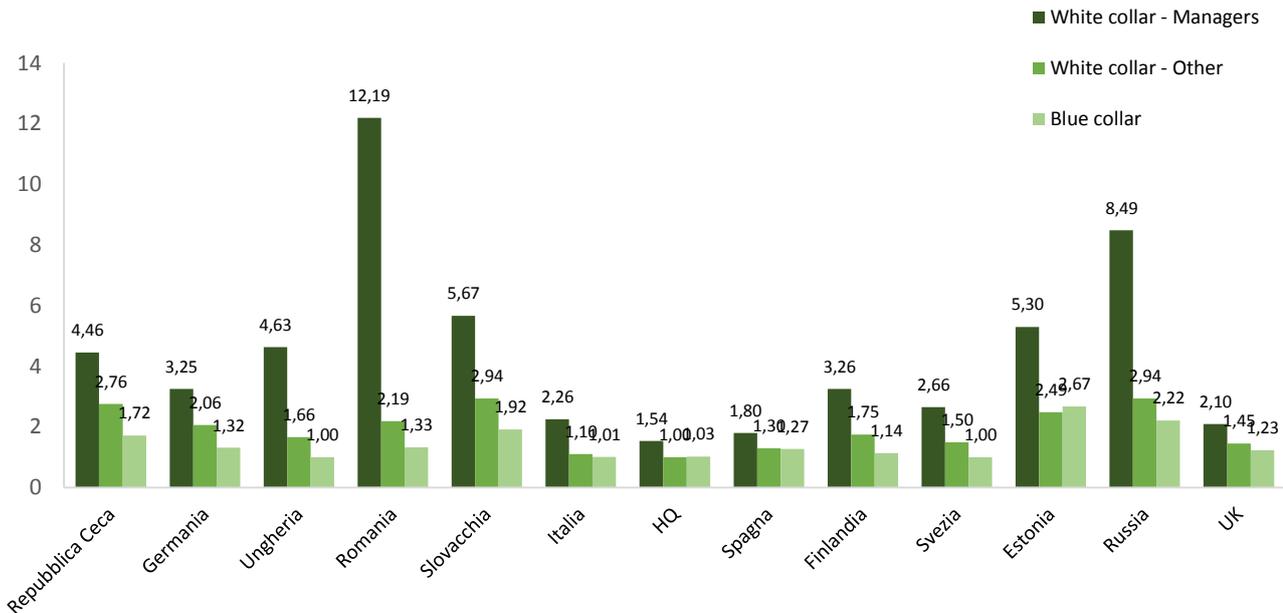


Once again, in 2016 there was still a pay imbalance in favour of men in some countries in which Prysmian operates, despite the significant progress made in recent years to close the gap.

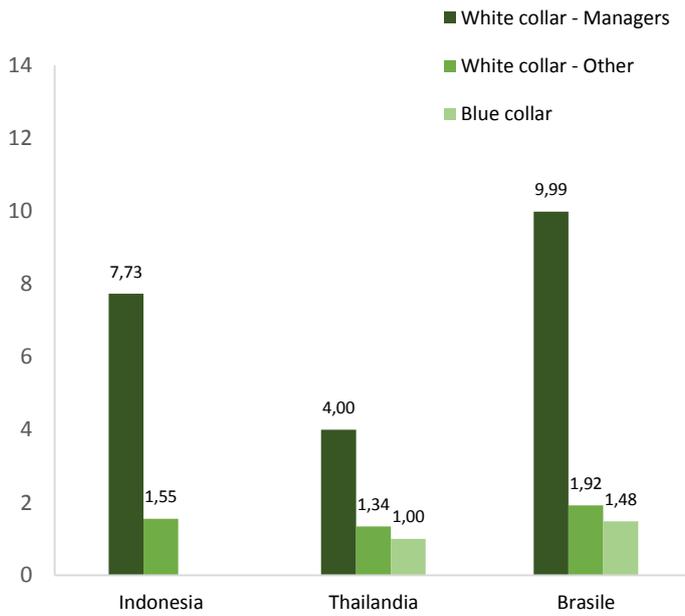
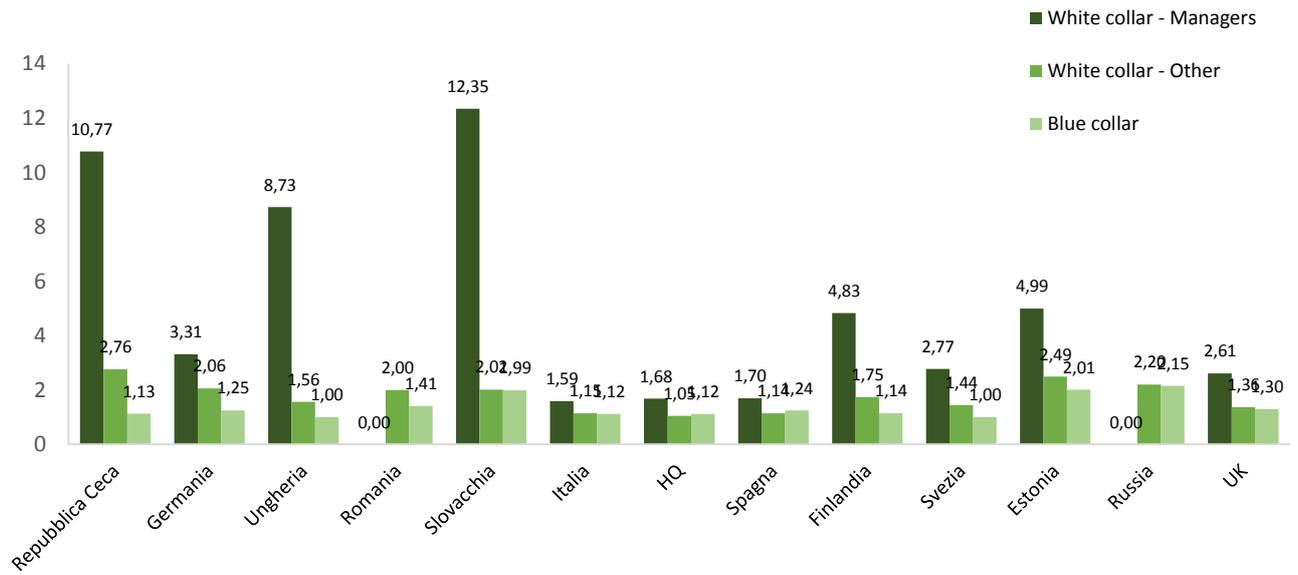
RATIO OF BASIC SALARY TO THE MINIMUM SALARY SPECIFIED IN THE NATIONAL CONTRACT, BY GENDER

The graph shows that in 2016 the ratio between the basic salary of new Group employees and the minimum local salary as determined in the national contract is significantly higher than 1, in most of the countries surveyed.

Men



Women



Industrial relations

The Group maintains constant, profitable relations with workers' representatives and trade unions. These are founded on mutual understanding and fair discussion, in the conviction that - while respecting the reciprocal roles of each party - there are common interests to be pursued via constructive dialogue. The workers' representative and trade unions are therefore free to operate in compliance with local legislation and practices.

In many of the countries where the Group has factories, 2016 was marked by the signature of agreements with workers' representatives and trade unions. These agreements covered the normal renewal of the economic and regulatory terms of current payroll contracts, as well as specific actions to improve competitiveness/reduce costs where required by market conditions.

Internal communications and involvement

Internal communications are playing a key role in supporting and facilitating integration within Prysmian, by creating shared values and informing personnel about corporate strategies and policies, as well as about the most significant events that have taken place.

Internal communications are important, not only to promote a sense of belonging among employees, but also to highlight and share with personnel the activities and projects undertaken and the goals reached. Communications are fundamental for creating a pro-active working environment, motivated to achieve common objectives. This tool draws employees closer to the strategic direction of the business, informing them about the events taking place elsewhere in the Group.

Appropriate systems of communication help to create transparent relations based on mutual trust. The most important tools employed to guarantee communications in 50 countries are:

- "Inside" (the Group Intranet), an information tool designed to create a global community that helps to establish a common identity within the Group. The Intranet functions as an on-line magazine for around 8000 white-collar workers, and is managed by an editorial committee with members in each country, business and division.
- "Insight", the Group's quarterly magazine dedicated to all internal and external stakeholders. Published on the website, this magazine is a privileged channel for reporting regularly on the progress of the Group, from the latest financial results to changes in the share price, with in-depth commentary on the businesses and the markets in which Prysmian operates, as well as a focus on individuals and the initiatives taken throughout the world;
- "YES app", created to facilitate the exchange of information with employees participating in the YES share plan, the Group's first app has become a point of reference for anyone interested in the latest information about the Prysmian Group. Its principal purpose is to reach all categories of employee, especially those without a workstation with direct access to the Intranet.
- Social networks: Prysmian is active on the principal social networks with its own pages, not only at corporate level but also at country level, thus facilitating interactions with employees in the local language and building brand awareness and employer branding externally.

Action to encourage involvement, intended to address better the needs of different cultures within the Group, is promoted by HR departments at both central and local level. Activity in 2016 included the internal Prysmart communications campaign dedicated to HQ employees and designed to facilitate the transfer to the new Headquarters and the adoption of smart working practices; the YES campaign to promote the new three-year share ownership plan, made using internal testimonials from every country; and the Integrity First plan that presented the whistle-blowing procedure to both white-collar and factory personnel in every country.

Health and safety

The Prysmian Group is as committed as ever to protecting the health, safety and well-being of its employees at their places of work. The objective is to promote activities that take increasing account of health, safety and well-being matters, both within and outside the working environment.

Although not necessarily required by local legislation, the Group has established education and training programmes on such topics as safety at work, first aid, the fire prevention regulations, the consequence of alcohol and drug abuse, and environmental matters.

In the firm belief that rules, training and information play a key role in risk management and the prevention of accidents, the Group directs its activities and regulates key work phases with Work Instructions, which set out the rules and precautions to be observed, and ensures that they are implemented. For each key work phase, the residual risk is then calculated, and the necessary measures are defined in order to minimise it.

In order to distribute this culture extensively, Prysmian provides training on equipment safety, proper waste management, and on the safety of machines and installations both during construction and in the maintenance phase. A spotlight is placed on the personal protective equipment allocated to each worker in order to mitigate the residual risks associated with the work performed. In order to ensure a concrete and systematic approach to safety, the Group adopts the OHSAS 18001 health and safety management system, which is being applied at all production locations.

Partly to ensure compliance with current regulations, the HR functions at country level prepare training plans for their personnel and determine specific training paths for the various categories of worker, depending on their roles, duties, levels of responsibility and working environment. The commitment to health and safety was reinforced once again during 2016, via the coordination of central and local activities under the guidance of the HSE function. At the start of the year, HSE gathered, analysed and shared with top management the results achieved in 2014 and the performance of the Group and each Country/Geographical Area, determined with reference to relevant indicators (total number of events involving the loss of work and related 'Frequency Indicator').

On the basis of the technical evaluations and taking into account the changes and local requirements, the HSE division has set its objectives for 2016. To facilitate this it has also encouraged a series of support projects involving various levels of the company, as described below:

- making more effective and accepted the process of analysing events and defining corrective and preventive actions: in the case of serious accidents, analysing the causes in detail, both in order to contribute to the management of the cases concerned and to identify from them ideas for the prevention of repetitions at the Group's other operating units;
- continuation of training on specific safety matters: a number of training sessions were held during the year. Training sessions and meetings are also seen as an opportunity to analyse the results obtained and difficulties encountered by the various Areas and business units, in order to identify practices and experience and present the projects and tools promoted by the central HSE function for the increasingly efficient and agreed management of HSE matters;
- continuation of support for the HSE functions at Country/Geographical area and unit level in implementing their health and safety management systems and assessing the safety aspects of new investment.

The Group's priority objective is to reduce accidents, as measured by the IF index (OHS LTA). This index was about 2.6 at the end of 2016. Accidents are also monitored with reference to other parameters, such as their gravity considering days absent from work.

With regard to industrial illnesses, prevention and monitoring activities are organised using suitable tools at local level in order to improve their effectiveness; the HSE function is responsible for establishing the related guidelines and action points.

Blumatica platform implemented

Work to implement Blumatica commenced during 2016. This platform is used to manage and communicate matters relating to Health, Safety and the Environment. Specifically, the platform was fully implemented at all Italian factories. The platform is however operational at 50% of all locations, including the Headquarters, via the input to Blumatica of the elements concerned. In addition, certain operating units have a system for the management of chemical substances.

The platform can be used to manage (both locally and centrally) various elements comprising the safety and environment management system, such as: training forms, risk assessment documents, identification of the PPE to be used for the various job descriptions, health monitoring. With a view to extending Blumatica to other factories within the Group, a feasibility study has been devised following a pilot implementation that was carried out at the Slatina factory (Romania) in order to test the regulatory aspects and related content.

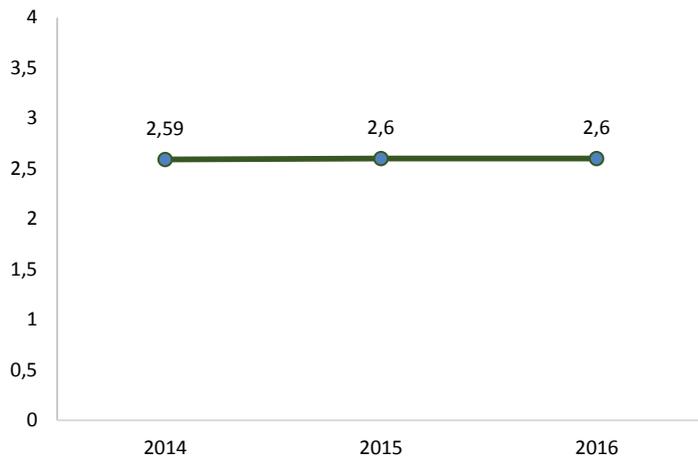
Italy Loves Safety: a day dedicated to health and safety in the workplace

The Italy Loves Safety (#ILS2016) project was carried out in Italy on 19 May 2016 to highlight the importance of health and safety in the workplace. This event resulted in the simultaneous creation of numerous workshops in about 35 Italian towns, where multiple supporting theatrical and other events, childcare seminars etc. also took place. The Prysmian Group participated in this project with Prysmian PowerLink Health, Safety and the Environment, actively contributing via the preparation of video interviews and collaboration with Associazione professionale Italiana Ambiente e Sicurezza.

Walkabout in the regions of Central-Eastern Europe

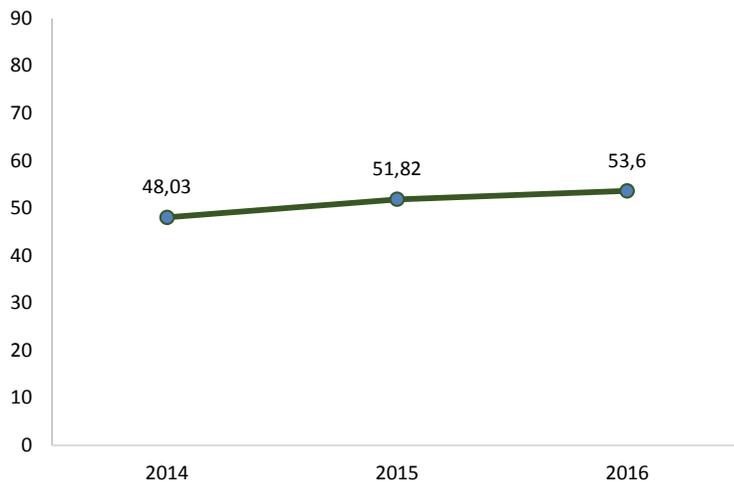
Confirming the central importance to the Group of our employees and their well-being, the Prysmian Central-Eastern Europe division recently launched an initiative designed to enhance the lifestyle and physical wellness of personnel. Group's comprising a maximum of three persons accepted the challenge to walk a distance of 5,826 km as quickly as possible, at the same time throughout Central-Eastern Europe, taking photographs and sharing them on the social networks using the hashtag #PrysmianWalkAcrossCEE. The objective was to promote a culture of psycho-physical wellness.

INDEX OF FREQUENCY²⁰



The index of frequency of injuries at Group level was stable in 2016 at about 2.6.

INDEX OF GRAVITY²¹

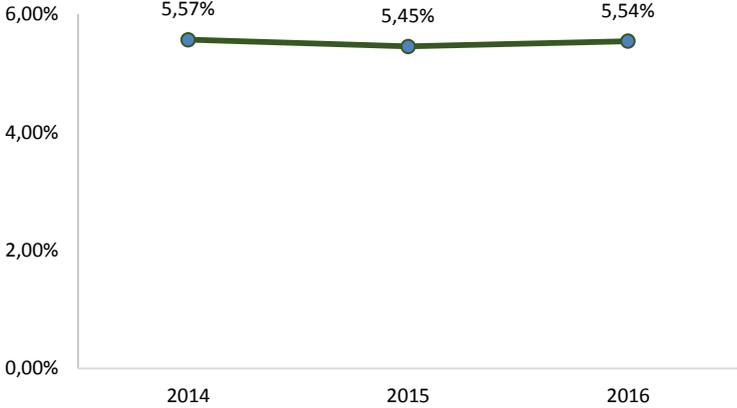


The index of gravity of work-related injuries has risen slightly in recent years.

²⁰ Index of frequency: $(\text{Total number of injuries with loss of work} * 200,000) / \text{Hours worked}$. The data for Italy does not include the Livorno factory

²¹ Index of gravity: $(\text{Number of days lost} / \text{Hours worked}) * 200,000$. The data for Italy does not include the Livorno factory

INDEX OF ABSENTEEISM²²



As in prior years, in 2016 absenteeism at Group level remained stable at around 5%.

²² Index of absenteeism: Total hours of absence / Total workable hours. 2014, 2015 and 2016 do not include the factories at Sicable (Ivory Coast) and Arco Felice (Italy).

Communities

Corporate Citizenship and Philanthropy initiatives

Aware of the importance of people and the territories in which it operates, the Prysmian Group is committed to building a socially responsible business by supporting, via specific initiatives, the economic, social and cultural development of those areas.

Relations with local communities are important for the creation of value around Prysmian. During 2016, the Group continued pursuit of its commitment to be socially responsible by supporting, via specific initiatives, the economic, social and cultural development of the areas in which it is present. In addition to direct economic contributions and donations in kind when allowed by the Corporate Citizenship and Philanthropy Policy, the Prysmian Group also provides indirect support for social projects via the hours paid to employees involved in the charitable activities.

The principal activities during the year involved various areas and were concentrated in Italy, other European countries such as France, Hungary, Spain and Germany, and elsewhere such as Russia, China and Australia.

CORPORATE CITIZENSHIP AND PHILANTHROPY POLICY

With a view to defining common, shared rules within the Group for identifying corporate citizenship and philanthropy initiatives correlated with business operations, during 2014 Prysmian decided to update the policy governing activities that benefit local communities.

The Group believes that access to energy and telecommunications is a prerequisite for the economic and social development of local communities. For this reason, the corporate citizenship and philanthropy activities promoted must be principally intended to support initiatives that facilitate access to energy and telecommunications by local populations, with particular reference to those in developing countries.

The Group considers initiatives for the benefit of the community as those relating to:

- **Communities:** long-term initiatives that aim to mitigate socio-environmental issues in the communities in which the Group does business;
- **Charitable gifts:** short-term initiatives, or one-off donations to non-governmental organisations and supranational and local non-profit organisations;
- **Commercial initiatives that benefit the community:** initiatives that support Prysmian's success directly, conducted in partnership with community-based organisations.

Headquarters

In line with the initiatives undertaken in 2015, Prysmian decided to renew our commitment in favour of the UNHCR (United Nations High Commission for Refugees) in 2016, by making a donation from employees and the Group in favour of the population of Ecuador afflicted by an earthquake there in April 2016. The UNHCR used part of the donation to give those affected basic supplies, such as tents and other immediate necessities, such as kitchen sets and mosquito repellents, given the risk of Zika virus contagion. In addition, some of the funds were used to purchase solar-powered lights.

The decision to work with the UNHCR by supplying solar lamps was part of the wider strategy described in the Group's Corporate Citizenship and Philanthropy Policy, which commits Prysmian to providing active support for initiatives that promote access to solar energy and telecommunications.

In 2016, Prysmian also contributed significantly to the collection of funds by the Italian Red Cross in favour of the victims of the earthquake that hit central Italy in August. In particular, the Group decided to double the amount donated by employees, thereby raising a considerable sum. The Italian Red Cross activated more than 4,000 volunteers, right from the start, and guaranteed more than 33,000 meals to the populations affected.

Lastly, the Group contributed - via a cash donation - to the "Las Mariposas" project that, in Siena and the surrounding area, provides psychological support to the victims of sexual abuse. The project is part of the Codice Rosa service that provides access to first aid solely for the victims of violence: women, men and children who have been mistreated and abused. In order to improve steadily the first-aid services that include Codice Rosa cover, the objective is to enhance understanding of the health needs of victims by supplementing the diagnostic skills with psychological support. As a consequence, first-aid personnel will be able to request help from psychologists trained in Codice Rosa matters, on a 24/7 basis every day of the year.

Italy

The Group has participated in numerous charitable projects, such as the development of "Hospitality Homes" in Milan, together with ONLUS LILT, so that the families of children with cancer can move to the city for the necessary treatment, as well as the expansion of the Milan Science Museum. Additional projects worthy of mention included the project to provide FTTH cover in the rural areas of Topol pri Begunje, in Slovenia, and implementation of the ultra-broadband connections for Wikimania 2016.

France

In 2016, Prysmian France contributed to the donation of industrial cables under a three-year contract (from 1.1.2016 to 31.12.2018) with Electriciens sans frontières (ESF), an NGO. These cables are used for numerous initiatives promoted by the NGO that, founded in 1986, is involved in many projects including, above all, the transmission and delivery of power to developing countries and communities afflicted by catastrophes. At present, the organisation has more than 1,000 volunteers working on 136 projects in 35 countries. The first project, "Saponé" in Burkina Faso, where ESF contributes to improving the access to power by 27 medical centres, involved Prysmian donating the cables needed to upgrade the local electrical installations.

Germany

In Germany, Prysmian has been involved in numerous initiatives in the field of Corporate Citizenship, principally working with local associations in Neustadt. The Group is committed to the promotion of cultural and sporting activities and to support the German division of the Red Cross.

Spain

Prysmian Spain worked on numerous social initiatives during the year. In particular, the Group supported the activities of the Human Age Institute, a non-profit foundation whose principal objective is to facilitate the development of talent, especially among young people, in order to improve their job prospects. Other initiatives worthy of mention included the donation made to the San Juan de Dios Hospital, a non-profit religious body that provides medical assistance to persons in financial difficulties, and official sponsorship of Union Esportiva Castelldefels.

Hungary

During 2016, Prysmian Hungary organised and managed the first “Prysmian Design Competition in Hungary”, intended to support young artists from the regions of Central-Eastern Europe. Many local Universities supported the initiative, including the University of Fine Art, the Studio of Young Artists’ Association and the Studio of Young Applied Artists’ Association. The young artists presented works created using scrap electrical and telecommunications cables. The three winners of the competitions were able to display their works at Budapest University of Technology and Economics.

Prysmian Hungary also made a donation to the Autistic Children Foundation.

Russia

Prysmian Russia has worked on a series of initiatives the fields of health, sport and culture, collaborating with cash donations to many local organisations, such as the Association of Italian Ladies in Russia, which has carried out projects in Moscow, Vladivostok, Novosibirsk, Volgograd, Astrakhan and Elista, with a view to help the homeless, orphans and persons in difficulty.

China

Consistent with the initiatives implemented last year, Prysmian China has participated in a Corporate Citizenship & Philanthropy initiative at the China Welfare Center via a cash donation from both the Group and local employees. The principal purpose of this initiative was to help disabled children.

The Group also made a donation to the Red Cross in favour of the earthquake victims in Italy.

Australia

Prysmian Australia supported several health-related initiatives during 2016. As an example, a donation was made to Cancer Council Australia to help persons affected by skin cancer, which is a common problem in that country. Via this and other initiatives, Prysmian Australia also actively involved its employees (dedicating 350 hours) and therefore increased their awareness of the matters tackled. The initiatives undertaken by Prysmian Australia also included the sponsorship of Worldskills Australia, for which Prysmian gave cables to

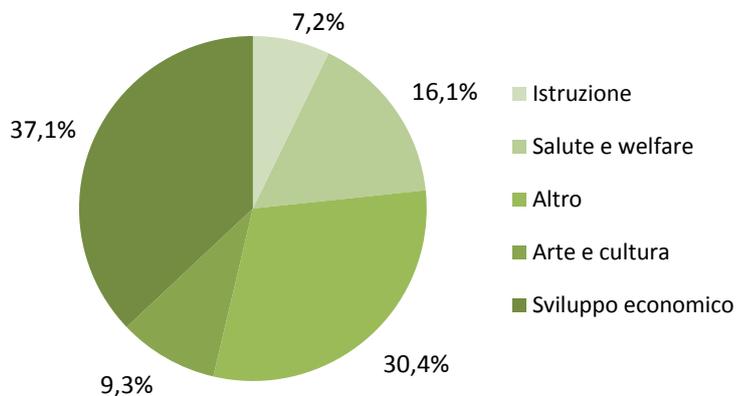
the young electricians participating, so that they could compete and show their skills, as well as to know and appreciate the Group's cables.

COMMITMENTS FOR THE FUTURE

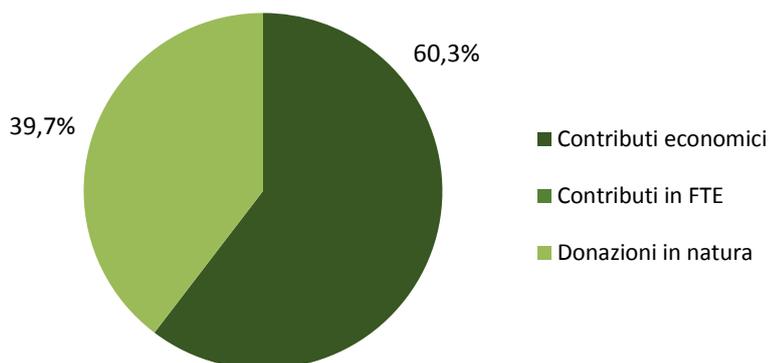
During 2017, Prysmian will analyse additional Group corporate citizenship and philanthropy initiatives using the Social Return on Investment (SROI) methodology. This methodology makes it possible to measure the social, environmental and economic impact of the activities assessed, using monetary values that highlight the relationship between the investment made in an initiative and the return on that investment.

PRINCIPAL NUMBERS²³

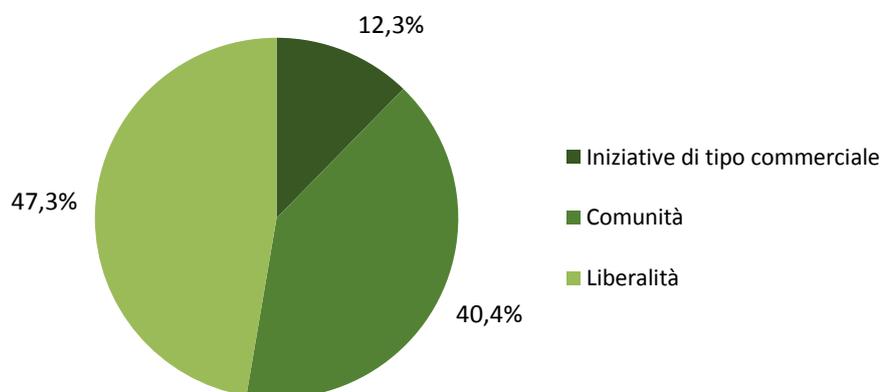
Recipients of initiatives in 2016²⁴



Types of assistance in 2016



Types of initiative



²³ This data considers the following countries: China, France, Italy, Australia, Spain, Germany, Hungary and Russia.

²⁴ The "other" category comprises humanitarian aid.

Environment

Prysmian and the environment

The Group strives actively to safeguard and protect the environment and conserve natural resources, in order to create sustainable value for the benefit of both the organisation and our stakeholders.

The Group's commitment to safeguarding the environment and conserving natural resources is expressed not only by the intrinsic characteristics of our products, but also by how our production systems are managed. In particular, the prevention and reduction of their environmental impact is achieved, for example, by the efficient use of natural resources, the optimisation of logistics flows and the responsible management of waste. Prysmian worked hard during the year to enhance our performance on environmental matters. Additionally, considering the aspects deemed significant at Group level, the Health, Safety & Environment function (also "HSE") worked with other business functions to establish the HSE objectives for the period to 2020, and plan the actions required each year in order to make steady progress towards these goals.

The HSE function has further consolidated the scope of its activities at various levels within the Group - corporate, country or region, business unit or production unit - centralising activities and coordinating the work of the local HSE functions. Application of the Health, Safety and Environment policy, the Operating Procedures and the Group's Technical Standards was maintained and extended to additional operating units. The effectiveness and proper application at local level of the health, safety and environment rules were also checked periodically, with support from a Group-level audit team.

Furthermore, significant variables and indicators were again monitored regularly to check the effectiveness of health, safety and environment activities, including compliance with health and safety at work standards, energy consumption, waste management, water usage and greenhouse gas emissions. In particular, with reference to the last mentioned, the Group has strengthened the process of collecting energy consumption data in order to track both "direct" emissions (deriving from production processes) and "indirect" emissions (deriving from the energy purchased). This system of monitoring and reporting enabled the Group to participate in 2016, once again, in the Carbon Disclosure Project (CDP), Climate Change section. The CDP is an international initiative that seeks to contribute to the pursuit of the objectives agreed in the Kyoto Protocol regarding the global reduction of greenhouse gas emissions.

Further developments in this area will be made possible by considering the outcome of the energy audits carried out in 2015 and 2016 at a number of European factories, deemed representative, in order to identify actions to improve energy efficiency and reduce greenhouse gas emissions. Work is well advanced on the implementation of tools for assessing and managing the environmental impact of products and, in particular, their carbon footprints.

About 160 inspections for certification purposes were carried out at the various factories during the year, of which about 12% were carried out by experienced Prysmian personnel. The other inspections were performed by auditors from external certification agencies.

Significant events during 2016 included the investment of about 8 million euro in health, safety and environmental activities.

In addition to training initiatives, Prysmian has continued to manage various activities including active participation in various working parties and on association committees, such as Europacable's ECOE Committee, Orgalime's "Substances Task Force", ANIE's Environment Committee and AICE's environment

working party, and the IEC Maintenance Team that is drafting the standard environmental declaration for power cables.

The approach to integration adopted represents an opportunity to improve and, in this light, operational policies and practices for the management of the environment, health and safety by all operating units will be further developed and agreed. In this regard, the Prysmian Group uses quali-quantitative parameters to monitor environmental performance and health and safety in the workplace.

The environment and safety management system was established centrally from the start, in order to guarantee uniformity throughout the Group via the coordination provided by the Corporate HSE function. In particular, HSE involvement in defining the preventive and corrective actions applicable at Group level, and in checking effectiveness at local level, has contributed to the maintenance and consolidation of the HSE system and to the creation of a team of HSE-qualified auditors within the Group.

Future developments will include further strengthening of the "central coordination" concept, with a view to transforming the environment and safety management system into a "multi-site" model that is certified by the Corporate Head Office in accordance with an annual audit plan. This change will maximise the efficiencies and synergies released by the revised system, especially in terms of improved performance and lower costs. In this context, the new Milan headquarters will be certified as a specific operating unit resulting, therefore, in its immediate inclusion in the multi-site model as the Head Office.

Among the common initiatives, the HSE function identified two projects - "Relamping with LED" and "Smart Metering", relating respectively to the replacement of traditional lighting with LED bulbs and the introduction of systems for the measurement of consumption at production units - to be pursued from 2016 onwards.

The HSE function activated the "Relamping with LED" project during 2016, giving priority to a number of operating units that have already had an energy audit, and has commenced the preparatory work. In order to ensure a consistent approach within the Group, the HSE function has distributed guidelines to all local organisations on the replacement of traditional lighting with LED bulbs. In addition, Prysmian has selected a partner for the performance of certain preliminary work, which includes checking adoption of the guidelines with reference to local legislative requirements and preparing technical specifications. Following this work, suppliers will be selected for the design and installation of the first LED lighting systems during 2017.

As a result of this project, electricity consumption will be reduced together with the operating costs of the lighting installations; depending on location, the estimated savings range from 10% to 70% of the current consumption for lighting purposes. LED technology has, in fact, a various advantages over traditional lighting sources, such as energy saving, an average life that is 6 times longer than traditional bulbs, easy maintenance and relatively rapid recovery of the initial investment.

In addition, during 2016 a number of pilot projects were launched at production units considered representative within the Group, in order to carry out a more detailed and specific analysis of energy consumption, considering the production, plant engineering and maintenance needs of each location, the types of supply, any existing restrictions and climate data. The objective is to determine if there are any plant engineering or operational solutions that would reduce energy consumption and the emission of pollutants.

November, energy efficiency month in Italy

The Group decided to participate actively in the initiatives carried out in Italy during November, which was labelled energy efficiency month. The Prysmian Group responded to this invitation in order to increase

employee awareness about the importance of energy efficiency, by explaining the results of current and future projects at Group level and promoting new action on the topic of energy saving.

This campaign, promoted by the Ministry of Economic Development and implemented by the national agency for new technologies, energy and sustainable development (ENEA), involved institutions and companies in events intended to raise public awareness of the need to stop wasting energy. Our participation included seminars and work to analyse and reduce energy consumption and greenhouse gases, as well as adoption of the Smart Metering project. This project was launched with the preparation of Prysmian Guidelines that will be circulated to all local organisations in early 2017, in order to introduce systems for the measurement of consumption that will facilitate reporting on consumption and the savings made, as well as optimise the use of energy via the effect of constant monitoring. Smart Metering is a system based on sensors with a wireless interface that monitors energy consumption and facilitates the storage of data, so that aggregated data can be used subsequently.

MANAGEMENT SYSTEMS

During the year, the Prysmian Group continued work to coordinate the Group's HSE management systems by:

- extending OHSAS 18001 certification of the safety management system to an additional 5 locations, and ISO 14001 certification of the environmental management system to one additional location;
- upgrading the ISO 14001 and OHSAS 18001 certifications of Prysmian Power Link (the organisation that installs HV terrestrial and submarine cables), by extending their field of application to the design and supervision of production and by combining the ISO 14001 and OHSAS 18001 audits into one programme;
- adopting an integrated auditing system (two additional factories compared with 2015);
- using the official certification agency at factories previously certified by other agencies. In particular, during 2016, 4 factories changed to the official agency for ISO 14001 certification (regarding environment management systems) and 2 changed in relation to OHSAS 18001 certification. This change has helped to coordinate the management systems, with the periodic checking of the Group's HSE procedures by the external agency and the involvement of HSE in defining and agreeing the corrective actions to be taken at the various Group factories, 91% and 73% of which were, respectively, ISO 14001 and OHSAS 18001 certified at the end of 2016. These percentages take account of the new certifications mentioned above (5 additional locations with OHSAS 18001 certification and 1 with ISO 14001).

LIFE CYCLE ASSESSMENT

Implementation of the Life Cycle Assessment methodologies continued during 2016, with a particular focus on the carbon footprint aspects. The methodology chosen was to create an automatic assessment system that, by combining environmental information about materials and processes with the design data for the various families of cable, determines their environmental impact in carbon footprint terms. Accordingly, the collaboration between HSE and R&D has been consolidated, with a view to bringing together the two types of information. The system will therefore enable rapid assessment of the carbon footprint of various types of cable, considering both the production of their raw materials and all the stages and processes in their

manufacture, starting from within Prysmian to the final storage of the cable. The definition of the automatic assessment system will be completed during 2017, leading to the launch of a second phase involving initial practical use of the system in order to identify specific categories of cable for priority attention.

Restart of the Guatapé hydroelectric plant

Prysmian Mexico has successfully completed a massive recovery task - coordinated with two South American customers, Empresas Publicas de Medellín (EPS), a Colombian public utility, and Mexico's Federal Electricity Commission (CFO) - relating to the restart of the Guatapé hydroelectric plant. This plant, on Columbia's largest dam, supplies about 4% of the country's electricity. A fire seriously damaged many installations in February 2016 and, as a result, it was also found necessary to replace the 230kV cables previously supplied by Prysmian to EPS, but never installed. Acting as a mediator between customers from different countries, Prysmian facilitated transfer of the required cables between EPS and CFO. Given the great urgency of the operation, the transportation was organised using two Ukrainian aircraft. The recovery efforts, completed in June 2016, involved over 100 persons counting EPS employees and Prysmian professionals.

Pikkala factories open to visitors

A number of guided tours of the Prysmian factories in Pikkala (Finland) were arranged in September 2016, enabling many local residents to make contact with the business and understand better the work carried out by the Group in their country. In particular, the visitors - including many children - were able to find out how cables are designed and produced, and learn about the importance of safety in the workplace. The Pikkala factory is considered to be of great strategic importance to the Group, to the extent that it was chosen to hold the meeting with stakeholders scheduled for February 2017.

Alert! Not all cables are the same...

Prysmian Turkey's advertising campaign, launched in 2012 and now in its fourth edition, focuses attention on a different product each time. The objective for 2016 was to increase consumer awareness about cables for photovoltaic installations. Working together with Prysmian Germany, the Turkish division participated at the Solar Energy and Technology Exhibition - Solarex Istanbul at the Istanbul Exhibition Centre, where the impact of environmental factors on cables was discussed and consumers were helped to understand the risks associated with choosing the wrong cables.

COMMITMENTS FOR THE FUTURE

With reference to the HSE policy and use of the HSE management system, in recent years Prysmian has launched various initiatives intended to use resources efficiently and reduce the environmental impact of production processes at a number of factories (e.g. replacement of lighting systems, recycling of SF6, awareness campaigns about the consumption of energy). These initiatives have generated various benefits in both environmental and cost reduction terms. In order to proceed in a systematic and orderly manner, the activities already started have been included within a Group project entitled *Energy Efficiency and Carbon Reduction*, which is coordinated centrally by the Corporate HSE function in order to:

- report increasingly precise and reliable data and information, at Group level, about consumption and greenhouse gas emissions;
- define improvement objectives, particularly in relation to the reduction of energy consumption and greenhouse gas emissions at Group level, involving Corporate and all other levels of the organisation in planning the initiatives and activities necessary in order to meet the commitments made;
- propose and launch energy efficiency initiatives consistent with the regulations (e.g. Directive 2012/27/EU on Energy Efficiency), the specific campaigns promoted at national level and, more generally, the commitments accepted at the Paris Conference on Climate Change COP 21;
- select and coordinate the specific projects to be implemented by the Group's operating units, in order to comply with Prysmian's commitments with regard to sustainability, while calibrating carefully the effort required with reference to local operating needs.

Interesting results have emerged with reference to the possible introduction of co-generation systems and review of the re-phasing logic for electrical installations. In order to increase the number of concrete results, these studies will be extended to additional operating units within the Group during 2017.

Based on the experience and positive results obtained following the energy audits carried out in prior years, during 2017 Group HSE will plan and coordinate further energy diagnostics, in order to obtain a database and information for the launch of similar efficiency improvement projects at other operating units within the Group.

With regard to management systems, the Prysmian Group plans to obtain additional OHSAS 18001 certifications and to obtain both ISO 14001 and OHSAS 18001 certifications for the Milan headquarters..

PRINCIPAL INITIATIVES TO LOWER ENVIRONMENTAL IMPACT

Power Cables

A process for the recovery and re-use of waste copper found in the sludge generated from the production of wire rod has been introduced in Rayong (Thailand). This process separates the sludge from the recoverable copper that, once collected, can be recycled as a raw material in the smelting process. Before implementing this process, a feasibility study was carried out to ensure that the recovered copper would not degrade the quality of the wire rod. Activation of this recycling process has therefore reduced the weight of the copper sludge, resulting in disposal of just that fraction of the sludge remaining after the copper has been separated out.

The water cooling plant has been replaced at Kistelek (Hungary), thus reducing the quantity of R422d refrigerant gas (a greenhouse gas).

The quantity of fluorinated gases has been reduced at the Slatina plant (in Romania) by replaced a number of refrigeration units with one centralised device. This device also reduces gas leaks and the necessary maintenance work. Action to improve the efficiency of water consumption has also been completed at this factory. This work, which commenced in 2014, had two distinct phases: initially, repair of the levelling systems for the water tanks (to avoid accidental discharges); subsequently, efforts concentrated on retaining the industrial water (including the cooling water for testing activities) within the recirculation circuits for a longer period, thus reducing the water replacement frequency. All these actions were carried out by the factory's Technical services, under the supervision of the HSE function. Lastly, the percentage of waste sent for recycling was increased during 2016 via a procedure that involves storing the waste for two days, so that the portion to be recycled can be separated from the rest.

Numerous improvements in the waste sector have been made at Gron (France), largely with regard to waste compounds, solvents that generate hazardous waste, packaging and water consumption. In particular, the water recirculation circuit has been improved.

Water consumption at Prysmian Berlin has been reduced by optimising the cooling system for certain process lines.

Action has been taken at Giovinazzo (Italy) to reduce the amount of waste compound disposed, by recovering and re-using waste polymers; in addition, water consumption has been optimised by repairing losses in the recirculation circuit for the waters used in insulation line processes.

Lastly, work has been carried out to reduce water consumption in North Dighton (USA) and Nieuw Bergen (Netherlands), by making improvements to the steam generator and a new water cooling system.

Accessories

The Slatina factory (Romania) has reached an important milestone by sending 100% of all waste generated for recycling.

Telecom Cables

In Nuremberg, Prysmian Germany has worked to reduce water consumption by installing wider diameter pipes in the water return circuit, thus avoiding excessive filling (and consequent overflows), especially during periods of heavy rain. This, together with the overflow control system, has reduced the need to replace the cooling waters used for processing purposes, as a specified volume of water can now be maintained in the circuit at all times.

PRESENTATION OF ENVIRONMENTAL DATA²⁵

Among the matters common to all operating units, Prysmian has selected those that are significant not only in environmental terms, but also in terms of its responsibilities towards employees and local communities, and as a competitive factor that contributes value to the Group. These aspects are considered significant and this Report presents indicators showing their importance:

- energy consumption, obtained as the sum of all energy sources used in manufacturing and service activities;
- water consumption, which is significant due to the large volumes needed for cooling in the various production cycles;
- hazardous and non-hazardous waste, with a potential impact on various environmental factors and very considerable importance in the assessment of process efficiency;
- ozone-depleting substances which, although small in amount, are present in almost every production unit, in order to prevent leakages and reduce their potential atmospheric impact;
- emissions of greenhouse gases, primarily linked to the use of sources of energy and, to a very limited extent, to the use of greenhouse gases at certain stages of production;
- efficiency in the use of raw materials, given the intensive use of valuable metals, such as copper and aluminium, as an essential part of most production processes, as well as the amount of scrap generated.

Based on assessments and past experience, the Group does not report on the following aspects, which are considered to be less significant:

- waste water originating from cooling systems, if not contained within a closed-circuit system and if not requiring special treatment;
- atmospheric emissions generated by production processes, which are not especially significant in most cases.

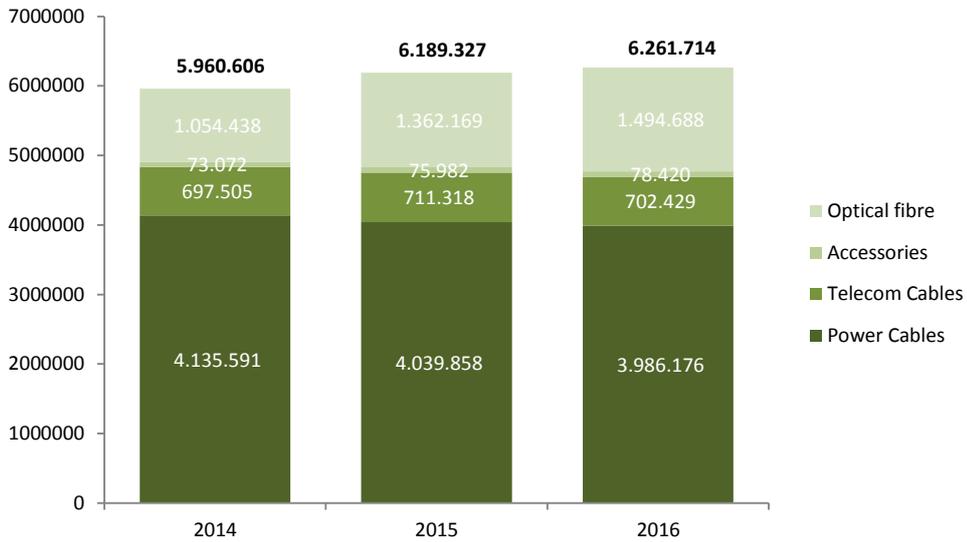
Further details about the performance indicators and the scope and methods of reporting are available in the Attachments to this document.

²⁵ This data also includes estimates made using the best available methodologies.

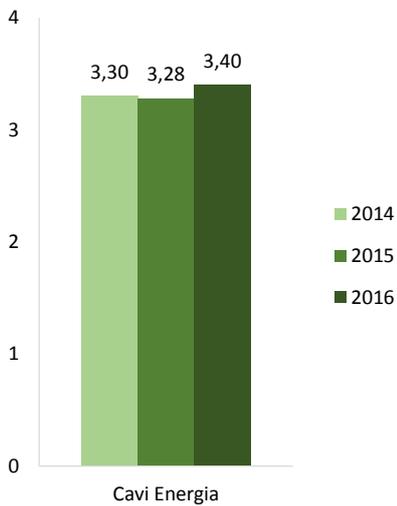
Energy

ENERGY CONSUMPTION (GJ)

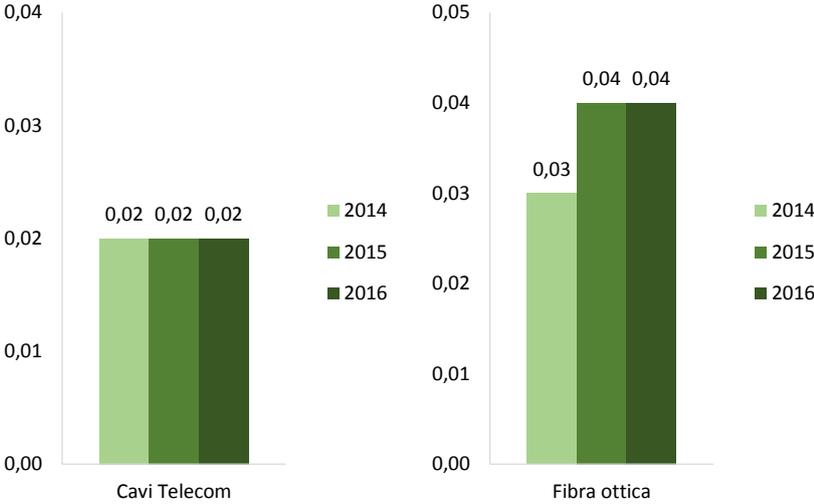
Energy consumption by the Group, which has changed slightly due largely to production trends and the non-proportional change in electricity consumption, totalled 6,261,714 GJ in 2016, up by 1.17% compared with 2015 due, in the main, to an increase in consumption per unit of product in the power cables category.



ENERGY CONSUMPTION PER TONNE OF PRODUCT (GJ/t)



ENERGY CONSUMPTION PER Km OF PRODUCT (GJ/Km)

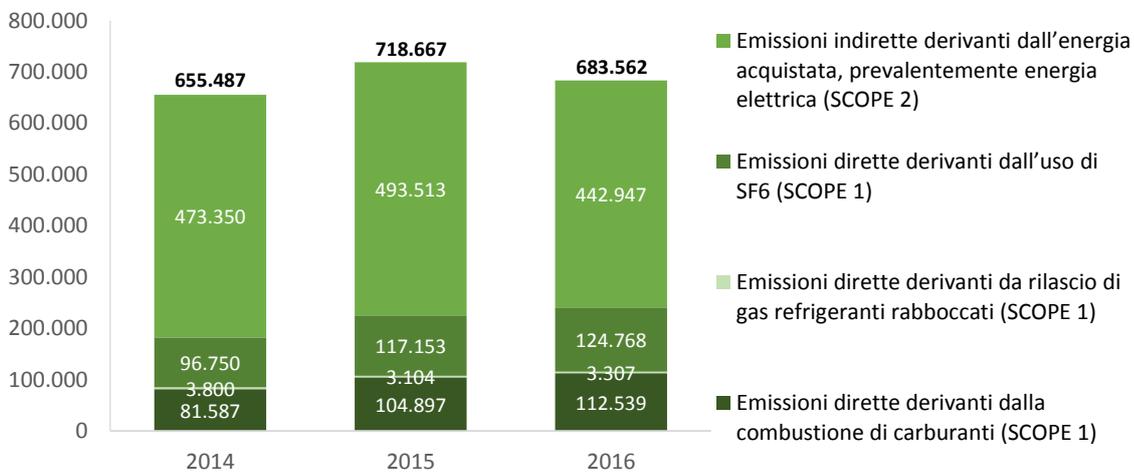


Emissions of greenhouse gases

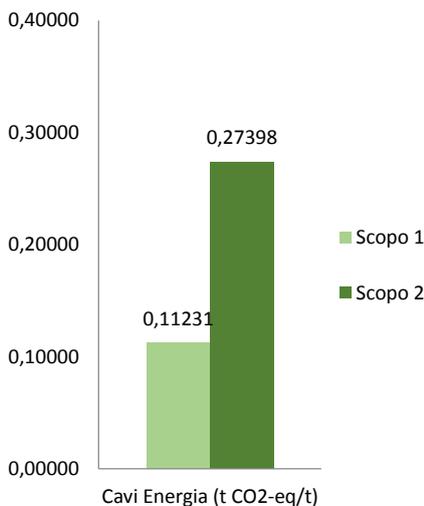
Greenhouse gas emissions, measured in tonnes of CO₂ equivalent, were calculated using the methodologies indicated in “The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition, 2004)” considering, for the SCOPE 1 emissions, the consumption of fuels, the release of overflow refrigerant gases and the use of SF6 and, for the SCOPE 2 emissions, the consumption of purchased energy (mainly electricity).

Emissions totalled 683,562 tCO₂eq in 2016, down with respect to 2015. The reduction was mostly attributable to the SCOPE 2 emissions, due to a change in the scope of reporting following the closure of a number of factories.

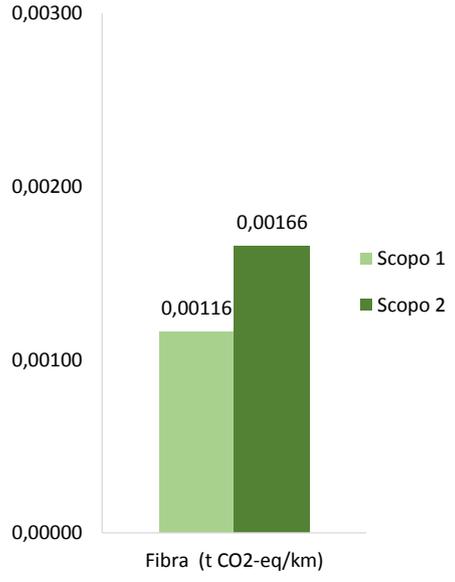
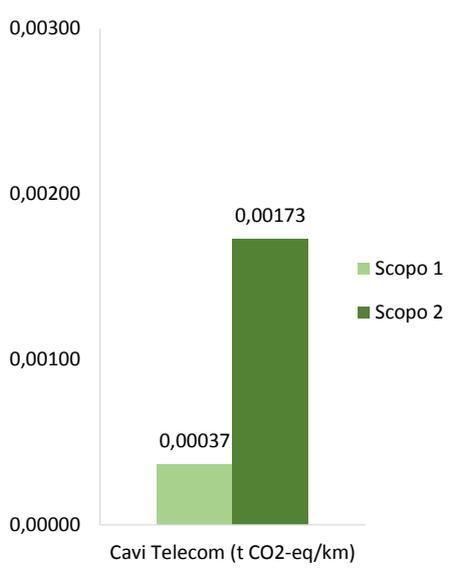
CO₂ EMISSIONS, ANALYSED BETWEEN SCOPE 1 AND SCOPE 2 (tCO₂eq)



SCOPE 1 AND SCOPE 2 EMISSIONS OF CO₂ PER TONNE OF PRODUCT (tCO₂eq/t)



SCOPE 1 AND SCOPE 2 EMISSIONS OF CO₂ PER Km OF PRODUCT (tCO₂eq/km)

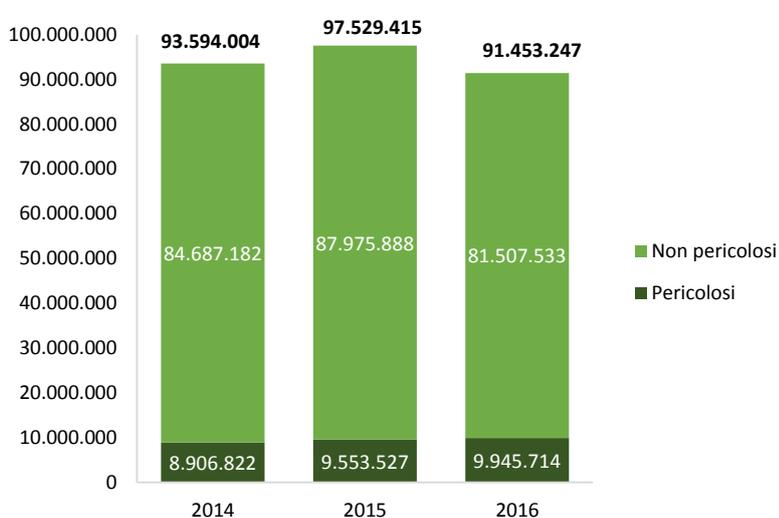


Waste

The principal types of waste generated by productive activities have been split into specific categories, classifying their level of danger (hazardous waste and non-hazardous waste) according to the related classification system, regardless of the waste's country of origin and disposal. An exception is made for certain types of waste (such as laboratory chemicals), whose allocation among the categories depends on local regulatory requirements.

Overall, the total volume of waste disposed has fallen with respect to 2015. In particular, the volume of non-hazardous waste (-7.4%), while the volume of hazardous waste rose slightly (+4%). Total waste disposed in 2016 amounted to 91,453,247 kg.

WASTE DISPOSED BY TYPE (Kg)

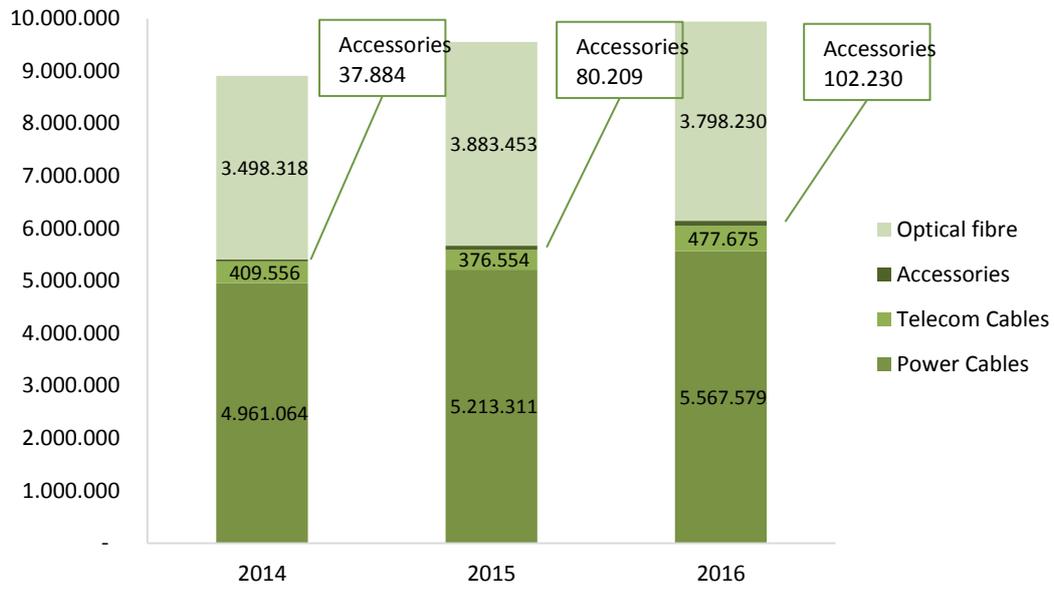


Hazardous waste has increased in general, except in the optical fibre sector. There are several reasons for this, mostly linked to the disposal of certain types of waste that, not being generated constantly over time, fluctuates from one annual report to another. The principal categories of waste concerned are spent oils, emulsions from drawing tanks and machinery, processing residue and other waste generated by preventive maintenance work. Other factors might also include specific anomalies affecting certain processing lines (the malfunction of a metal sheathing extruder that resulted in the exceptional disposal of contaminated oils and metals; changes in the production mix; the malfunction of the level control and circuits of tanks containing oil-based emulsions).

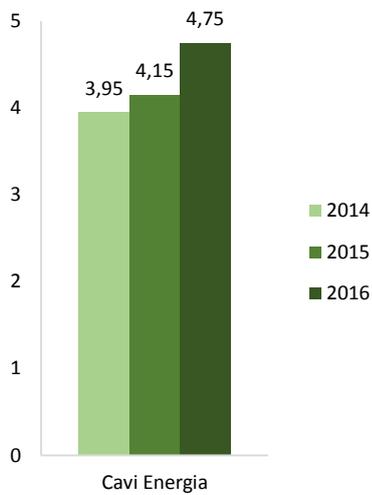
By contrast with the hazardous waste, the production of non-hazardous waste has decreased more, especially in the two principal production categories: telecom cables and energy cables. At individual factory level, the greatest changes were due to the types of waste whose disposal is not a continuous process (packaging reused for a period and then eliminated en bloc, cleaning work, disposal of machines, disposal of non-conforming materials, cleansing of septic tanks etc.). Some changes were however due to improvements, as discussed in the section concerned²⁶.

²⁶ Section "Principal initiatives to lower environmental impact"

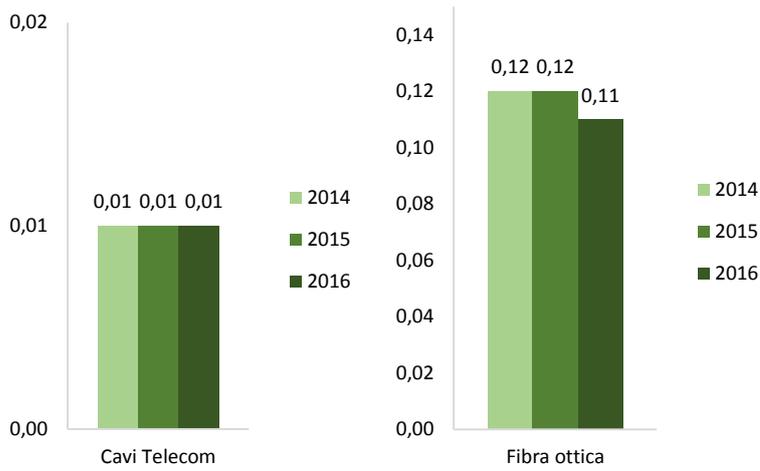
HAZARDOUS WASTE (Kg)



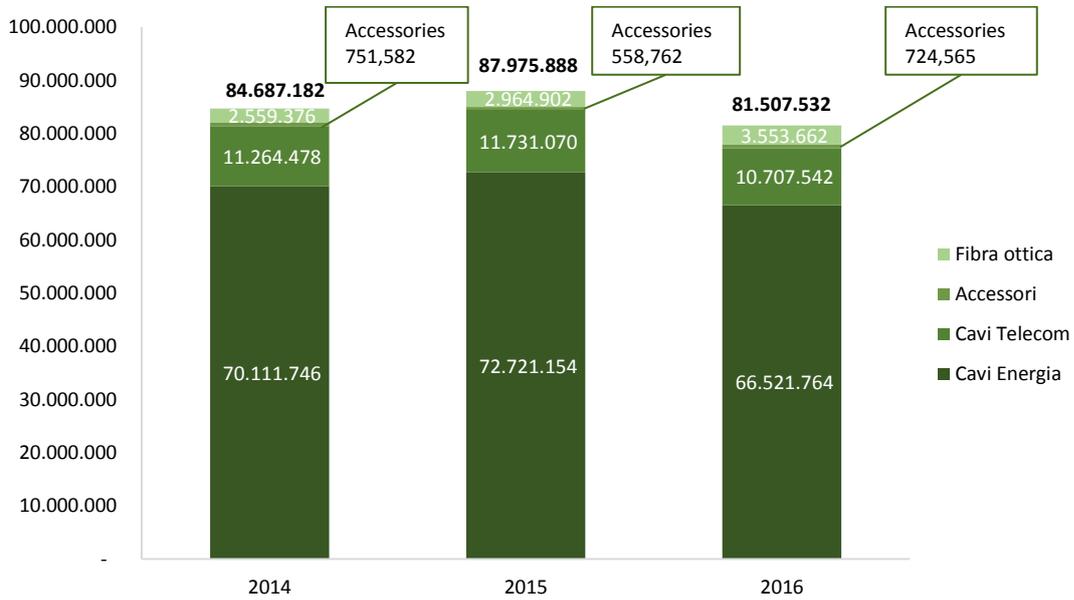
HAZARDOUS WASTE PER TONNE OF PRODUCT (Kg/t)



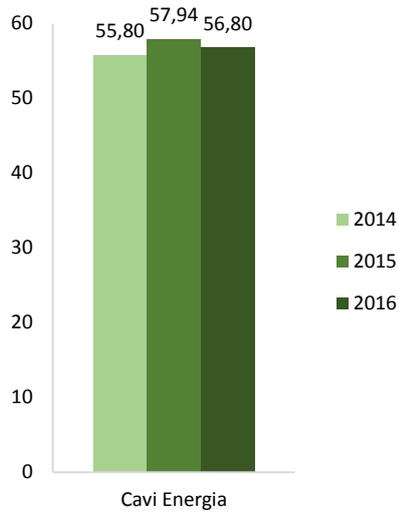
HAZARDOUS WASTE PER Km OF PRODUCT (Kg/Km)



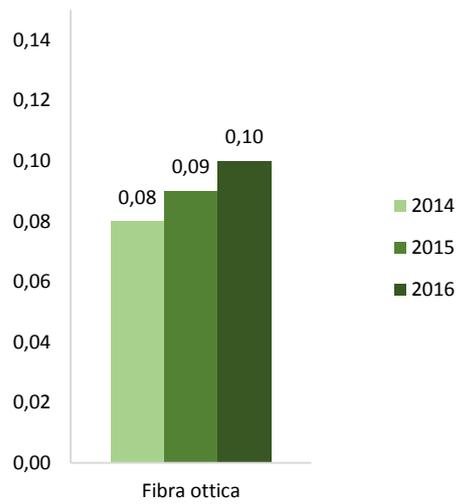
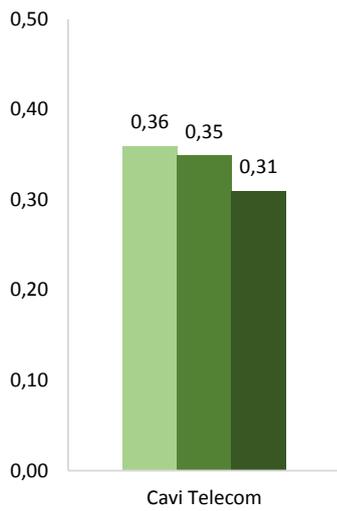
NON-HAZARDOUS WASTE (Kg)



NON-HAZARDOUS WASTE PER TONNE OF PRODUCT (Kg/t)



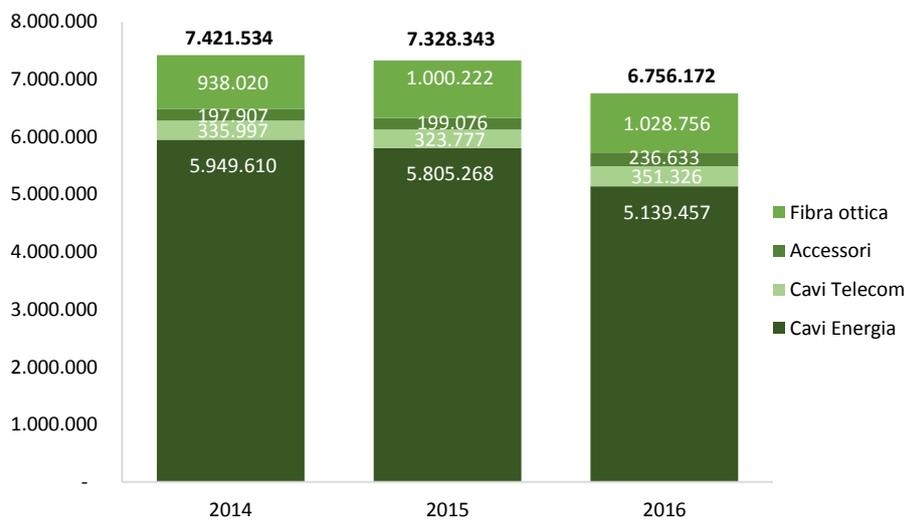
NON-HAZARDOUS WASTE PER Km OF PRODUCT (Kg/Km)



Water

Total water consumption fell by about 8% in 2016 compared with 2015. This outcome is, however, partly influenced by locations that - due to closure or time-related factors - did not communicate their environmental data. These factories were, by contrast, included in the scope of reporting in 2015.

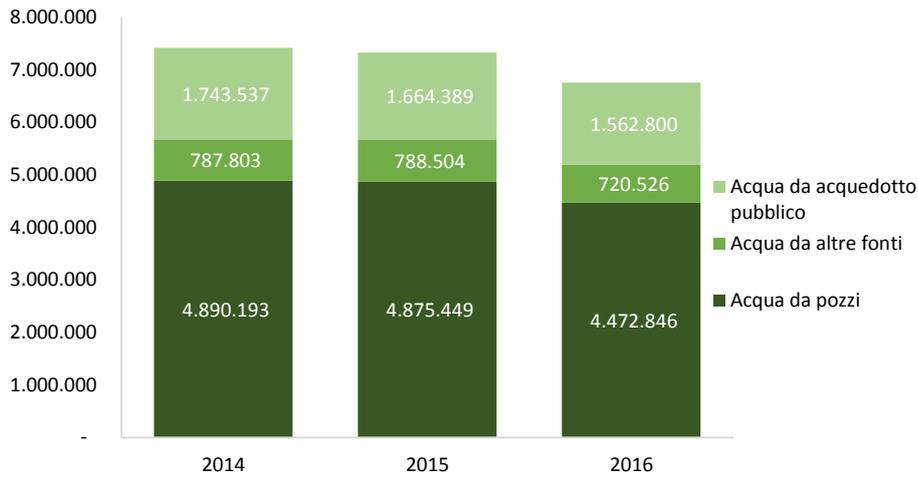
WATER CONSUMPTION (m³)



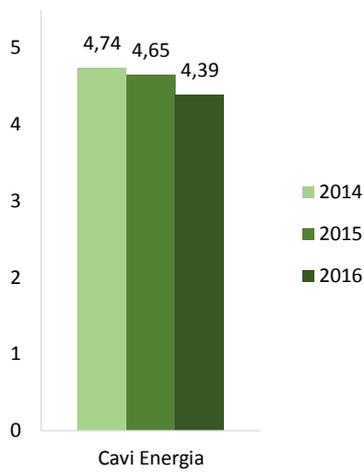
The combined energy factories together achieved a net reduction in consumption, even on a unit of production basis. This reduction is therefore real and not due solely to the exit of operating units from the scope of reporting. Despite a slight decrease in the quantity of water consumed per unit of production, the consumption of the optical fibre factories increased overall, although the increases in the Telecom and Accessories sectors were more evident.

In many cases, the differences at local level were due to losses from water pipes (which resulted in increased consumption if they occurred during 2016, but decreased consumption if they occurred previously and were repaired in 2016). In a few cases, the changes were due to meter malfunctions (occurring in 2016, or occurring previously and resolved in 2016).

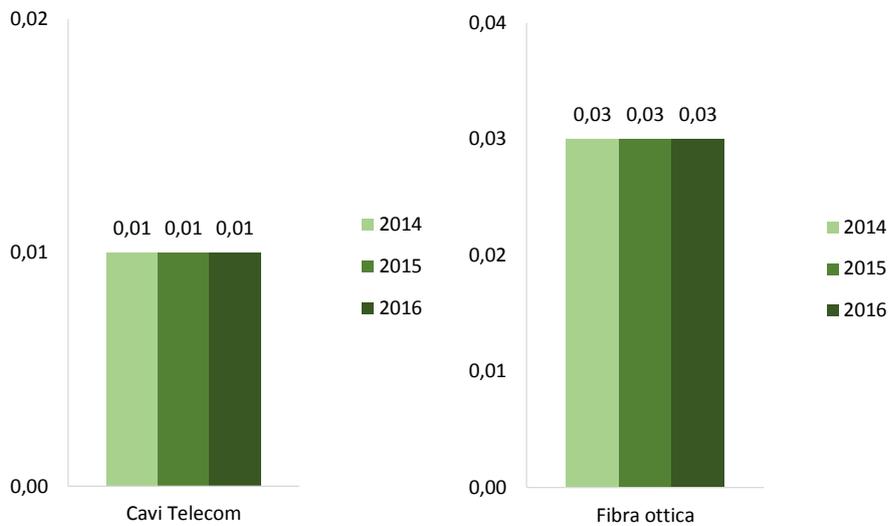
WATER CONSUMPTION, ANALYSED BY SOURCE OF SUPPLY (m³)



WATER CONSUMPTION PER TONNE OF PRODUCT (m³/t)



WATER CONSUMPTION PER Km OF PRODUCT (m³/Km)



PERCENTAGE OF PROCESS WATER RECIRCULATED

Process water - e.g. that used to cool semi-finished products - is recirculated at numerous factories, in whole or in part depending on the situation, in order to avoid excessive consumption. In order to better understand the degree of efficiency achieved in the use of water, the application of the methodology, devised in collaboration with the Merlino factory, to determine the "percentage of water recirculated" with respect to total water consumption has been extended. The concept is based on how much is saved (compared with not having a recirculation plant) in relation to the total quantity of water consumed for processing reasons (due to evaporation, occasional emptying of the circuit, or the lack or only partial installation of a recirculation plant). The formula is being applied to an increasing number of factories and, in 2016, about 60% of operating units supplied results in terms of water recirculated as a percentage of the total quantity used. In the overwhelming majority of cases, hydraulic circuits are served by a recirculation system and, in over 60% of these, recirculated water accounts for 99% or more of the total water used, while about 20% of factories recirculate between 95% and 99% of their water, just 10% between 90% and 95% and 10% less than 90% (since their recirculation systems do not cover all their hydraulic circuits, yet).

The above results were provided by the following countries: Argentina, Brazil, China, Estonia, France, Germany, Indonesia, Italy, Norway, Russia, Sweden, Turkey, UK, Hungary, Romania, Slovak Republic, Czech Republic, certain US operating units, Netherlands.

The percentages stated above may of course change as application of the formula is extended to other factories, in order to obtain full coverage of the Group.

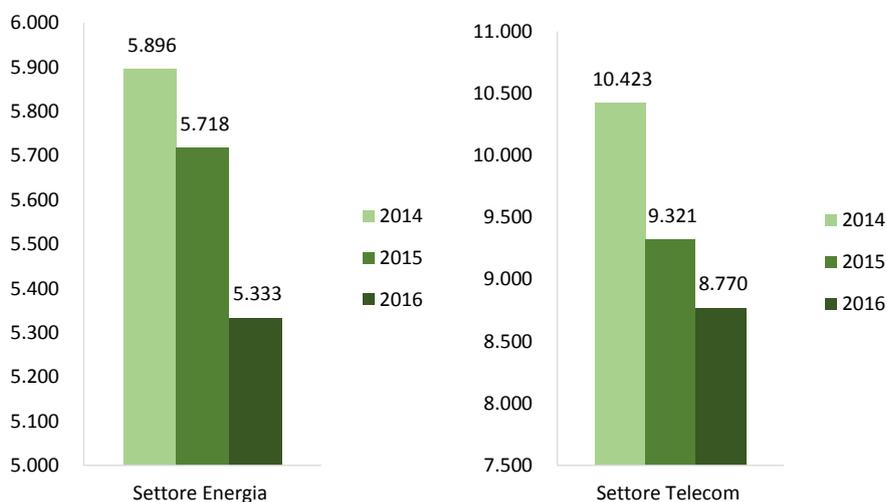
Ozone-depleting substances²⁷

The steady elimination of chlorinated gases and their replacement with HFCs continued during 2016. Accordingly, the quantities of ozone-depleting substances have decreased with respect to 2015 (-6.22%) at both the Telecom and Energy factory.

OZONE-DEPLETING SUBSTANCES (Kg)



OZONE-DEPLETING SUBSTANCES (Kg) BY BUSINESS SECTOR



²⁷ Most of the ozone-depleting substances reported relate to HCFCs, especially Freon (a.k.a. R-22), which is less problematic than other families of refrigerant gases already banned by law, such as CFC and Halon.

Attachments

Target	Note	Glossario
A.1	*Il calcolo della carbon footprint sarà progressivamente esteso a tutte le famiglie di prodotto attraverso l'integrazione in Common Analysis (tool utilizzato per il design e produzione dei cavi), di informazioni sulla CO ₂ relativa all'utilizzo di materiali e a delle fasi di produzione standardizzate. **L'integrazione di informazioni relative alla carbon footprint dei cavi è già in corso e sarà completata entro il 2018.	Carbon footprint e eco-design: la carbon footprint (impronta di carbonio) di un prodotto è la generazione di CO ₂ relative alle fasi di produzione, utilizzo e smaltimento. La IEC (International Electrotechnical Commission) e la EU Ecodesign Directive forniscono indicazioni progressive sul miglioramento della performance ambientale dei prodotti (in termini risparmio di materiali ed energia, prevenzione dell'inquinamento e riduzione dei rifiuti).
 A.2	*I materiali di produzione acquistati nell'anno (in peso) considerati sono metalli quali rame, piombo, alluminio e altri materiali quali PVC, LSOH e composti in gomma.	Circular economy: circular economy è un termine generico utilizzato per descrivere un'economia industriale che promuova una maggiore produttività delle risorse ai fini di ridurre la generazione di rifiuti e prevenire l'inquinamento attraverso l'innovazione nel design e nei processi produttivi.
A.3	*Per Prysmian, le famiglie di prodotto e i segmenti di business identificati che rispettano la definizione di «Low Carbon products» della Climate Bond Taxonomy sono quelli relativi alle infrastrutture dedicate trasmissione di energia rinnovabile (eolica e solare), sistemi che supportano una migliore gestione dell'energia e una più efficiente trasmissione della stessa, nonché le applicazioni per le telecomunicazioni quali i cavi in fibra ottica. **Il target riportato è relativo al 2017 in quanto sarà aggiornato in accordo con il nuovo Piano Strategico.	Low carbon products: I "low carbon products" sono prodotti che supportano la transizione alla low carbon economy che operi dentro i limiti stabiliti dai maggiori scienziati del clima che permettano che le temperature medie globali si mantengano al di sotto di un incremento di 2° C (come stabilito dalla COP21). Per Prysmian, i prodotti da considerare sono tutte le applicazioni per le energie rinnovabili, per gli smart system in grado di migliorare la gestione e l'efficienza energetica e le applicazioni nell'Information technology & communications quali i cavi in fibra ottica.
B.4	*Le emissioni di gas a effetto serra (GHG) riportate sono le emissioni totali di CO ₂ eq di scope 1 e scope 2 (in tonnellate).	Emissioni GHG di Scope 1: emissioni di gas a effetto serra da possedute o controllate dall'organizzazione. Emissioni GHG di Scope 2: emissioni di gas a effetto serra derivanti dall'acquisto di energia elettrica o teleriscaldamento consumata da impianti o sistemi posseduti o controllati dall'organizzazione. CO₂eq: le emissioni espresso in CO ₂ eq (equivalenti) includono CO ₂ e altri gas a effetto serra
B.5	*Il consumo di energia totale riportato si riferisce ai consumi energetici diretti e indiretti (in joule).	
 B.7	*La percentuale è calcolata come il numero di bobine riutilizzate sul numero totale di bobine acquistate nell'anno. Le bobine considerate nel calcolo sono in legno, plastica e metallo.	
B.8	*La percentuale totale riportata è calcolata sulla spesa su fornitori ricorrenti (in termini monetari) e si riferisce agli acquisti di Base Metals, Raw Materials e strategic Non-Raw Materials. ** Le pratiche di sostenibilità analizzate comprendono 3 macro-aree: sostenibilità e sistemi di gestione, criteri ambientali e criteri sociali (es. diritti umani e dei lavoratori).	
B.9	*La percentuale riportata è calcolata sul numero di fornitori. I fornitori di mica saranno valutati attraverso un self-assessment incentrato sul rispetto dei diritti umani e in particolare sul lavoro minorile.	Rischio di sostenibilità: le principali categorie di rischio considerate (integrità di business e anti-corrruzione, diritti umani e dei lavoratori e impatti ambientali) seguono i principi dello UN Global Compact e quelli espressi nel Codice Etico e nel Codice di Condotta Commerciale del Gruppo Prysmian.
C.11	*Ore lavorative donate per programmi di citizenship and philanthropy – il numero di ore riportato è il totale cumulate che sarà donato nei successivi 4 anni.	Tempo lavorativo donato: il «volunteering time» è una forma di contribuzione non monetaria a supporto della comunità che un'organizzazione può realizzare attraverso i propri lavoratori (secondo la categorizzazione dei contributi del London Benchmarking Group).
C.12	*Progetti con finalità sociale e progetti Energy e/o Telecommunication che permettano il miglioramento delle infrastrutture anche in paesi emergenti e in via di sviluppo	
 C.13	*Le posizioni manageriali chiave sono definite sulla base della categorizzazione interna del Gruppo.	
C.14	*La percentuale di lavoratori soddisfatti è calcolata sulla popolazione white collar e sarà progressivamente estesa ai lavoratori blue collar. L'Employee engagement survey con l'indice di engagement interno di Prysmian sarà condotta ogni anno a partire dal 2017.	
C.15	*Le posizioni Executive sono definite sulla base della categorizzazione interna di Prysmian.	
C.16		Indice di frequenza: l'indice di frequenza degli infortuni è misurato come rapporto tra il numero totale di infortuni e il numero totale di ore lavorate nel periodo Indice di gravità: l'indice di gravità degli infortuni è misurato come rapporto tra il numero di giornate perse per infortunio e il numero di ore lavorabili totali nel periodo.

METHODOLOGY AND ANALYSIS OF MATERIALITY

Reconciliation of the material topics of the Prysmian Group, the corresponding G4 aspects and the disclosure requirements deriving from Decree 254/2016 (which adopted EU Directive 95/14)

Material topics	G4 aspect - Specific standard disclosure	EU Directive 95/14 - Decree 254/16
Business ethics and integrity	Anti-corruption Unfair competition Compliance	Anti-corruption
Technological development and eco-design innovation	Products and services - Environment	
Solutions for sustainable applications	-	
Public company status and employee share plan	-	
Risk management	-	Description of risks Organisation and management models, Decree 231/01
Environmental management systems	Compliance with laws and regulations on environmental matters	Current and likely impact on the environment and health
Energy consumption and emissions	Energy Emissions	Use of energy resources Emissions of greenhouse gases and polluting atmospheric emissions
Waste production and recycling	Discharges and waste	
Drawing and discharge of water	Water	Use of water resources
Use of raw materials	Materials	
Sustainability within the supply chain	Procurement practices Assessment of suppliers using environmental criteria Transport	
Human rights and workers' rights	Capital investment Assessment of suppliers using criteria related to human rights	Respect for human rights and measures adopted to prevent violations
Development of human capital	Employment Training and education	Social and related aspects of personnel management
Multiculturalism, diversity and equal opportunity	Diversity and equal opportunity Equal remuneration for men and women	Action taken to guarantee gender equality
Industrial relations	Industrial relations	Dialogue with social partners
Health and safety in the workplace	Health and safety at work	Social and related aspects of personnel management
Corporate citizenship	Local communities	Social and related aspects of personnel management
Economic effects	Economic performance Market presence Indirect economic effects	Description of operating business model

Analysis of the scope of G4 aspects material for the Prysmian Group

Material GRI G4 aspects	Scope of aspect materiality	
	Internal ²⁸	External ²⁹
Economic category		
Economic performance	Group	-
Market presence	Group	-
Indirect economic effects	Group	-
Procurement practices	Group	Suppliers
Environmental category		
Materials	Group	Suppliers
Energy	Group factories	Suppliers
Water	Group factories	-
Emissions	Group factories	-
Discharges and waste	Group factories	-
Products and services	Group	Customers
Transport	Group	Suppliers
Compliance with laws and regulations on environmental matters	Group	-
Expenditure and investment to protect the environment	Group	-
Social category		
Sub-category: working practices and suitable working conditions		
Employment	Group	-
Industrial relations	Group	-
Health and safety at work	Group	-
Training and education	Group	-
Diversity and equal opportunity	Group	-
Equal remuneration for men and women	Group	-
Sub-category: human rights		
Capital investment	Group	Suppliers
Assessment of suppliers using criteria related to human rights	Group	Suppliers
Sub-category: company		
Local communities	Group	Customers
Anti-corruption	Group	Customers
Unfair competition	Group	-
Compliance	Group	-

²⁸ The limitations of the internal scope of reporting are stated in the GRI table.

²⁹ For aspects that are also material outside of the organisation, the reporting of data and information is limited to the activities of the Group.

GROUP ID CARD

Economic value generated and distributed to stakeholders

Stakeholders	2014		2015		2016	
	Millions of euro	%	Millions of euro	%	Millions of euro	%
Employees	948	66%	1,001	63%	1,056	62%
Lenders	130	9%	98	6%	83	5%
Shareholders and minority interests	90	6%	90	6%	106	6%
Public Administration	57	4%	96	6%	106	6%
Communities	0.20	0.01%	0.22	0.01%	0.12	0.01%
Economic value retained by the Group	213	15%	295.00	19%	359	21%
Economic value generated	1,438	100%	1,580	100%	1,710	100%

INTEGRATED SUSTAINABILITY AND SUSTAINABLE INNOVATION

Capital investment

Capital investment (Mil €)	2014	2015	2016
Gross annual investment	163	210	233
Investment in R&D (Opex)	71	73	75

Principal R&D indicators

	2014	2015	2016
Investment in R&D (Mil €)	87	82	83
No. of R&D centres	17	17	17
No. of R&D professionals	Over 500	Over 550	Over 550
No. of patents ³⁰	5,836	4,785	4,650

³⁰ The data relates respectively to: 31/12/2014, 31/12/2015, 31/12/2016

SUPPLY CHAIN

Total number of Prysmian Group suppliers analysed by geographical area at 31 December³¹

Geographical area	2014	2015	2016
EMEA	3,472 (66.1%)	3,248 (64.7%)	3295 (65.6%)
North and Central America	593 (11.3%)	600 (11.9%)	611 (12.2%)
Latin America	566 (10.8%)	536 (10.7%)	469 (9.3%)
APAC	621 (11.8%)	640 (12.7%)	645 (12.9%)
Total	5,252	5,024	5,020

Total raw materials purchased by the Group, analysed by type of raw material and percentage of raw materials used that derive from recycled materials at 31 December

Raw materials purchased	2014		2015		2016	
	Volume (Ktonne)	% from recycled materials	Volume (Ktonne)	% from recycled materials	Volume (Ktonne)	% from recycled materials
Metals	721	19.42%	675	19.61%	656	18.75%
Compounds	242	0.45%	231	0.29%	220	0.30%
Ingredients	235	-	227	-	214	-
Chemicals	6	0.25%	5	0.20%	6	0.98%
Other (paper, yarns, tapes, oil)	19	-	17	-	26	-
Total	1,223	11.54%	1,155	11.52%	1,122	11.03%

Local purchases out of total purposes (Mil €)

Geographical area	2014		2015		2016	
	Total purchases	Purchases from local suppliers	Total purchases	Purchases from local suppliers	Total purchases	Purchases from local suppliers
EMEA	920	662 (72%)	944	737 (78%)	1,149	842 (73%)
North America	111	84 (76%)	124	103 (83%)	113	96 (85%)
South America	103	81 (79%)	86	73 (84%)	93	79 (85%)
APAC	71	55 (77%)	97	77 (80%)	100	81 (81%)

³¹ Data only considers suppliers of base metals and raw materials.

Total purchases from suppliers, analysed by: base metals, raw materials and non-raw materials (Ktonne)

Type purchased	2015	2016
Base metals	2,642 (52%)	2,288 (47%)
Raw materials	1,215 (24%)	1,128 (23%)
Non-raw materials	1,251 (24%)	1,454 (30%)
TOTAL	5,108	4,870

Drums used made of wood, reused wood and other materials (%)

Type purchased	2014	2015	2016
Wooden drums	80%	80%	77%
Reused wooden drums	28%	28%	25%
Drums in other materials	20%	20%	23%
Reused drums in other materials	-	-	13%

Transportation (%)

Type of transportation	2014	2015	2016
By road	86%	86%	85%
By sea	12%	12%	13%
By air	2%	2%	2%

PRYSMIAN'S PEOPLE

Distribution of employment by professional category and gender as of 31 December³²

No. persons	Men	Women	Total
White collar	3,471	1,392	4,863
Blue collar	12,183	1,325	13,508
Total	15,654	2,717	18,371

Distribution of employment by professional category, gender and age as of 31 December³³

No. persons	<30			30-50			>50			Total
	Men	Women	Total	Men	Women	Total	Men	Women	Total	
White collar	361	191	552	1,943	880	2,823	1,167	321	1,488	4,863
Blue collar	1,615	163	1,778	7,214	883	8,097	3,354	279	3,633	13,508
Total	1,976	354	2,330	9,157	1,763	10,920	4,521	600	5,121	18,371

Distribution of employment by professional category, gender and type of profession as of 31 December³⁴

No. persons	Full time			Part time			Total
	Men	Women	Total	Men	Women	Total	Total
White collar	3,455	1,326	4,781	16	66	82	4,863
Blue collar	12,145	1,309	13,454	38	16	54	13,508
Total	15,600	2,635	18,235	54	82	136	18,371

³² Headcount data at year end, including solely the employees of companies that are Group subsidiaries or subject to management and control. This data represents 100% of total employment by the Prysmian Group (excluding OCI and OAPIL).

³³ Headcount data at year end, including solely the employees of companies that are Group subsidiaries or subject to management and control. This data represents 100% of total employment by the Prysmian Group (excluding OCI and OAPIL).

³⁴ Headcount data at year end, including solely the employees of companies that are Group subsidiaries or subject to management and control. This data represents 100% of total employment by the Prysmian Group (excluding OCI and OAPIL).

Distribution of employment by professional category, gender and type of contract as of 31 December³⁵

No. persons	Permanent contracts			Fixed-term contracts			Total
	Men	Women	Total	Men	Women	Total	Total
White collar	3,430	1,371	4,801	41	21	62	4,863
Blue collar	11,517	1,128	12,645	666	197	863	13,508
Total	14,947	2,499	17,446	707	218	925	18,371

Starters analysed by age, gender and geographical area³⁶

No. persons	Starters									Total
	<30			31-50			>50			
	Men	Women	Total	Men	Women	Total	Men	Women	Total	
APAC	20	9	29	56	25	81	7	1	8	118
EMEA	64	24	88	106	56	162	7	11	17	267
North America	7	17	24	17	7	24	1	-	1	49
South America	23	4	27	26	12	38	10	2	12	77
Total	114	54	168	205	100	305	25	13	38	510

³⁵ Headcount data at year end, including solely the employees of companies that are Group subsidiaries or subject to management and control. This data represents 100% of total employment by the Prysmian Group (excluding OCI and OAPIL).

³⁶ Data expressed in FTE (Full Time Equivalents), including the employees and temporary staff of companies that are Group subsidiaries or subject to management and control (excluding OCI and OAPIL).

Voluntary leavers analysed by age, gender and geographical area³⁷

No. persons	Voluntary leavers									Total
	<30			31-50			>50			
	Men	Women	Total	Men	Women	Total	Men	Women	Total	
APAC	8	7	15	32	14	46	1	2	3	64
EMEA	9	8	17	45	25	70	4	1	5	92
North America	9	3	12	13	5	18	4	0	4	34
South America	2	3	5	5	6	11	0	0	0	16
Total	28	21	49	95	49	144	9	3	12	205

³⁷ Data expressed in FTE (Full Time Equivalents), including the employees and temporary staff of companies that are Group subsidiaries or subject to management and control (excluding OCI and OAPIL).

Indices of frequency and gravity of accidents analysed by geographical area

	2015		2016	
	Index of frequency	Index of gravity	Index of frequency	Index of gravity
APAC ³⁸	0.97	43.15	0.90	22.99
EMEA	3.70	61.07	3.79	71.38
North America	0.33	11.93	0.56	17.66
South America	3.38	83.13	3.36	77.35

³⁸ The 2016 data for Italy does not include the Livorno factory

COMMUNITIES³⁹

Recipients (%)

	2014	2015	2016
Education	19.9%	74.8%	7.2%
Health and welfare	77.2%	9.9%	16.1%
Arts and culture	2.2%	5.3%	9.3%
Economic development	0.1%	0.4%	37.1%
Other	0.6%	9.6%	30.4%

Type of assistance (%)

	2014	2015	2016
Donations in kind	36.8%	73.5%	39.7%
Economic contributions	63.2%	25.8%	60.3%
Contributions in FTE form ⁴⁰	0%	0.7%	0%

Type of initiative (%)

	2015	2016
Commercial initiatives	68.3%	12.3%
Communities	23.2%	40.4%
Gifts	8.5%	47.3%

³⁹ This statistic considers the following countries:

- 2014: Germany, Italy, China, Thailand, Spain, Australia, Finland

- 2015: Hungary, Germany, Italy, China, North America, Estonia, UK, Argentina, Finland, Sweden, Spain

- 2016: China, France, Italy, Australia, Spain, Germany, Hungary and Russia.

⁴⁰ FTE: Full Time Equivalent

ENVIRONMENT

Notes on the scope and methods of reporting

The environmental indicators presented in this Report derive from a system of reporting that, compared with the scope of reporting stated in this Report, do not include data relating to the R&D laboratories or the offices, as their environmental impact is low. Two recently-acquired production units both in Oman (Muscat and Sohar), a factory in Malaysia (Kuala Lumpur) and one in China (Wuhan), no longer under Prysmian control, are also not included in the data, together with the factories at Presov (Slovak Republic) and Merlino (Italy), for which data was unavailable, and certain production units whose data collection methods are not fully aligned with those of the Group, being: Pune, Chiplun (India); Grombalia (Tunisia). Lastly, compared with last year, the scope of reporting does not include data from Shanghai (China) where production has been suspended, or data from certain factories that were closed during 2016: Amsterdam and Delfzijl (Netherlands); Baoying (China); Bronby (Denmark); one of the factories located in Vilanova y la Geltru (Spain). On the other hand, the data includes the two French factories at Neuf Pre (closed) and Cornimont (formerly Xoulces) – where production activities have changed considerably. In addition, the operating unit dedicated solely to the production of wire rod has been excluded from the analysis.

The environmental data for the production sites not included in this analysis is not thought to be significant, considering the low number of sites excluded with respect to the total (5% maximum) and the limited extent of production at those locations.

Environmental data is not yet reported in relation to the installation of terrestrial and submarine cables (the environmental aspects and methods of management differ greatly from those of the operating units), since a project is currently in progress for the future collection and reporting of representative indicators, using dedicated tools.

The environmental performance indicators relating to energy, greenhouse gas emissions, waste, water and ozone-depleting substances have partly been derived from estimates, in view of the deadlines for the preparation of this Report. Actual data might therefore be subject to insignificant changes.

In this regard, it is confirmed that the above data has been subjected to a reliability analysis. At the time of preparing this report, the data from about 60% of our factories has been validated in full, while validation of the data from the other factories is still in progress, due to the time required.

In addition, it is noted that production at the Douvrin factory - required in order to quantify the environmental indices per unit of product - has been quantified with reference to estimates.

The following table provides an overview of the data presented for each category of product and the related methods of presentation:

		Unit of measure			
		Energy Sector		Telecom Sector	
Area affected	Indicator	Power cables	Accessories ⁽⁸⁾	Telecom cables	Optical fibre
Energy ⁽¹⁾	Total consumption	GJ	GJ	GJ	GJ
	Consumption/unit produced	GJ/t produced ⁽⁵⁾	-	GJ/Km produced ⁽⁷⁾	GJ/Km fibre ⁽⁶⁾
Hazardous waste ⁽¹⁻²⁻³⁾	Total quantity disposed	Kg	Kg	Kg	Kg
	Quantity disposed/units produced	Kg/t produced ⁽⁵⁾	-	Kg/Km produced ⁽⁷⁾	Kg/Km fibre ⁽⁶⁾
Non-hazardous waste ⁽¹⁻²⁾	Total quantity disposed	Kg	Kg	Kg	Kg
	Quantity disposed/units produced	Kg/t produced ⁽⁵⁾	-	Kg/Km produced ⁽⁷⁾	Kg/Km fibre ⁽⁶⁾
Water ⁽¹⁻³⁾	Total consumption	m ³	m ³	m ³	m ³
	Consumption/unit produced	m ³ /t produced ⁽⁵⁾	-	m ³ /Km produced ⁽⁷⁾	m ³ /km fibre ⁽⁶⁾
Ozone-depleting substances ⁽⁴⁾	Quantities present at production locations	Kg	-	Kg	-

(1) The information for the power cables category includes the Telecom, Energy and Accessories operating units at the Oulu factory (available information relates to each factory as a whole). The quantities produced in relation to such information have been normalised, so the telecom cables produced by the above operating units are identified in weight terms (rather than in km, as in the "telecom cables" category).

(2) Hazardous and non-hazardous waste: the information for the power cables category includes combined data for the Telecom and Energy operating units at the Bishopstoke factory, since this factory does not accumulate separate details for each unit (available information relates to the factory as a whole).

(3) Water consumption and hazardous waste: the information for the power cables category includes combined data for the Accessories and Energy operating units at the Gron factory, since this factory does not accumulate separate details for each unit (available information relates to the factory as a whole).

(4) The information is significant at sector level. In fact, the quantity of ozone-depleting substances does not relate to production activities and, accordingly, it is reported separately in total for the Energy and Telecom sectors.

(5) For the purpose of normalising the environmental parameters, the volume of “power cables” produced is expressed in tonnes, being the sum of the weights of the cables produced in the years concerned and the related compounds produced by Prysmian, excluding the compounds purchased in the marketplace and simply added to the products.

(6) For the purpose of normalising the environmental parameters, the production in km relates to finished optical fibre, excluding any semi-finished fibre sold as such by the "optical fibre" factories considered in this Report.

(7) The production of “telecom cables” is expressed in km and obtained by summing the production of cables made from optical fibre, quantified in fibre km, and with those made from copper, quantified in pair km. The decision to use km rather than tonnes to quantify the total production of telecom cables was taken due to the fact that the unit of measure expressed in length reflects the production process (and the related impact of environmental parameters) more closely than the unit of measure of production expressed in weight terms.

(8) Only absolute amounts are reported for Accessories, since normalised units of production are not available for this category. In particular, the nature of production included in this category varies considerably (connectors for cables, accessories for lifts etc.).

Energy consumed (GJ)

Source	2016					2015	2014
	Power cables	Telecom cables	Accessories	Optical fibre	Group	Group	Group
Electricity (purchased from the grid)	2,831,345	492,343	49,460	771,184	4,144,332	4,221,764	4,417,850
Fuel oil	12,233	8,429	-	-	20,663	39,870	33,431
Petrol	4,008	357	53	15	4,443	3,922	4,948
Diesel	82,926	4,814	115	961	88,816	88,327	86,570
LPG	71,597	7,323	4,188	25	83,133	100,246	90,100
Natural gas	864,156	189,164	24,604	715,190	1,793,113	1,609,386	1,182,419
Steam (purchased, not produced internally)	32,225	-	-	-	32,255	33,945	59,913
Electricity supplied 100% under a certified-green contract	-	-	-	-	-	-	2,493
Electricity from co-generation	4,776	-	-	-	4,776	3,598	n.a.
Heat purchased from distribution networks	82,879	-	-	7,313	90,192	88,269	82,631
Electricity from renewable sources	-	-	-	-	-	-	251
Total	3,986,176	702,429	78,420	1,494,688	6,261,714	6,189,327	5,960,606

Conversion coefficients

Energy source	Value	Unit	Source
Electricity	4	Mj/kWh	Idemat 2001
Natural gas	34	Mj/m ³	Idemat 2002
Diesel	45	Mj/kg	Idemat 2003
LPG	46	Mj/kg	Idemat 2004
Fuel oil	41	Mj/kg	Idemat 2005
Steam	2,600	Mj/t	Idemat 2006

Emissions of CO₂-eq (t), analysed between SCOPE 1 and SCOPE 2

	2016					2015	2014
	Power cables	Telecom cables	Accessories	Optical fibre	Group	Group	Group
Emissions Scope 1	130,717	12,948	57,312	39,637	240,615	225,154	182,137
Direct emissions deriving from the combustion of fuel	59,630	11,877	1,647	39,385	112,539	104,897	81,587
Direct emissions deriving from the escape of refrigerant gas	1,860	1,071	125	252	3,307	3,104	3,800
Direct emissions deriving from the use of SF6	69,228	-	55,541	-	124,768	117,153	96,750
Emissions Scope 2	318,898	61,183	6,236	56,630	442,947	493,513	473,350
Indirect emissions deriving from purchased energy	318,898	61,183	6,236	56,630	442,947	493,513	473,350
Total	449,615	74,131	63,549	96,267	683,562	718,667	655,487

Emissions of CO₂-eq (t) per unit of product, analysed between SCOPE 1 and SCOPE 2

	Power Cables (t CO ₂ -eq/t)	Telecom Cables (t CO ₂ -eq/km)	Optical fibre (t CO ₂ -eq/km)
Emissions Scope 1	0.11231	0.00037	0.00116
Direct emissions deriving from the combustion of fuel	0.05123	0.00033	0.00115
Direct emissions deriving from the escape of refrigerant gas	0.00160	0.00003	0.00001
Direct emissions deriving from the use of SF6	0.05948	-	-
Emissions Scope 2	0.27398	0.00173	0.00166
Indirect emissions deriving from the purchase of energy, mostly electricity	0.27398	0.00173	0.00166
Total	0.38629	0.00209	0.00282

Hazardous waste disposed (Kg)

Type of waste	2016					2015	2014
	Power cables	Telecom cables	Accessories	Optical fibre	Group	Group	Group
Ingredients of hazardous compounds	137,713	-	-	-	137,713	157,013	141,470
Asbestos	21,237	13,509	-	-	34,746	49,625	25,465
Copper and aluminium sludge	360,994	2,705	-	-	363,699	274,729	309,251
Equipment containing PCBs	2,336	-	-	-	2,336	61	2,242
Solvents	63,160	15,642	2,894	47,289	128,985	138,998	373,719
Waste waxes and fats	52,925	52,754	-	-	105,679	60,419	56,805
Waste oil	384,279	14,000	23,440	7,271	428,991	433,022	408,183
Waste emulsions	2,576,476	298,434	-	-	2,874,909	2,292,426	2,354,717
Waste ink	29,061	2,190	-	-	31,251	27,153	10,888
Contaminated sawdust	34,151	5,333	-	-	39,484	66,755	37,470
Sludge or solid waste with solvents	-	-	-	10,070	10,070	10,523	10,868
Other hazardous waste	1,905,247	73,108	75,896	3,733,600	5,787,851	6,042,803	5,175,744
Total	5,567,579	477,675	102,230	3,798,230	9,945,714	9,553,527	8,906,822

Non-hazardous waste disposed (Kg)

Type of waste	2016					2015	2014
	Power cables	Telecom cables	Accessories	Optical fibre	Group	Group	Group
Waste compounds	13,996,762	1,730,139	-	-	15,726,901	14,690,407	13,592,959
Non-hazardous packaging	10,603,090	2,547,130	332,975	311,067	13,794,262	15,512,046	16,170,642
Non-hazardous ingredients for compounds	626,251	-	-	-	626,251	1,054,337	675,658
Sludge from treatment of emissions	-	5,374	-	345,420	345,420	323,770	290,980
Sludge from cleansing of civil water	360,711	7,899	-	-	366,085	640,775	634,927
Sludge from cleansing of industrial water	617,521	-	-	496,956	1,122,376	870,006	89,990
Urban waste	10,586,696	3,176,323	288,525	660,607	14,712,151	15,097,228	15,147,151
Wood	605,090	164,270	-	-	769,360	-	21,948
Sawdust	-	-	-	64,890	64,890	-	-
Other non-hazardous materials	29,125,642	3,076,407	103,065	1,674,721	33,979,835	39,787,317	38,062,927
Total	66,521,764	10,707,542	724,565	3,553,662	81,507,532	87,975,887	84,687,181

Water consumption, analysed by source of supply (m³)

Source	2016					2015	2014
	Power cables	Telecom cables	Accessories	Optical fibre	Group	Group	Group
Water from wells	3,437,724	176,751	63,969	794,402	4,472,846	4,875,449	4,890,193
Water from other sources	568,704	35	151,787	-	720,526	788,504	787,803
Water from public water main	1,133,029	174,541	20,877	234,353	1,562,800	1,664,389	1,743,537
Total	5,139,457	351,326	236,633	1,028,756	6,756,172	7,328,343	7,421,533

Auditors' Report

GRI Content Index

The following table presents the performance indicators in conformity with the new «G4 Sustainability Reporting Guidelines», applying the Core option. Each indicator is accompanied by a reference to the page in the Sustainability Report where it can be found, or to any other publicly-available sources of reference.

Indicator		Page
General standard disclosure		
Strategy and analysis		
G4 - 1	Statement by the Chief Executive Officer	
Profile of the Organisation		
G4 - 3	Name of the organisation	
G4 - 4	Principal trademarks, products and services	
G4 - 5	Main office	
G4 - 6	Countries of operation	
G4 - 7	Ownership structure and legal form	
G4 - 8	Markets served	
G4 - 9	Size of the Organisation	
G4 - 10	Employment by type of contract, gender, geographical area, level	
G4 - 11	Percentage of employees covered by collective bargaining agreements	More than 80%
G4 - 12	Description of the organisation's supply chain	
G4 - 13	Significant changes in the size, structure, ownership or supply chain of the organisation	
G4 - 14	Application of a prudent approach to risk management	
G4 - 15	Adoption of external codes and standards on economic, social and environmental matters	
G4 - 16	Membership of trade associations or organisations	
Materiality and scope of the report		
G4 - 17	List of entities included in the consolidated financial statements and those not included in the sustainability report	
G4 - 18	Description of the process for determining the content of the report	
G4 - 19	Material aspects identified	
G4 - 20	Material aspects within the organisation	
G4 - 21	Material aspects outside the organisation	
G4 - 22	Changes to information compared with the last report	
G4 - 23	Significant changes in terms of objectives and scope compared with the last report	
Stakeholder engagement		
G4 - 24	Categories and groups of stakeholders involved by the organisation	
G4 - 25	Process of identifying stakeholders	
G4 - 26	Approaches to stakeholder engagement, including frequency and types of activity	
G4 - 27	Key aspects identified by the engagement of stakeholders	
Report profile		
G4 - 28	Reporting period covered	
G4 - 29	Date of publication of the previous report	
G4 - 30	Reporting cycle	
G4 - 31	Contacts for information about the report	
G4 - 32	GRI index	
G4 - 33	Policies and practices regarding external assurance	
Governance		
G4 - 34	Governance structure	
G4 - 35	Delegation of responsibility for economic, social and environmental matters	
G4 - 37	Consultation among stakeholders and bodies with responsibility for economic, social and environmental matters	
G4 - 38	Composition of the highest governing body and its committees	Refer to the Report on corporate governance

Indicator		Page
General standard disclosure		
G4 - 37	Any executive duties of the Chairman of the highest governing body	Refer to the Report on corporate governance
G4 - 40	Selection and appointment of the members of the highest governing body and its committees	Refer to the Report on corporate governance
G4 - 41	Prevention and management of conflicts of interest within the highest governing body	Refer to the Report on corporate governance
G4 - 40	Selection and appointment of the members of the highest governing body and its committees	
G4 - 51	Consultation among stakeholders and bodies with responsibility for economic, social and environmental matters	
Ethics		
G4 - 56	Values, principles, standards and rules of behaviour of the organisation	
G4 - 58	Internal and external mechanisms for reporting conduct that violates ethical standards or principles	

Indicator		Page	Omissions
Specific standard disclosure			
Economic category			
Economic performance			
G4-DMA	General information about methods of management		
G4 - EC1	Economic value directly generated and distributed		
G4 - EC2	Economic-financial implications of climatic changes		
Market presence			
G4-DMA	General information about methods of management		
G4 - EC5	Ratio of standard salary of new recruits to the minimum local salary, analysed by gender		
G4 - EC6	Percentage of senior executives belonging to local communities		
Indirect economic effects			
G4-DMA	General information about methods of management		
G4 - EC7	Development and impact of investment in infrastructure and services		
G4 - EC8	Principal indirect economic effects		
Procurement practices			
G4-DMA	General information about methods of management		
G4 - EC9	Policies, practices and percentage of spending concentrated on local suppliers		
Environmental category			
Materials			
G4-DMA	General information about methods of management		
G4 - EN1	Materials used		
G4 - EN2	Materials used that derive from recycled materials		
Energy			
G4-DMA	General information about methods of management		
G4 - EN3	Direct consumption of energy		
G4 - EN5	Energy intensity		
G4 - EN6	Reduction of energy consumption		The process of collecting data in order to quantify the actual reductions of consumption is under development.
G4 - EN7	Reduction in the energy requirement of products and services		
Water			
G4-DMA	General information about methods of management		
G4 - EN8	Water drawn, analysed by source		

Indicator		Page	Omissions
Specific standard disclosure			
G4 - EN10	Percentage and total volume of recycled and re-used water		Information is not available for all Group factories.
Emissions			
G4-DMA	General information about methods of management		
G4 - EN15	Total direct emissions of greenhouse gases, analysed by weight (scope I)		
G4 - EN16	Total indirect emissions of greenhouse gases, analysed by weight (scope II)		
G4 - EN18	Intensity of emissions of greenhouse gases		
G4 - EN20	Emissions of substances that damage the ozone layer, analysed by weight		
Discharges and waste			
G4-DMA	General information about methods of management		
G4 - EN23	Waste disposal		
G4 - EN25	Hazardous waste		
Products and services			
G4-DMA	General information about methods of management		
G4 - EN27	Mitigation of the impact of products and services on the environment		
G4 - EN28	Percentage of products sold and related packaging that is recycled or re-used		
Compliance with laws and regulations on environmental matters			
G4-DMA	General information about methods of management		
G4 - EN29	Monetary value of significant fines and number non-monetary penalties for failure to comply with environmental regulations and laws	No significant fines or penalties for environmental matters were received during the year	
Transport			
G4-DMA	General information about methods of management		
G4 - EN30	Significant environmental impacts deriving from the transportation of products and materials		
Expenditure and investment to protect the environment			
G4-DMA	General information about methods of management		
G4 - EN31	Expenditure and investment to protect the environment, analysed by type		
Assessment of suppliers using environmental criteria			
G4-DMA	General information about methods of management		
G4 - EN32	Percentage of new suppliers assessed using environmental criteria		
Social category			
Sub-category: working practices and suitable working conditions			
Employment			
G4-DMA	General information about methods of management		
G4 - LA1	Total number of new recruits and turnover, analysed by age, gender and geographical area		Information is not available in a structured form for all the sub-divisions requested or for

Indicator		Page	Omissions
Specific standard disclosure			
			blue-collar workers. The process of data collection is under development.
G4 - LA2	Benefits envisaged for full-time workers but not for part-time and/or fixed-contract workers		
Industrial relations			
G4-DMA	General information about methods of management		
G4 - LA4	Minimum notice period for operational/organisational changes, specifying whether or not the conditions are included in the national contract	In compliance with local legislation and the contractual forms agreed with local trade union representatives	
Health and safety at work			
G4-DMA	General information about methods of management		
G4 - LA6	Rate of accidents at work, illnesses, working days lost, absenteeism and total number of deaths, analysed by geographical area and gender.		Information is not available in a structured form for all the sub-divisions requested. The process of data collection is under development.
Training and education			
G4-DMA	General information about methods of management		
G4 - LA9	Average hours of training per employee each year, analysed by gender and professional category		Information is not available in a structured form for all parts of the Group. The process of data collection is under development.
G4 - LA10	Programmes for the development of skills, career advancement and management of the final phase of careers		
G4 - LA11	Percentage of employees evaluated on performance and career development, analysed by gender and professional category		
Diversity and equal opportunity			
G4-DMA	General information about methods of management		
G4 - LA12	Composition of the governing bodies of the organisation and analysis of employees by gender, age and other indicators of diversity		
Equal remuneration for men and women			
G4-DMA	General information about methods of management		
G4 - LA13	Ratio of the basic salary of women to that of men in the same category, analysed by significant locations of operation.		
Sub-category: Human Rights			
Capital investment			
G4-DMA	General information about methods of management		
G4-HR1	Agreements and contracts that include clauses on human rights or that have been subjected to related assessments		
Assessment of suppliers using criteria related to human rights			
G4-DMA	General information about methods of management		

Indicator		Page	Omissions
Specific standard disclosure			
G4-HR10	Percentage of new suppliers assessed using criteria related to human rights		
Sub-category: Society			
Local communities			
G4-DMA	General information about methods of management		
G4 - SO1	Percentage of activities that implemented policies of engagement with the local communities, impact assessment and development programmes		
Anti-corruption			
G4-DMA	General information about methods of management		
G4 - SO4	Communications and training on anti-corruption policies and procedures		Information about training is not available in a structured form for all parts of the Group. The process of data collection is under development.
Unfair competition			
G4-DMA	General information about methods of management		
G4 - SO7	Legal actions associated with unfair competition, anti-trust and related rulings		
Compliance			
G4-DMA	General information about methods of management		
G4 - SO8	Monetary value of significant fines and total number non-monetary penalties for failure to comply with regulations and laws		
Product responsibility			
G4 - PR5	Results of customer satisfaction surveys		