

Consolidated disclosure of non-financial information
of the Group pursuant to Legislative Decree 254/2016

2017 Sustainability Report



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LETTER TO STAKEHOLDERS

In order to respond to the Decree 254/16, issued on 30 December 2016, regarding the disclosure of non-financial information, Prysmian decided to adopt its Sustainability Report as a Non-Financial Statement.

The scope of reporting of the Sustainability Report covers the Group's **plants** to which - with the exception of exclusions - approximately **80 indicators** of the international reference standard GRI - Global Reporting Initiative are applied (the exceptions are duly indicated in the text of the Report).

The data and information refer to the companies belonging to the Prysmian Group as at 31.12.2017, fully consolidated within the Annual Financial Report.

As required by Decree 254/16, the contents of the 2017 Sustainability Report have also been defined through the **analysis of materiality**, which provides an aggregated view of the relevance of the issues for the Group and its stakeholders. This year's Prysmian materiality matrix includes among the issues of primary importance: ethics and integrity, waste production and recycling, human and worker rights, technological development and eco-design innovation.

In 2017, Prysmian implemented a specific **Sustainability Plan** consisting of priorities, objectives and concrete actions aimed at meeting the 16 quantitative KPIs that make up the Group's **Scorecard** by 2020. Furthermore, in 2017 the Group confirmed its position in the main **international sustainability indices and assessments**, including FTSE4Good, Dow Jones Sustainability Index (DJSI) and CDP.

The identification and analysis of **risks** linked to environmental and social impacts has an increasingly important role within the Group, which, in 2017, identified some sustainability risks to which Prysmian appears to be consistently exposed through its business model. During the year, strategies and key activities were undertaken to mitigate these risks, which are constantly monitored by the company departments involved and which guarantee an adequate internal control and management system.

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

The **Multi-Stakeholder Engagement** project started in 2014 is part of dialogue with stakeholders on sustainability issues, aimed at strengthening trust relationships based on the principles of transparency, openness and dialogue. The fourth Multi-Stakeholder Engagement event took place in 2017 in Delft (Holland), in one of the Group's centres of production excellence. Prysmian promotes a business model based on the concept of shared value through a strategic approach that considers as key elements listening to and the active involvement of all the Group's stakeholders, constant attention to the evolution of the global industry context, as well as the ability to think about the future with a view to responsibility towards the environment and society.

In terms of **economic and financial responsibility**, the Prysmian Group continues to pursue with success the YES (Your Employee Shares) shareholding program, the share purchasing plan at favourable conditions for its employees. To date, the YES program has proved to be a real success, welcomed by more than 7,400 employees: approximately 53% of the corporate population that is entitled to do so became a shareholder, strengthening the internal perception of the Prysmian Group as 'One Company'.

The **"human capital strategy"**, launched in 2015 with the aim of supporting the business strategy and the company's growth towards 2020, has guided the development of specific

initiatives in relation to human resources. The Group's human capital strategy is based on pillars such as: international global recruiting campaigns, enhancement of internal resources within the company, training programs and initiatives, as well as initiatives to enhance diversity.

The **development of innovative products** also continued in 2017 in all the market segments in which the Group operates. Prysmian has carried out research in the field of submarine cables that can be installed at significant depths (up to 3,000 meters), has developed the "Lead Less" technology for the production of metallic sheaths without the use of lead, and has also produced a new prototype for 525 kV HVDC cable systems with P-Laser technology - which allows the creation of recyclable and eco-sustainable cables - capable of guaranteeing a higher carrying capacity. In the Telecom segment, the Flextube optical cable reached a further record thanks to its 3,456 fibres, which reduce the impact of civil works during installation. In the Oil & Gas sector, the Group added a new technology in umbilical cables called "Steel Tube" for dynamic applications in 2017.

In 2017, the path followed in the past few years for sustainable management of **its supply chain** continued with the aim of improving flexibility, reliability and the time-to-market. Implementation of the "factory reliability" concept has improved the quality of our planning and supply processes with regard to the control of volumes and stock levels. During the year, sustainability audits were carried out at the Group's main suppliers, self-assessment questionnaires for 100% of Base Metal suppliers, and Desk Analysis activities to assess the Group's main strategic suppliers based on sustainability criteria. The Conflict Mineral policy was also launched with the aim of guaranteeing a sustainable supply chain to the Group's customers and the launch of the Drum Tracking initiative for the geo-localisation of drums in order to increase the quantities of reused drums (currently equal to about 50% of the total).

Furthermore, the Group has maintained a high **focus on the impact of its activities on the environment**. Monitoring of significant variables and indicators to verify the effectiveness of health, safety and environmental performance has been intensified, such as compliance with health and safety at work standards, energy consumption, waste management, use of water resources and emissions of greenhouse gases into the atmosphere. In 2017, around EUR 10 million was invested in health, safety and the environment, and numerous initiatives were implemented at global and local level to improve the Group's performance in the HSE area, such as the tool used to calculate some important environmental parameters with respect to cable production, including the Carbon Footprint and recyclability of the product at the end of its service life. The Group increased the number of ISO14001 and OHSAS 18001 certified production sites during the year, bringing the coverage to 94% and 78% respectively.

Valerio Battista - Chief Executive Officer

HIGHLIGHTS

KPI	2016	2017	Delta
Total revenues	€ 7,567 million	€7,901 million	4.4%
Economic value generated	€7,480 million	€7,866 million	5.2%
Capital investment	€233 million	€257 million	+10.3%
Investments in Research, Development and Innovation	€83 million	€84 million	+1.2%
Investments in HSE	€8 million	€10 million	+25.0%
Entitled employees participating in the YES programme	44%	53%	+9.0%
ISO 14001 certified production sites	91%	94%	+3.0%
OHSAS 18001 certified production sites	73%	78%	+5.0%
CO ₂ -equivalent emissions	684 kt	649 kt	-5.0%
Waste disposed	91 kt	97 kt	+6.3%
Hazardous waste	9,946 kg	9,820 kg	-1.3%

PRYSMIAN GROUP

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

The Prysmian Group, with headquarters in Milan, Via Chiese 6, is a world leader in the supply of cables and systems for energy and telecommunications. With almost 140 years of experience, sales of more than EUR 7.9 billion in 2017, 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 broad-based commercial presence and 17 R&D centres in Europe, the United States, South America and China, staffed by over 500 experienced professionals.

At the end of 2017, the Prysmian Group announced that it has entered into a merger agreement that provides for the purchase by Prysmian of 100% of General Cable shares, marking a milestone in the Group's history and a strategic and unique opportunity for the creation of value for its shareholders. Based on the aggregate pro-forma results for the twelve months ending at September 30, 2017, the combined group would generate revenues of over EUR 11 billion and adjusted EBITDA of approximately EUR 930 million. The combined group will be present in over 50 countries with around 31,000 employees.

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 in 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 carries out important underwater power interconnection projects on behalf of utilities and grid operators, such as the Western HVDC Link record project in the United Kingdom, which boasts a number of industrial records in terms of voltage reached (600 kV), highest class for an insulated cable ever installed in the world (2200 MW) and distance (over 400 km). In 2017, the Group launched the **IFA2** project, a 320 kV submarine cable system between France and Great Britain, capable of transmitting up to 1000 MW, which will contribute to the creation of an increasingly interconnected European energy network. 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 a world leader in submarine links for offshore wind farms. In addition to having participated in major European projects in recent years, Prysmian will contribute to creating, for the first time in France, the connections of three offshore wind farms with the national network, making it possible to transmit renewable energy to thousands of companies and homes.

In terms of **terrestrial infrastructure**, the Group has helped to build electricity grids in some of the world's largest cities, including New York, Buenos Aires, London, St. Petersburg, Hong Kong and Sydney. Prysmian is also leading a consortium of 7 firms in the creation of a new HVDC "Piedmont-Savoy" 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 field of production and distribution of energy from renewable sources, the Prysmian group has contributed to some 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. Between the end of 2017 and the beginning of 2018, the Group was awarded the contract for the construction of a cable system that will connect the Kincardine offshore wind farm to the British hinterland, marking the entry of Prysmian into this emerging sector. The Group has also signed up to research and development projects such as Energy Observer, the first catamaran fully powered from renewable sources and Solar Impulse 2, a special solar-powered aircraft, which are circumnavigating the globe to demonstrate that power from renewable sources is a reality today.

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. The new Louvre Abu Dhabi Museum was added in 2017, where 500 km of fire resistant FP cables were installed, to ensure the safety of visitors and the protection of works of art. In Milan, Prysmian Group cable solutions helped to enhance the security of Isozaki Tower, the skyscraper built by the famous Japanese architect, inaugurated in 2017 in the futuristic City Life district.

In 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 the one recently inaugurated in Shanghai. Three million passengers travel on the London Underground each day, using 400 km of tunnels cabled with 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 optical fibres and the innovation applied to cables allow the Group to face the most difficult and ambitious challenges, such as the realisation of the FlexTube® underwater cable with the highest density of optical fibres (1,728), which was installed in 2017 in Hong Kong to increase the broadband connection. A real world record in technologies for broadband telecommunications networks.

The Group has also 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 an ultra-broadband network that will connect 93% of the country's residential and commercial buildings. In the United States, Prysmian will support the telephone operator Verizon Communications in the "Onefiber" project which, with 17 million kilometres of fibre optic cables, will facilitate the digital transformation of the IoT thanks to the development of 5G services.

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 fleet of cable-laying ships Giulio Verne (one of the world's largest and most technologically advanced), Cable Enterprise and Ulisse. Prysmian also offers advanced services for the construction of submarine links between offshore wind farms and land, intended for the production and distribution of energy, ranging from project management to the installation of cables. 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 needs: 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 the Down-hole Technology, SURF and Core Cables product ranges 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.

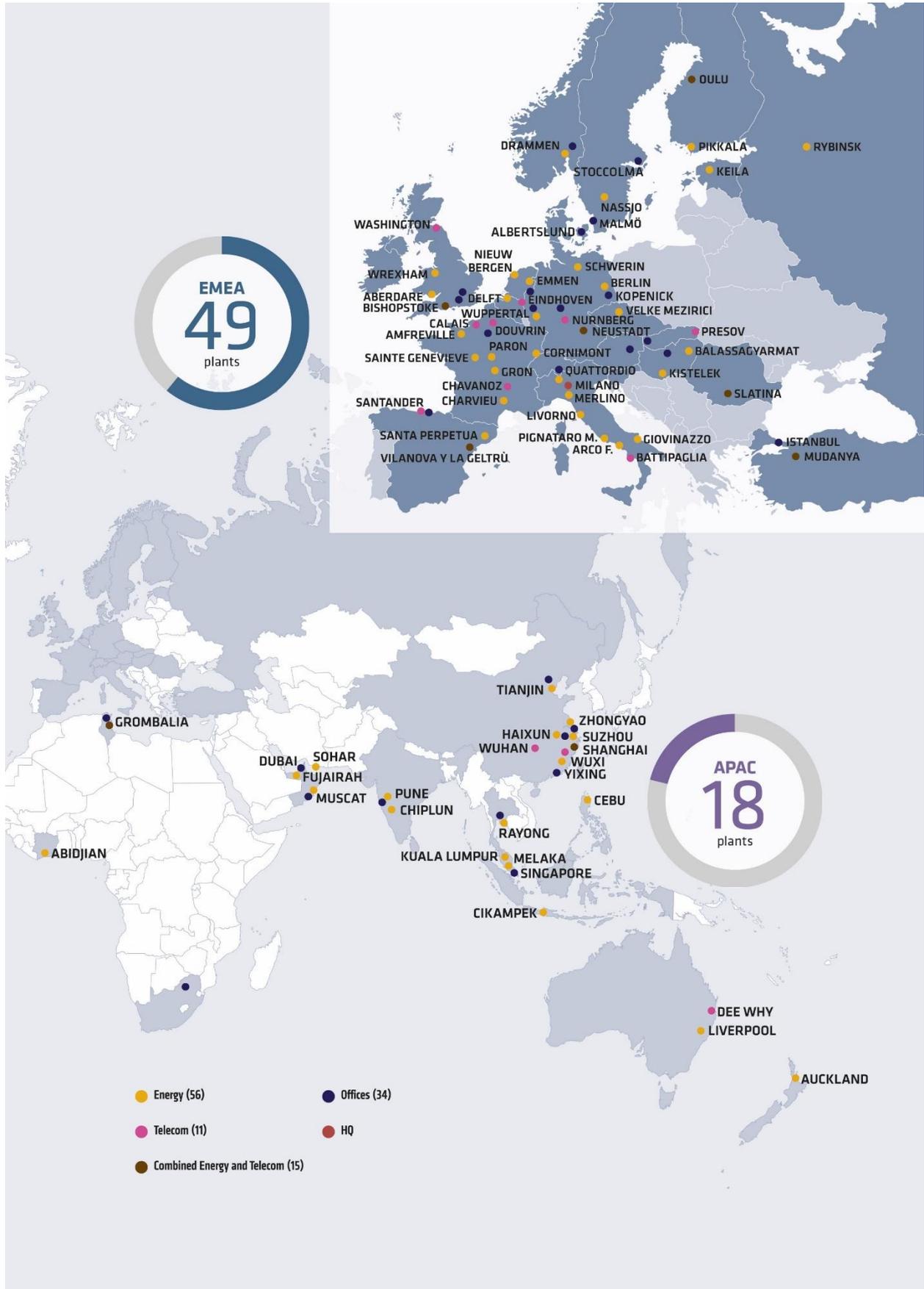
The Prysmian Group also produces a wide range of copper cables for buried and overhead cabling, as well as for residential and commercial buildings. The product portfolio includes cables of varying capacity, such as xDSL cables for broadband work and those designed for high transmission, low interference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

GLOBAL PRESENCE¹



¹ The above geographical representation includes plants belonging to companies not consolidated line-by-line.



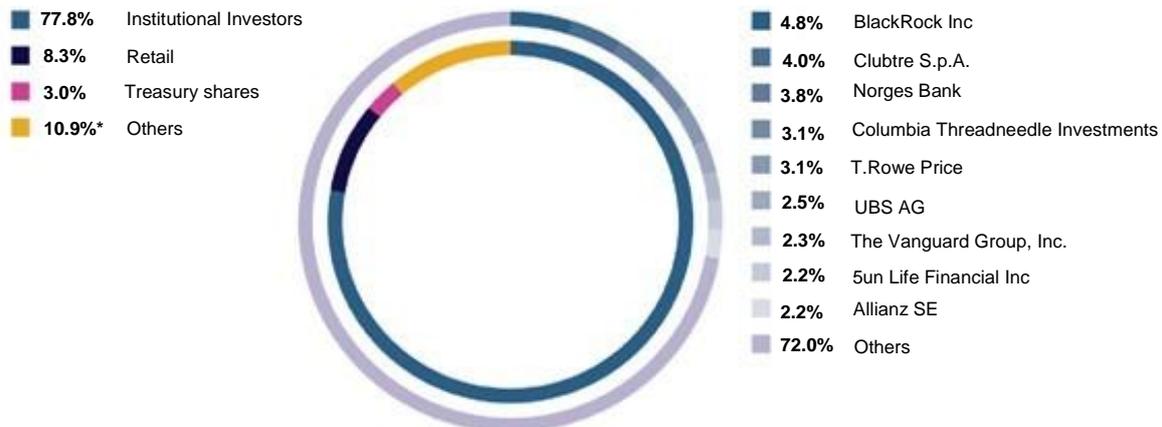
SHAREHOLDERS AND INVESTOR RELATIONS ACTIVITIES

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

The listing of Prysmian ordinary shares on the stock market, resulting from the sale of 46% of the shares held by the Goldman Sachs Group Inc., took place on 3 May 2007 at a price of EUR 15.0 per share, corresponding to EUR 2.7 billion. Euro of capitalisation. Following the listing, the Goldman Sachs Group Inc. progressively reduced its stake in the company, of which it had acquired control in July 2005, by placing with institutional investors and selected investors the remaining 54% of the shares in different stages: i) approx. 22% in November 2007, ii) approx. 14% in November 2009, iii) approx. 17% in March 2010. During this latter stage, the CEO of Prysmian, Valerio Battista, announced that he had purchased 1,500,000 shares, equal to about 0.8% of the share capital, bringing his total shareholding to 1.2%, a share that in the following years has been further increased to around 1.5% of the capital. All the shares in circulation as of 31 December 2017 are floating shares, with major shareholdings (in excess of 3%) accounting for around 19% 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.

As of 31 December 2017, the share capital of Prysmian S.p.A. amounts to Euro 21,748,275.40, represented by 217,482,754 ordinary shares with a nominal value of Euro 0.1 each. The ownership structure at that date is indicated below.

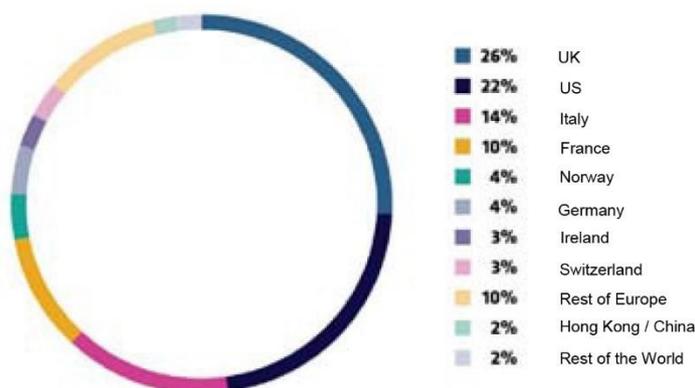
SHARE OWNERSHIP BY TYPE AND SIGNIFICANT SHAREHOLDERS



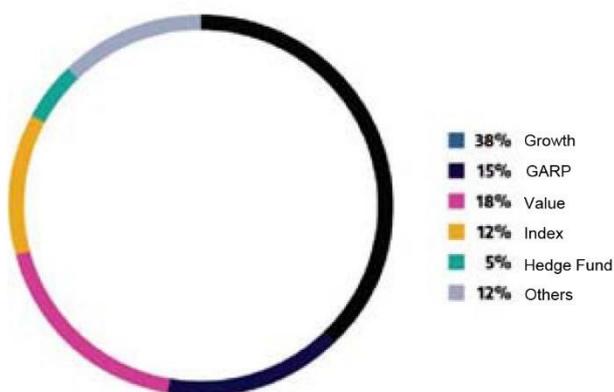
Mainly comprises shares held by non-institutional investors and by third-party holders of shares for trading purposes.

Source: Nasdaq OMX, December 2017 (Shareholding by type); Nasdaq IR public source; Annex A - Form 120A published on 17/01/2018; Annex A - Form 120A published on 29/01/2018.

INSTITUTIONAL INVESTORS BY GEOGRAPHICAL AREA



INSTITUTIONAL INVESTORS BY INVESTMENT STYLE



Source: Nasdaq OMX, December 2017

Analysis of share ownership by geographical area shows the predominance of the United Kingdom, with 26% of capital held by institutional investors following a rise since 2016, followed by the United States at 22%, a decrease since 2016. Italy represented about 14% of capital held by institutional investors, a slight decrease since 2016, while France increased slightly to 10%. The weighting of Asian investors remains largely stable.

About 71% of the capital held by institutional investors is owned by Value, Growth or GARP investment funds that have a medium/long-term time horizon. Stable with respect to 2016, there has been a decrease in the number of shareholders adopting an Index investment strategy, based on the principal stock indices, while the Hedge Fund component - with a shorter time horizon - has now increased to reach 5% of the total.

Clubtre S.p.A., the Group's historic shareholder after the exit of Goldman Sachs, reduced its stake to 4.01% following the sale of 4 million shares through an Accelerated Bookbuilding process on 18 January 2017. A statement made by Tamburi Investment Partners, a member of Clubtre S.p.A. with a stake of 43.28%, said that this transaction represents a partial realisation of the investment made in 2010, and that it will maintain a significant shareholding in Prysmian through Clubtre.

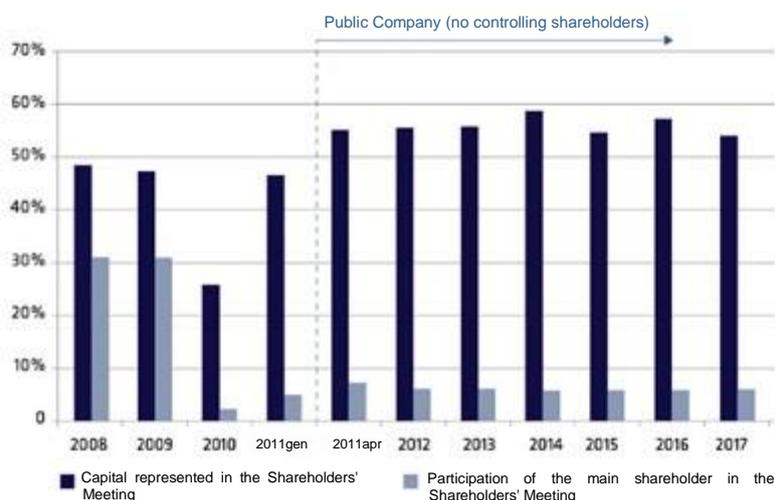
THE SHAREHOLDER'S MEETING

The shareholders' meeting saw the participation of over 54% of the share capital, with over 1,700 participating shareholders, either directly or by proxy.

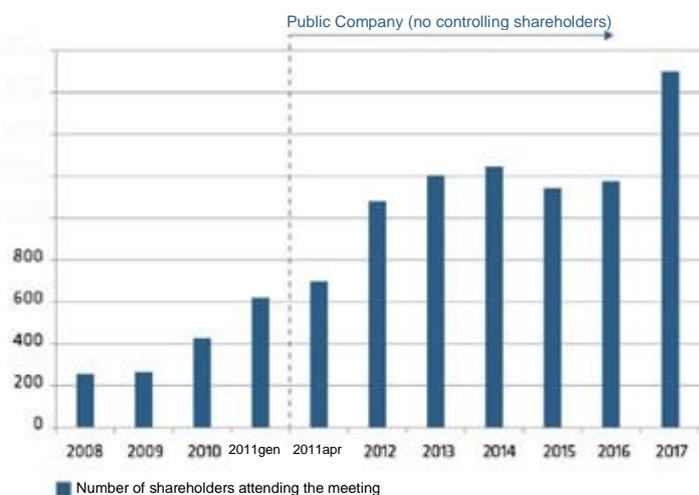
On 12 April 2017 the Shareholders' Meeting of Prysmian SpA was held in single call, convened to discuss several items on the agenda: in the ordinary session, the approval of the 2016 financial statements, the allocation of exercise and distribution of dividends, authorisation to purchase and dispose of treasury shares and consultation on remuneration policies; in the extraordinary part, it decided on the authorisation to convertibility of the equity linked bond loan, approved on 11 January 2017 with a nominal value of EUR 500,000,000.00. The Shareholders' Meeting, which saw the participation of over seventeen hundred members, directly or by proxy, representing over 54% of the share capital, approved, with a large majority (over 95%), all the items on the agenda.

The Shareholders' Meeting also approved the distribution of a dividend of EUR 0.43 per share, in line with the dividend distributed during the previous year. The dividend payment took place on 26 April 2017, for a total amount of approximately EUR 91 million.

SHAREHOLDERS' MEETING: REPRESENTED CAPITAL



SHAREHOLDERS' MEETING: NUMBER OF PARTICIPANTS PRESENT OR REPRESENTED



2018 FINANCIAL CALENDAR

27 February 2018	Approval of the draft financial statements and consolidated financial statements as of 31 December 2017
12 April 2018	Shareholders' Meeting for approval of the Annual Report as of 31 December 2017
10 May 2018	Approval of the quarterly financial report as of 31 March 2018
25 July 2018	Approval of the half-year financial report as of 30 June 2018
08 November 2018	Approval of the quarterly financial report as of 30 September 2018

INVESTOR RELATIONS ACTIVITIES

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 2017, with more than 400 meetings with institutional investors at the Company's offices, whether in the form of conference calls or one-on-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. Prysmian stock is now tracked regularly by 23 independent offices: Banca Akros, Banca Aletti, Banca IMI, Banca Profilo, Barclays Capital, Berenberg, BofA Merrill Lynch, Citi, Credit Suisse, Equita, Espirito Santo, Exane BNP Paribas, Fidentiis, Goldman Sachs, Hammer Partners, HSBC, Intermonte, JP Morgan, Kepler Cheuvreux, Mediobanca, Morgan Stanley, Natixis, UBS.

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.

HISTORY

In its 140 years of history and experience in the sector, the Prysmian Group boasts a long tradition, accompanied by a constant focus on evolution and innovation. The history of Prysmian traces the history of the entire cable industry, marked by numerous important milestones that have helped to consolidate our reputation as a pioneer in the sector, always pursuing the main objective of meeting the needs of our customers.

1900 - THE FIRST INTERNATIONAL PROJECTS

Pirelli Cavi, part of the Italian Pirelli Group, which, about a century later, will take the name Prysmian, quickly reaches an international dimension, thanks to its involvement in crucial projects such as the laying of 5,150 km of transatlantic telegraph cable for communication between Italy and South America (1925), the laying of submarine cables for the Interurban Telephone Network between Italy and Brazil and the connection between Brazil and North Africa.

1910 - DRAKA IS BORN

The year the Hollandsche Draad en Kabelfabrieken was founded, which later became Draka.

1900-1950 - THE EXPANSION

Between 1910 and 1950, the company stands out for its unstoppable growth, linked to the constant expansion of the product range and the inauguration of new production facilities in strategic markets such as Spain, the United Kingdom, North America, Argentina and Brazil.

1970 - PHILIPS CHOOSES DRAKA

This year marks one of the milestones in the history of Draka: the company is acquired by the Dutch multinational Koninklijke Philips Electronics N.V., known as Philips, and joins the Wires and Cables division.

1990-2000 - ACQUISITION CAMPAIGNS

The 90s saw Prysmian and Draka advancing at an increasingly sustained pace. To expand their commercial and industrial activities, both companies start acquisition campaigns, followed by major restructuring processes.

2005 - PRYSMIAN IS BORN

Pirelli Cavi is sold by the Pirelli Group and Prysmian is founded.

2007 - PRYSMIAN JOINS THE STOCK EXCHANGE

Prysmian is listed on the FTSE MIB index, with shares listed on the Blue Chips segment of the Milan Stock Exchange.

2010 - FROM LISTED COMPANY TO PUBLIC COMPANY

Prysmian becomes a public company, listed on the Italian Stock Exchange as part of the FTSE MIB index. In the absence of a controlling shareholder, Prysmian is managed according to principles of transparency, focusing on its ability to gain and deserve the trust of stakeholders every day. 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 PRYSMIAN GROUP IS BORN

The Prysmian Group is born from the merger of Prysmian and Draka: two commercial brands, a single Group that, integrating the strengths of both companies, becomes a world leader in the sector of cables for energy and telecommunication systems. Today it boasts the widest range of products, services and technologies and the largest geographical coverage on the market.

2016 - THE NEW HEADQUARTERS

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

2017 - PRYSMIAN SIGNS THE AGREEMENT FOR THE PURCHASE OF GENERAL CABLE

At the end of 2017, Prysmian Group announces that it has entered into a merger agreement that provides for the purchase of 100% of General Cable shares, marking a milestone in the Group's history.

VISION, MISSION, VALUES

The vision, mission and values of Prysmian constitute the fundamental principles underlying how the Group operates.

These elements contain and express the general orientation of our activity and are shared within the whole Group.

VISION

Energy and information contribute to the development of communities around the world. For this reason, it is very important to make sure they are always available, effectively and efficiently, and under the sign of sustainability.

Every day, Prysmian has the opportunity to give shape to the imagination through a series of concrete actions, starting from the small daily gestures that, put together over time, lead to the achievement of important goals.

MISSION

High quality, cutting-edge technology, constant production excellence over time, and the promotion of sustainable growth and profit are the distinctive characteristics of Prysmian.

Thanks to a well-established reputation in terms of performance and innovation, the Group is able to foster profits and sustainable growth.

The main objective is to be chosen by our customers for reliability and transparency in relationships. This is why we attach great importance to our values. Our working methods and our approach are a tangible sign of the passion and expertise we put into everything we do.

GROUP VALUES

Excellence. Aim and want only the best, thanks to a rigorous approach and a strong entrepreneurial spirit to always be able to offer complete and innovative solutions.

Integrity. Correctness and transparency are the basis of all the Group's relations and the way the Group operates.

Understanding. Respect for different opinions and ideas and the attention to the needs of all the stakeholders are constant within the Group.

INTERNATIONAL AWARDS AND RECOGNITION

A YEAR OF AWARDS AND RECOGNITION

During the year, the Group reported a significant improvement in the assessment of the **Dow Jones Sustainability Index (DJSI)**, one of the most prestigious global sustainability indexes that produces the financial performance assessment of about 2,500 companies globally. The company was ranked third in the "Electrical Components & Equipment" sector of the review of the Swiss sustainability rating agency RobecoSAM, which since 1999 has been carrying out the annual assessment of companies listed on the major global stock exchanges, selected on the basis of the best results achieved within their industries and subsequently included in the DJSI. Prysmian has also obtained the inclusion in the RobecoSAM Silver Class (companies whose score falls between 1% and 5% of the best scores in the reference sector) and has been named Industry Mover (a company that, within its sector, has had a proportional increase greater than the previous year) for the ELQ sector.

The Prysmian Group's attention to environmental sustainability is also reflected in the Group's performance in the **CDP** Climate Change Report 2017, in whose Italian edition Prysmian is

part of the elite of companies that have publicly reported their environmental information as part of the "Climate Change" program. The Group, included in the "Industrials" segment, obtained the B classification (on a scale of 8 values from A to D), confirming its commitment to reducing greenhouse gas emissions, in line with the objectives established by the COP21 of Paris, and to reducing its environmental impact. Moreover, Prysmian, at the request of its international customers, also responded to the Supply Chain program of CDP, both for the Climate Change theme and, for the first time this year, for the Water theme.

Also this year, Prysmian decided to participate in the **EcoVadis** survey, a platform recognised worldwide, in which the main international players invite their suppliers to answer a questionnaire on sustainability issues in order to evaluate their environmental and social performance. In 2017, following the implementation and approval of further sustainability policies and activities, Prysmian improved its position obtaining a score of 70/100, rising from the Silver level, obtained in 2016 with a score of 58/100, to the Gold level, ranked within the 1% of the best suppliers evaluated by EcoVadis.

In 2017, the Group confirmed its inclusion in the **FTSE4Good**, the 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 social matters, such as health and safety, human rights and the supply chain.

Prysmian improved its score in the **Standard Ethics** index in 2017, increasing its rating from EE (2016) to EE +, thus ensuring its inclusion in the European Standard Best Practice 30 Best in Class index (composed of European companies with a rating above EE +).

In 2017, Prysmian confirmed for the second year its inclusion in the prestigious **Carbon Clean 200** report, as the only Italian firm present and ranked fifty-eighth. 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.

For the third consecutive year, Prysmian returns to the Top 10 of the **Comprend Webranking 2017 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. The Group also participated in the 7th CSR Online Award, the first European research promoted by Lundquist that analyses how companies communicate their sustainability and involve their stakeholders on sustainability issues on their digital properties, gaining 25 positions compared to the previous edition and ranking in 18th place.

During the year, the Group was awarded by BBS (Biblioteca Bilancio Sociale) the first and most important social communication disclosure centre present in Italy, a Special Mention for the company's commitment to communication and dissemination of its values to its stakeholders. Prysmian has been rewarded for its sustainability and activities promoting the involvement of the Group's stakeholders, and above all for the multi stakeholder engagement activities that the company conducts annually to map and classify sustainability issues relevant to the group and its stakeholders.

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: launched in 2009 with the aim of studying the feasibility of an electrical connection, through the Mediterranean, between Europe and the solar and wind parks of 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.

Wind Europe: European organisation that actively promotes wind energy throughout the old continent and across the world. The more than 450 members of Wind Europe, active in over 40 countries, represent the major players in the wind industry, such as wind turbine manufacturers, component suppliers, research institutes, national wind and renewable associations, developers, contractors, electric power suppliers, finance and insurance companies.

THE "PRYSMIAN GROUP" BRAND: A STRATEGIC ASSET OF VALUE CREATION

The "Prysmian Group" brand represents an important **lever of value creation** and the **pillar of the Company's multibrand strategy**. A strategy that includes, in addition to "Prysmian Group", the presence of the commercial brands "Prysmian" and "Draka", two of the strongest and most respected industrial brands in the *industry*, with highly complementary products and services able to satisfy the requests of customers all over the world, always respecting the most rigorous quality and environmental sustainability standards.

In 2017 the Company further invested in the enhancement and communication activities of its brand portfolio focusing, in particular, on the "Prysmian Group" corporate brand, with the aim of strengthening its position as leader and aggregator within the *industry*, and its reputation as "technology enabler" and "best talent engager".

This commitment has been translated into a structured activity plan that has been developed on the main international marketing and communication channels and platforms.

EXHIBITIONS AND SPONSORSHIPS

In 2017 the Group **took part in the most important international trade fairs and exhibitions** - over 80 - during which it presented new products, innovations and projects. Among the most prestigious fairs are: Middle East Electricity, SGT Europe, Asansor International Lift Exhibition, GASTECH, Hannover Messe, OTC - Offshore Technology Conference, Wind Energy Offshore, Wind Energy Conference & Exhibition, in the energy sector; FTTH Council Europe Conference, OFC Conference, ANGA COM, Breko, Optix East Africa, FTTH Council MENA Conference, in the telecommunications sector.

Prysmian's customer centricity approach is at the base of the numerous events organised with the main customers during the year. Among these are: the "Pryvilege club", which involved the main Trade and Installers customers worldwide; the collateral events organised during the various trade fairs, such as the Middle East Electricity Technical Seminars, focused on the Group's most innovative products and those held during the Offshore Wind Energy Exhibition, dedicated to new trends and technologies for the renewable energy market, which involved over 50 customers and investors.

One of the main **sponsorship activities** carried out in 2017 is the partnership with "Energy Observer", the world's first catamaran powered exclusively by renewable sources, engaged in the circumnavigation of the globe for a period of 6 years.

DIGITAL COMMUNICATION

During the year, Prysmian **strengthened its brand presence on the main digital communication channels** through: the **launch of the new corporate website** www.prysmiangroup.com, which ranked among the top 10 Italian webpages and in the top 20 of the European webpages according to the 2017 Webranking, recording an increase in visits of 34%; the launch of the **new local webpages** - over 30 - which recorded an overall increase in visits of 15%; communication initiatives on Group **social networks** that have enabled Prysmian to acquire new followers: Facebook (+ 26.4% vs 2016); Twitter (+ 22.9% vs 2016); (LinkedIn (+ 82.6% vs 2016); YouTube (+ 35.8% vs 2016); the development of **special projects**, such as the www.fibramadeinitaly.it page dedicated to the world of telecommunications and optical fibres and the mini-sites of corporate magazines "Insight" and "Nexst".

Through these digital platforms, Prysmian has enhanced its main assets and supported all the Group's businesses, communicating the results obtained at international and local level. The success of the campaign on the new European directive **CPR** (Construction Product Regulation), to which the Company has dedicated a communication campaign on all its digital

properties at the international level, demonstrates, once again, Prysmian's leadership and its ability to promote *best practices* within the industry.

EMPLOYER BRANDING & INTERNAL COMMUNICATION

In addition, digital channels were the main dissemination tool of "**Embrace the Blue**", the new Employer Branding campaign through which Prysmian communicated its Brand Essence to the best talents in the world: the "Blue" Prysmian, in fact, is synonymous with cutting-edge technology, innovation, digitalisation, smart energies, productive excellence, sustainable growth. In 2017, with the help of the recruiting programs, Prysmian Group attracted over 60,000 talents: about 45,000 with the "Build the Future" Graduate Program, about 10,000 with "Make It" and over 10,000 with "Sell It".

In addition, targeted communication campaigns have been developed for the various categories of Group employees on welfare and human capital training initiatives, with particular attention to aspects linked to the values of Diversity and Integrity. For details on the projects carried out, refer to the chapter "Responsibility towards people".

CORPORATE COMMUNICATION

Furthermore, the commitment to brand enhancement on the main traditional communication channels, both external and internal, continued. During the year, more than **50 press releases were circulated** and **public relations activities** continued to consolidate relations with international media, generalists and specialists alike, and **public affairs** to strengthen the Group's positioning with respect to the main institutional stakeholders, also through participation in the most prestigious events and round tables, including: FT / ETNO Summit, European Digital Assembly, Telco for Italy. Furthermore, Prysmian Group is a member of Europacable, the leading European association of companies operating in the sector.

In 2017, Prysmian **published and distributed, offline and online, corporate communication tools**: the magazines "Insight" and "Nexst" and the "Yearly Overview", which aim to provide the Group's stakeholders with the *highlights* of results and *best practices* achieved during the year.

SUSTAINABILITY

In 2017, Prysmian gave broad visibility to sustainability issues through targeted communication activities and campaigns, communication tools such as the "Sustainability Yearly Overview" and the linked website, and the events of Pikkala (February 2017), and Delft (November 2017), dedicated to a selected panel of stakeholders.

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 strategic objectives and creating sustainable value over the long term. The system must ensure that governance is **effective**, with respect for 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.

Similarly, the Prysmian Group maintains its own Corporate Governance system, aligned constantly with the relevant recommendations and regulations, and complying 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.

Also in 2017, Prysmian undertook various initiatives aimed at implementing the recommendations indicated in the Code of Self-Regulation², to which Prysmian adhered.

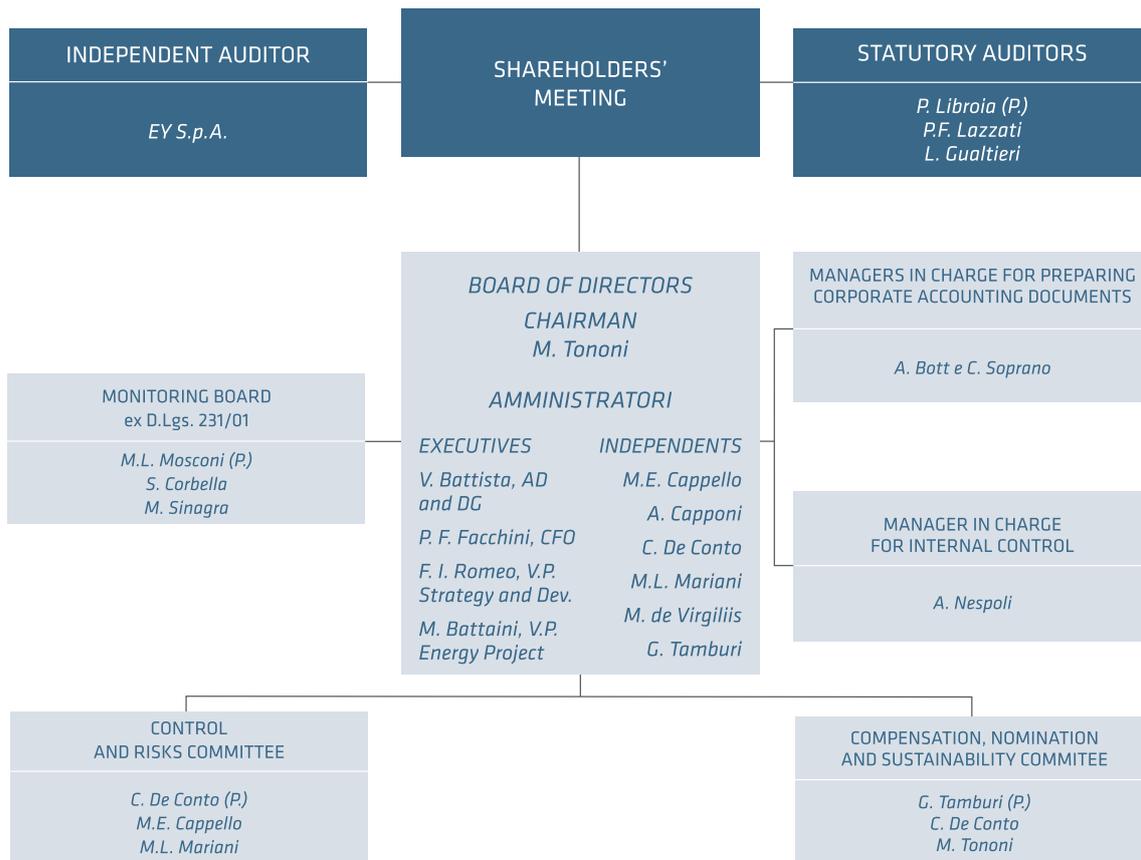
CORPORATE GOVERNANCE STRUCTURE

Corporate governance at Prysmian 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 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.

The following is a summary of the Corporate Governance structure adopted by the company, and describes its main characteristics.

² The Code of Corporate Governance for Listed Companies - ed. July 2015 - approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria

GOVERNANCE STRUCTURE



In compliance with art. 14 of the Articles of Association, the Company is currently managed 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 and 6 are independent.

Among the directors, eight are men and three are women, three are aged between 30 and 50 and eight are over 50 years of age.

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. Six of the non-executive directors are independent pursuant either to art. 148, para. 3, of Decree 58 dated 24 February 1998 (T.U.F. - Consolidated Finance Law) or to the 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 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, Appointments and Sustainability 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.

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.

Subsequently, on 4 April 2017, a Compliance director was appointed - reporting directly to the Compliance & Internal Audit Officer - with the task of dealing with, promoting, developing and implementing the training policies and programs referred to in the Audit and Compliance plan (e.g., anti-corruption, antitrust, trade compliance and privacy)

The Group decided to maintain a separate Internal Audit organisation, which reports hierarchically and functionally to the *Compliance & Internal Audit Officer*. With the inclusion of 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.

GOVERNANCE AND SUSTAINABILITY

In accordance with the principles established by the Code of Corporate Governance for Listed Companies and Consob recommendations, as well as inspired by international best practices, as from 1 January 2016, the Group's Board of Directors has entrusted the task of overseeing the related sustainability issues linked to the exercise of the Group's activities and its interaction dynamics to all the stakeholders in the Compensation and Appointments Committee, which has become the Compensation, Appointments and Sustainability Committee.

The Committee is responsible for:

- Monitoring the company's positioning on the main sustainability indices;
- Providing advice on the main sustainability initiatives developed by the Group;
- Approving the annual Sustainability Report before the Board of Directors.

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

- Promoting a culture of sustainability within all company activities;

- Defining and / or evaluating the implementation of projects or programs aimed at improving the sustainability agenda;
- Monitoring the objectives of the Group Sustainability Policy, the progress with respect to the "Sustainability Scorecard" and the progress of the actions to ensure compliance with the Group's policies and developing an ever growing internal responsibility towards results linked to areas of sustainability;
- Supervising all ongoing initiatives that have an impact, current and potential, on the performance of economic, social and environmental sustainability;
- Ensuring effective communication of the commitment and results achieved in the field of sustainability;
- Supporting initiatives to protect diversity and inclusion both internally and externally.

Within its mission, the *Sustainability Steering Committee* meets periodically to discuss strategic sustainability priorities, the progress of the action plan and its implementation.

The *Corporate and Business Communications* department is responsible for coordinating all activities related to the Group's sustainability reporting, both in terms of process and of content, mapping the Group's stakeholders and monitoring their expectations through stakeholder engagement activities, as well as guaranteeing transparent and constant communication both with the external and the internal stakeholders.

The strategic lines of sustainability are defined and promoted at the corporate level, and then integrated into local policies and all daily activities.

SUSTAINABILITY WITHIN PRYSMIAN



AN INTEGRATED STRATEGY

Sustainability plays a central role for the Prysmian Group, committed to promoting a business model that integrates economic, social and environmental responsibility in all aspects and activities of the Group.

Through a strategic approach that considers as key elements the listening and active involvement of all the Group's stakeholders, internal and external, constant attention to the evolution of the global and industry context, as well as the ability to think about the future with a view to responsibility towards the environment and society, Prysmian promotes a business model based on the concept of shared value.

The strength of this approach is the constant monitoring of the Group's sustainability performance along the entire value chain, with the aim not only of assessing performance ex post, but also of developing a proactive attitude in decision-making processes, able to anticipate and seize the new opportunities.

In order to guarantee a strong commitment both inside and outside the Group, in 2016 the Group's **sustainability strategy** was defined to include:

- Strategic priorities concerning sustainability;
- The related medium-long term targets (to 2020);
- A set of qualitative-quantitative performance indicators aimed at constantly monitoring the progress of the Group's sustainability;
- A set of actions that are updated annually based on the results achieved.

The sustainability strategy is the result of an analysis that considered the context both externally, through the identification of the main trends in the global and sector context, and internally, i.e., the priorities expressed by the Remuneration, Appointment and Sustainability Committee of the Board of Directors.

The mapping of sustainability priorities for Prysmian has therefore considered the global priorities for sustainable development defined by the 17 UN **Sustainable Development Goals** 2030 (SDGs), the requests coming from the main **International Sustainability Indexes** (Dow Jones Sustainability Index, FTSE4GOOD, CDP, Bloomberg ESG, etc.) and **needs and expectations of the Group's stakeholders**, mapped every year also through stakeholder engagement initiatives carried out by the Group.

The analysis of the above has allowed the Group to establish its strategic priorities, its targets and the actions necessary to achieve its defined sustainability objectives by 2020.

Specifically, Prysmian has selected the five SDGs outlined below to which it expects to be able to contribute the most, and translated them into a Sustainability Plan consisting of priorities, targets and actions that are consistent with our business and corporate values. With these assumptions, the Group has developed its own "Scorecard" as follows.

INDEXES AND ASSESSMENT MONITORED BY THE GROUP

INDEXES	DESCRIPTION
DJSI	The DJSI is based on an analysis of the Group's economic, environmental and social performance.
CDP	The CDP is the most recognised NGO in the world for the assessment of transparency in disclosure by companies of climate change information.
Standard Ethics	The Standard Ethics Italian Index is an open-free stock market index with a focus on governance and sustainability

INDEXES	DESCRIPTION
FTSE4Good	The FTSE4Good Index series are equity indexes launched in 2001 by the FTSE Group to measure the performance of companies that demonstrate strong Environmental, Social and Governance (ESG) practices.
STOXX Global ESG Leaders Index	The Stoxx ESG indexes are a new group of indexes. Their ratings are based on specific environmental, social and governance performance indicators in addition to overall sustainability performance.
Ecovadis	EcoVadis is a platform that allows companies to monitor the sustainability performance of their suppliers through an assessment
ESG Bloomberg	Bloomberg collects Environmental, Social and Governance data from corporate public communications. Bloomberg ESG Disclosure Scores evaluates companies on the basis of their disclosure of ESG data, in consideration of the relevant industries.
Carbon Clean 200	Carbon Clean 200 (Clean200™), which includes the 200 largest companies in the world, classified according to their total revenues related to clean energy.

STRATEGIC APPROACH THROUGH THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)



 <p>- Facilitate the deployment of accessible energy and innovation in telecommunications and infrastructure</p> <ul style="list-style-type: none"> • Develop innovative products and solutions that support an improvement of the sustainability of telecommunication energy infrastructures • Boost the sale of high quality, reliable and "green" products and services • Contribute to the universal dissemination of energy and telecommunications via reliable and accessible infrastructure • Facilitate access to clean energy, via the development of solutions for the producers of renewable energy and support for the research into sustainable technologies <p>KPI % of annual revenues from "Low carbon products"</p>	 <p>- Pursue responsible consumption of natural resources and a sustainable supply chain</p> <ul style="list-style-type: none"> • Pursue the efficient and sustainable use of energy and natural resources by reducing consumption and the issue of greenhouse gases, while minimising the generation of waste and promoting the recycling and reuse of materials • Promote sustainable business practices between own suppliers and business partners <p>KPI % of reduction in the emissions of greenhouse gases % of total waste recycled % of suppliers assessed on specific areas exposed to sustainability risk</p>	 <p>- Contribute to the development of people and communities of reference</p> <ol style="list-style-type: none"> 1. Participate and contribute to the socio-economic development of the communities in which the Group operates through the adoption of an appropriate Corporate Citizenship and Philanthropy policy 2. Deliver ethical behaviour, protect workers' rights and diversity, develop a healthy environment for work, training and the professional growth 3. Develop effective, transparent and responsible communication with stakeholders <p>KPI no. of sustainable projects supported via the donation of Prysmian cables % of satisfied workers % of women executives</p>
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The Group has adopted a "Sustainability Scorecard" which identifies 16 sustainability targets for 2020, measured by an equal number of quantitative KPIs, committing itself to monitoring them and communicating their progressive achievement on a regular basis, implementing concrete actions to contribute to sustainable development and create shared value.

SDGs	SUSTAINABILITY SCORECARD			
	PERFORMANCE INDICATORS	Baseline 2016	2017	2020 Target
 A.1	Percentage of product families covered by the carbon footprint measurement	0%	5% ³	100% (as of 2018)
 A.2	Percentage of recyclable production materials purchased during the year that support the circular economy	80%	Above 80%	Maintain
 A.3	Percentage of annual revenues from low carbon products ⁴	39%	37%	40%
 B.1	Percentage reduction in the emissions of greenhouse gases [Scopes 1 and 2]	683,562 tCO ₂ eq	649,299 tCO ₂ eq	-15%
 B.1.1	<i>Emission intensity index:</i> - Power Cables - Telecom Cables - Optical Fibre	0.38 0.002 0.0028	0.33 0.002 0.0023	
 B.2	Percentage reduction in energy consumption	6,261,714 GJ	6,327,887 GJ	-4.5%
 B.2.1	<i>Energy Intensity Index:</i> - Power Cables - Telecom Cables - Optical Fibre	3.40 0.021 0.044	3.38 0.020 0.035	
 B.3	Percentage of total waste recycled	30%	50%	40%
 B.4	Percentage of drums reused during the year	40%	Above 40%	Maintain
 B.5	Percentage of total expenditure covered by the assessment of sustainability practices	50%	55%	60%
 B.6	Percentage of suppliers assessed on specific areas exposed to sustainability risk	0% of mica suppliers	20% of mica suppliers	100% of mica suppliers
 B.7	Number of sustainability audits carried out based on risks in the supply chain	0	5	20
 C.1	Number of working hours donated in 4 year of voluntary activity	0	40	30,000 hours
 C.2	Number of sustainable projects supported via the donation of cables	1 project per year	1 project per year	Maintain
 C.3	Percentage of key managerial positions covered during the year by internal promotions	85%	Above 80%	Maintain
 C.4	Percentage of satisfied workers (with Engagement index greater than 5 out of 7)	60%	52%	70%
 C.5	Percentage of women executives	6%	6.4%	12%
 C.6	Frequency rate (IF) Accident severity index (IG)	IF: 2.6 IG: 53.6	IF: 2.35 IG: 58.04	IF: 2.2 IG: 45

³ The percentage is calculated on the number of establishments that provided the information concerning the energy required in the production process per km of cable.

⁴ The calculation of the baseline (2016) for low carbon revenues was made according to estimates and sales forecasts. The value of 2016 with actual revenues is therefore 38%. Furthermore, the calculation of the percentage is influenced by the change in the price of copper, which does not reflect the real trend of the volumes produced.

THE GROUP'S SUSTAINABILITY POLICIES

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 of the solutions offered, the environmental responsibility of production processes, and attention to safety at work and the development of talent, as well as the management of relations with customers and the local communities where Prysmian operates.

The principles of ethics, integrity, transparency, anti-corruption and respect for human rights, which characterise Prysmian's way of operating and which find a concrete reference in the **Code of Ethics** and in the policies spread throughout the Group, remain a firm point of reference.

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 (described in detail in the chapter "Ethics and integrity as a basis for business development").

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 (also those handled in detail in the chapter "Ethics and integrity as a basis for business development").

Prysmian has developed the **Sustainability Policy**, which defines the vision and reference values for the various areas of Business Integrity, Product Responsibility, Social Responsibility and Environmental Responsibility and Governance.

The policy aims to provide Prysmian's sustainability guidelines, made public and disseminated to all Group companies and operations, based on the strategic priorities identified in the sustainability strategy adopted (and described in detail in the chapter "An integrated strategy"), to which Prysmian is committed as part of a medium to long term vision. The Sustainability Policy sets out the main priorities and sustainability guidelines:

- Promote innovation and infrastructures for economically accessible energy and telecommunications
- Pursue the responsible consumption of natural resources and a sustainable supply chain
- Contribute to the development of people and communities

With the aim of promoting responsible business practices, the Group has developed a **Code of Business Conduct** that defines the guidelines for compliance with the highest standards for the development of a responsible and sustainable supply chain. This code is divided into three main areas:

- Business integrity
- Human rights and workers' rights
- Environment

Prysmian therefore requires all its employees, suppliers, business partners, sub-contractors, distributors and sales agents to integrate the principles of the Code in their day-to-day activities, especially in relation to trading and purchasing.

Prysmian is committed to respecting human rights across its entire value chain 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 one of Prysmian's pillars. The Group rejects all discrimination and illegal deeds or activities, such as exploitation, forced

labour, and child labour. The Policy adheres to and complies with numerous international conventions, such as 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 basic human rights, including the dignity of the people 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 key to company success.

Again with reference to the development of a sustainable supply chain, the Group approved in 2017 the **Policy on Conflict Minerals**. Conflict minerals (3TG) are minerals that come (or are extracted) from the Democratic Republic of Congo (DRC) or neighbouring countries ("Covered Countries" as defined by the Dodd-Frank Act). Through this policy, Prysmian undertakes to monitor its 3TG suppliers (generally the Group purchases small quantities of tin). The Group therefore refers to international standards for the collection and analysis of information on the origin of these materials.

Particular attention is paid to the issue of protection of diversity and inclusion, which is the subject of a specific policy, the **"Diversity and Inclusion Policy"**, which defines diversity as a strategic resource for a Group like Prysmian that has a global geographical extension and a strongly multicultural environment.

The main objective is to create a shared common identity both at company level and as an individual, an integral part of the Group, through the dissemination of a culture that ensures equal opportunities and non-discrimination and that values diversity (gender, age, ethnicity, religion, etc.).

The Group considers it essential to make a contribution to sustainable development, to support the communities in which it operates, through socially useful activities and philanthropy. With the aim of defining common rules for the identification of activities that are shared by the whole Group, Prysmian decided to update its **"Corporate Citizenship & Philanthropy Policy"** in 2015.

Prysmian 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 donations: short-term initiatives, or one-off donations to non-governmental organisations and supranational and local non-profit organisations;
- Commercial initiatives that benefit the community and support Prysmian's success directly, conducted in partnership with community-based organisations.

Lastly, the deep commitment in the field of sustainability translates into a constant and transparent communication with all the Group's stakeholders, thanks to the annual publication of the **Sustainability Report**.

Through the Sustainability Report, the Group publishes its strategy and commitments and communicates the performance achieved during the year on all sustainability issues.

To ensure continuity with past years, in 2017 Prysmian will once again participate in the main sustainability assessments organised at international level. In particular, the RobecoSAM assessment for the Dow Jones Sustainability Index (DJSI) and the Carbon Disclosure Project (CDP) questionnaire.

GROUP RISK MANAGEMENT SYSTEM

INTEGRATED MANAGEMENT OF SUSTAINABILITY RISKS

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 in a timely manner. 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 five families that each include internal and external issues characteristic of Prysmian's business model (so-called Group Risk Model): Strategic Risks, Financial Risks, Operational Risks, Legal and Compliance Risks, and Planning and Reporting Risks.

In compliance with the changes to the Corporate Governance Code published in the July 2015 edition and in line with the constant strengthening of its risk management system, the Group has decided to adopt a more holistic approach to **Corporate Social Responsibility**⁵, planning to define each area of the Group risk model in a so-called **Sustainability Risk Model** able to direct a more precise identification of the Group's economic, environmental and social sustainability risks that could compromise the value creation of its shareholders / stakeholders over time.

The Sustainability Risk Model, shown in the figure below, therefore contains within the same five risk families the internal and external areas which the Group, in line with its business model, may face during the management of sustainability:

- **Strategic risks:** means risks deriving from external or internal factors such as, for example, changes in the national and international regulatory framework in terms of environmental and social sustainability, corporate strategies regarding sustainability

⁵ Risk area already covered by the Group Risk Model within the Strategic Risks family. See the Risk Factors and Uncertainties section of the Annual Report.

that are incorrect and / or implemented in an inadequate manner given the market context and / or the expectations of stakeholders and, furthermore, lack of responsiveness to the development of eco-sustainable innovations that could threaten the Group's competitive position and the achievement of strategic objectives;

- **Financial Risks:** means economic and financial risks connected, for example, to the management of relationships with financial counterparties that comply with the Group's sustainability principles, as well as the management of raw materials and eco-sustainable natural resources, etc.;
- **Operational Risks:** means risks deriving from events or situations that go against the principles of social and environmental sustainability and that limit the effectiveness and efficiency of key processes, affecting the ability of the Group to create value;
- **Legal and Compliance risks:** this refers to the risks connected to violations of national, international and sector regulations and professional conduct that do not comply with the Group's sustainability and ethical policy, exposing it to possible penalties; **Planning and reporting risks:** risks associated with negative effects deriving from incomplete, incorrect and / or non-timely information in the context of planning and reporting on the Group's sustainability, with possible impact on the strategic, operational and financial decisions on the matter.

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 (incl. Management Remuneration) 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

As described in the Annual Report in the Risk Factors and Uncertainties section, to which reference should be made, the Group's main business / function managers are involved in the process of identifying and assessing the most significant risk factors, including economic, environmental and social sustainability issues, through the use of a common methodology

clearly defined to measure and evaluate the specific risk events in terms of impact, probability of occurrence and level of adequacy of the control system in place.

During the 2017 financial year, the aforementioned process led to the identification of some pure sustainability risks and others that may also have a sustainability impact (and therefore are also reported in the Consolidated Financial Statements in the section "Risk Factors and Uncertainties") to which the Group is exposed consistently with its business model. The main information is included below, as well as the key strategies adopted to mitigate them.

STRATEGIC RISKS

Risks related to changes in regulations

The Group's production activity is subject to national and international environmental laws and regulations, including those relating to atmospheric emissions and energy efficiency. Through the Environmental Management System, the Group, via the central HSE team, is able to constantly monitor any changes and / or amendments to the regulatory requirements in the energy and HSE areas, including:

- Periodic monitoring of environmental legislation and related changes, at local and Group level;
- Periodic reporting to the Group bodies involved in the management of risks in this area, in order to discuss any actions that must be taken for compliance with the law (the Sustainability Directive Committee and the Internal Risk Management Committee);
- The analysis of identified risk situations, with the aim of estimating their impact, the probability of occurrence and the adequacy of the internal control system to mitigate the risk;
- The definition of improvement actions that may be necessary to reduce exposure to current risk and related follow-up.

OPERATIONAL RISKS

Environmental risks

The Group's manufacturing activities in Italy and abroad are subject to specific environmental regulations. These include those on pollution of the soil and sub-soil and the presence/use of materials and substances considered hazardous to human health. Furthermore, the changes in these regulations tend to impose increasingly stringent requirements on firms, which must therefore incur significant costs associated with the action needed to comply with the various obligations.

Given the large number of plants in the Group, the probability of an accident with environmental consequences, as well as impact on the continuity of production, is certainly to be considered and the economic and reputational effect it may have could be significant. For this reason, Prysmian adopts a series of control procedures that keep the risk at an acceptable level. Environmental matters are managed centrally by the Health, Safety & Environment (HSE) function. By coordinating the local HSE functions, this function organises specific training and adopts systems intended to guarantee strict compliance with the regulations, in accordance with *best practices*, in addition to monitoring the exposures to risk using specific indicators and by performing internal and external audits.

Lastly, 94% of Group sites have ISO 14001 (environmental management) certification, while 78% have OHSAS 18001 (safety management) certification.

Risks related to climate change

The growing attention at international level to the consequences of climate change, with far-reaching repercussions on ecosystems, economy, human health and well-being, requires companies to assess the potential impact on the business that could be faced in the medium to long term.

Prysmian, under the direction of the Group Risk Management and HSE functions, and taking into account the guidelines issued at the COP21 conference held in 2015 in Paris, carried out an analysis of the risk of climate change with the aim of assessing the potential impact on its business activities.

The analysis, in line with the IPCC AR5 Fifth Assessment Report and the related Annex I, looks at the three main climate change layers:

- the increase in sea level (estimated by 2100);
- the change in temperatures (estimated in a 2016-2035 projection period);
- the change in precipitation in summer and winter (estimated in a projection period 2016-2035).

Through the use of the "CatNet" online platform made available to Prysmian by the Swiss RE insurance company, the Risk Management team, in collaboration with the Group HSE team, analysed the geographic position and the altitude of its plants on the global map, in order to identify those which could be exposed to the risk factors of climate change.

The results of the analysis show:

- a low overall exposure to the risks deriving from the change in precipitation in summer and winter;
- a low overall exposure to the risks deriving from the increase in temperatures, with the exception of very few cases of plants in areas with a maximum expected increase in temperatures of + 1.5 ° C;
- an exposure to risks related to the increase in the sea level that is potentially significant (> 0.5 meters) for about 10% of the Group's plants, as they are located near the sea.

This last point was also confirmed by a further analysis taking into consideration the risk of flooding of coasts and rivers, estimated on the basis of the same methodology, through the use of the online platform "CatNet" of Swiss RE.

For all the plants for which a potential risk has been identified, the HSE team in collaboration with the Group Risk Management team will carry out in-depth analyses in 2018 to verify actual exposure, taking into consideration, for each site, the physical data and information necessary to quantify the potential impact on the business operations. At the same time, any risk prevention actions will be evaluated where deemed necessary.

Risks related to the availability of water

In order to carry out its business activities, the Group requires the continuous availability of water, used for the cooling of semi-finished products. The water is recirculated, entirely or partially according to circumstances, to avoid excessive consumption. The possible unavailability of water could therefore compromise the continuity of company processes. In order to better understand and attempt to quantify the potential exposure to risk, Prysmian, under the direction of the Group's Risk Management and HSE functions, carried out a *water risk* analysis on its plants.

The analysis considers water stress in 2030 (defined as the ratio between water demand and available water) and changes in water supply and water demand projected for the year 2030 for all geographic areas of the Earth's surface.

Through the "Aqueduct" tool provided by the World Resources Institute (WRI), the Group's HSE and Risk Management teams analysed the geographic positioning of the Group's plants in order to identify the ones which could be exposed to water risk and, therefore, to the risk associated with reduced availability of water.

The results of the analysis show that about 20% of the Group's plants are located in areas extremely exposed to the risk of water stress, estimated by 2030.

For all the plants for which a potential risk has been highlighted, also taking into account that the company's production processes currently envisage recirculation of water to reduce consumption for most plants, the HSE and Group Risk Management teams will carry out in-depth analyses in 2018 to verify the actual exposure to *water risk* by examining, for each site, the physical data and information necessary to quantify the potential impact on the business operations (such as sources of water supply and the actual percentage of recirculation). At the same time, the adoption of any preventive actions will be evaluated when deemed necessary.

Other HSE-related risks

With particular reference to the risks of:

- Management of water and energy resources;
- Atmospheric emissions of greenhouse gases;
- Waste management;
- Management of hazardous substances,

the Group has adopted a centralised management system based on the evaluation of factors deemed critical at various levels, with respect to the Group, country and operating unit.

This approach allows for a complete picture of the risks associated with individual production activities, both at Group level, in the country and in the operating unit, in order to manage, monitor and, where possible, minimise environmental, health and safety risks.

The adoption and implementation of the approach for each production unit has led to a baseline of the environmental and health and safety aspects and risks periodically updated and revalued, in particular in the case of:

- Regulatory and / or operational changes which could potentially introduce new requirements, risks or risks for the organisation;
- Significant HSE events such as serious injury, illness or environmental emissions / spills;
- New information indicating an aspect previously not detected;
- Recommendations from relevant stakeholders.

Prysmian has defined specific Group standards and operating methods aimed at ensuring continuous control of the issues considered critical through: the collection, evaluation, aggregation and reporting of data at central level, as well as the implementation and verification of preventive and corrective actions, monitoring of the environmental aspects, training of personnel aimed not only at transferring the technical notions, but also at understanding the approach adopted and the risks involved in the failure to comply with HSE rules and procedures.

Risks related to the sustainability of its supply chain

The Group's business model, with a global presence in over 50 countries and a high diversification of product applications, is based on a complex supply chain that requires a continuous interface with numerous suppliers of different sizes and cultural background. In addition to the commitment to the evaluation of counterparties, the Group has established guidelines and policies that suppliers are required to comply with and sign (for example, the Code of Ethics and the Code of Business Conduct).

An immediate reaction is expected in the event of conduct that does not comply with the principles of environmental and social sustainability by third parties involved in the supply chain, which would expose the Group to potentially significant risks in terms of image and reputation. If the problems that emerge are not promptly resolved and eliminated, the Group reserves the right to terminate existing business activities and to the temporary or, in serious cases, permanent exclusion of Group suppliers.

The assessment of risks related to the sustainability of third parties is a fundamental step of the entire supply chain management process that defines clear rules for i) the introduction of new suppliers, ii) the periodic evaluation of the supply chain, iii) the monitoring and the improvement of the supply chain management strategy.

It should be noted that in 2017, Prysmian, under the direction of the Group Purchasing department and in collaboration with the Risk Management team, carried out a risk analysis of its supply chain aimed at identifying suppliers deemed potentially critical with regard to the practices adopted for the management of sustainability, i.e. environmental issues, human rights, labour rights, ethics and integrity, and consequently review relations with them as appropriate.

Please refer to the "A Responsible Value Chain" section of this document for further details on the risk management strategies in question.

Cyber Security risks

The growing spread of Internet-based technologies and business models that allow the transfer and sharing of sensitive information through virtual spaces (i.e. social media, cloud computing, etc.) leads to situations of computer vulnerability to which the Prysmian Group must pay attention in the conduct of its business. Exposure to potential cyber attacks could be due to several factors, such as the necessary global distribution of IT systems, the holding of high value-added information such as patents, technological innovation projects, as well as financial projections and strategic plans not yet disclosed to the market, with consequent economic, patrimonial and image damages. The Group IT Security Department, in collaboration with the Risk Management function, periodically carries out specific assessments aimed at identifying any vulnerability of IT systems at local and central level that could compromise business continuity.

Furthermore, starting in 2016, the Prysmian Group started the implementation of a structured and integrated process for managing risks associated with cyber security, which, guided by the Group's IT Security function and in collaboration with the Risk Management function, has the objective of strengthening IT platforms and systems and introducing solid mechanisms to prevent and control possible cyber attacks. A clear Information Security strategy has been defined which clarifies the relative governance structure adopted by the Group and the guidelines for the management of cyber risk in the field of IT architectures and business processes. A specific committee, the Information Security Committee, made up of the main actors involved in the management of the cyber risk⁶, has been appointed with the task of defining strategic and operational objectives regarding Cyber Security, coordinating the main initiatives undertaken, and examining and approving policies, procedures and operating instructions. The Committee is convened on a periodic basis (twice a year) and in the case of remarkable events or crises. Finally, specific training sessions in e-learning mode have been provided to all the Group's IT staff with the aim of increasing awareness on the topic.

LEGAL AND COMPLIANCE RISKS

Compliance risks concerning the Code of Ethics, Policies and Procedures

The risk of compliance generically represents the possibility of incurring legal or administrative sanctions, significant financial losses or reputational damages as a result of violations of current regulations. The Prysmian Group puts in place a series of organisational tools aimed at defining the principles of legality, transparency, fairness and loyalty used to operate. In particular, since its inception, the Group has adopted the Code of Ethics, a document that contains the guidelines and ethical and behavioural principles that all those carrying out activities on behalf of Prysmian or its subsidiaries (including managers, officials, employees, agents, representatives, external collaborators, suppliers and consultants) are required to observe. The Group, through the Internal Audit & Compliance Department, undertakes to constantly monitor compliance and the concrete application of these rules, not tolerating any type of violation.

However, despite the constant commitment, careful supervision and periodic awareness of staff, it is not possible to rule out that in the future there may be episodes of incorrect behaviour in violation of policies, procedures and the Code of Ethics and therefore of current regulations, by those that carry out activities on behalf of Prysmian, with consequent possible judicial and pecuniary sanctions, or even significant reputational damages.

Risks of non-compliance with the legislation on Data Protection (Privacy)

The entry into force in May 2016 of the new European regulation on the protection of personal data n. 2016/679 (GDPR - General Data Protection Regulation), which in Italy replaces the "Privacy Code" of Legislative Decree no. 196/2003, requires companies operating in the European Union to revise their data protection management model to meet the requirements of the GDPR. The process of adaptation to the new system must be completed by 25 May 2018, after which significant penalties may be incurred.

⁶ Permanent members of the Information Security Committee are: the Chief Operating Officer, the Vice-President HR & Organisation, the Chief Security Officer, the Chief Information Officer, the Chief Risk Officer, the Internal Audit & Compliance Director and the IT Security Manager of the Group.

The high number of employees and the growing trend towards adopting a global data management approach (e.g. cloud storage, use of mobile devices, etc.), could expose the Group to the risk of receiving claims for compensation made by the individuals concerned with the processing of data for damages caused by the violation of the protection rules or incorrect treatment of the data subject to protection, when the process is not properly managed. Potential penalties imposed by the competent authorities as well as reputational damages should also be estimated as a consequence of the risk.

In order to minimise potential risk exposure, although to date the Group has demonstrated compliance with the current Privacy Code and other applicable regulations, the Internal Audit & Compliance Department, with the support of the relevant business functions, started in 2017 the process of adaptation to the new European Directive (GDPR), providing in particular the analysis of the Privacy organisational model, the mapping of data potentially exposed to risk, and the subsequent assessment of any changes to the data processing methods themselves.

Risks of non-compliance with Anti-corruption legislation

In recent years, the legislative and regulatory context has made significant efforts in the fight against corruption, with a growing tendency to extend responsibility to legal entities as well as to natural persons. In relation to the growing internationalisation, organisations are more and more often operating in a context exposed to the risk of corruption and having to comply with many regulations on the subject, such as Legislative Decree no. 231/2001, the Anti-corruption Law (Law 190/2012), the Foreign Corrupt Practices Act, the UK Bribery Act, etc., all with the same objective: to counteract and suppress corruption.

The Group's business model, with a global presence in over 50 countries and a high diversification of product applications, requires a continuous interface with numerous third parties (suppliers, intermediaries, agents, and customers). In particular, in the Energy (submarine and high voltage) and Oil & Gas businesses, the management of large international projects requires the establishment of commercial relations even in countries with a potential risk of corruption (as per the Corruption Perception Index⁷), often through local and commercial agents and public officials.

The Prysmian Group has therefore implemented a series of actions aimed at managing the issues of corruption on a preventive basis; first of these is the adoption of an Anti-Bribery Policy that prohibits both the corruption of public officials and the corruption of private individuals and requires its employees to comply with it, as well as observe and comply with all anti-corruption legislation in force in the countries where they are employed or active, in case those are more restrictive. Furthermore, specific e-learning activities (training and testing) aimed at all Group personnel are periodically carried out in order to raise awareness of compliance with the regulations in question. It should also be noted that in 2017, the Prysmian Group, in continuity with the objectives set in 2016, decided to further strengthen the monitoring and central focus on compliance issues by launching an Anti-Bribery Compliance Programme inspired by the guidelines set in ISO 37001 "Anti-bribery management systems" of 15 October 2016. This program, in addition to giving greater control over the management of the risk of corruption, is also aimed at minimising the risk of being subject to sanctions following the commission of corruptive offenses by employees or third parties. The core of the ISO 37001 standard, as is known, is the control of third parties (suppliers, intermediaries, agents and customers) through a due diligence system aimed at bringing out any critical or negative events that undermine the reputation of third parties with whom the Prysmian Group interacts.

For further details on the actions implemented by the Group to prevent corruption practices, please refer to the specific paragraph of the Sustainability Report for the Current Financial Year.

Risks of non-compliance with Antitrust legislation

⁷ The Corruption Perception Index (CPI) is an indicator published annually by Transparency International, used to measure the perception of corruption in the public sector in various countries around the world

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. The Antitrust Code of Conduct is currently being updated and a new version is expected to be published in 2018, which will enunciate the general principles of antitrust law generally reflected in the applicable sector regulations in the various jurisdictions in which the Group operates. Subsequently, more detailed documents will be prepared, each focusing on the antitrust legislation specifically applicable in the main countries in which the Group operates. 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. In this context, it should be noted that, during 2017, specific classroom training sessions were held aimed at the Group's sales force, organised in collaboration with external lecturers and legal consultants. At the same time, e-learning sessions are being published on the company intranet.

See paragraph 14 for details of the Antitrust inquiries in progress. Provisions for risks and expenses in the Annual Financial Report. It should be noted that the Group set up a provision for risks and expenses on 31 December 2017 of approximately EUR 163 million. Despite the uncertainty of the outcomes of the investigations in progress and the potential disputes formulated by customers as a consequence of the decision adopted by the European Commission in April 2014, as described in the Explanatory Notes (paragraph 14 Provisions for risks and expenses in the Annual Financial Report), this provision is deemed to represent the best estimate of liabilities based on the information currently available.

Risks of non-compliance with environmental legislation

Prysmian carries out its activities in compliance with the national and international requirements and regulations in force in the environmental field, paying particular attention to the risk of failed or non-timely compliance with regulatory changes that may occur within its business context. In particular, any non-compliance with environmental regulations may cause the Group to incur significant penalties, as well as unplanned costs for the implementation of immediate action plans with subsequent impact on operating and business processes.

In this regard, Prysmian analysed the potential risk of not complying with any changes in local legislation that implements the "Energy Efficiency Directive" 2012/27/EU (EED) on the efficiency of end-use energy. In order to manage such risks, several actions have been taken, including the definition of an Energy Audit Plan at the Group's plants to be completed by 2020, also referring to sites that to date are not required to perform energy diagnoses by law, and the development of energy efficiency projects at local and global level.

The costs for the management of compliance with environmental legislation are now part of the related Environmental Management System, adopted in accordance with the ISO 14001 standard. Any cost additions identified as necessary at Group level are discussed and estimated in agreement with the Group HSE function.

It should also be noted that, in coordination with the local teams, the Group's HSE management makes periodic visits to the plants with the aim of verifying compliance with the

rules and standards defined and organising specific training sessions for all the Prysmian staff involved in the management of activities having an environmental impact, with the intent to raise awareness of compliance with the Group's regulations and ethics.

Specific indicators are also used at central level by the Group's HSE and Risk Management departments to monitor exposure to environmental risks and promptly implement the actions necessary to reduce the risk within the tolerance thresholds.

Risks related to the social sustainability of the organisational structure and business model

The Prysmian Group, present in over 50 countries with over 19,000 employees, faces daily the difficulties arising from the management of relationships related to organisational and business activities between people with different social and cultural backgrounds. Despite the constant commitment, careful supervision and periodic awareness of staff, it is not possible to rule out that in the future there may be episodes of incorrect behaviour in violation of policies, procedures and the Code of Ethics and therefore of current regulations concerning human rights, by those that carry out activities on behalf of Prysmian, with consequent possible judicial sanctions, significant reputational damages, and impact on the business.

To support the mitigation of this risk, at the end of 2017, Prysmian, under the direction of the Group's HR & Organisation function, initiated a due diligence activity aimed at identifying the potential and current impact on human rights deriving from its activities and business relationships.

The due diligence process, in accordance with the so-called Ruggie Framework⁸, develops in the following stages:

- Assessment of current and potential impact on human rights;
- Evaluation of the results and definition of the necessary actions to prevent and / or mitigate the potential impact identified;
- monitoring of performance;
- Resolution of violations;
- Communication of performance;

The Group has also launched an analysis aimed at assessing potential gaps with respect to international human rights principles, Group Human Rights Policy and national legislation in each country in which the Group operates. The ultimate objective of the analysis is to identify the countries most exposed to the risk of violation of human rights.

THE INTERNAL CONTROL SYSTEM

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. In particular, in 2017 the Models adopted by Prysmian and each of the Group's Italian companies were updated with the aim of aligning them with current operating practices and organisational changes that have taken place over time. Prysmian (hereinafter "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

⁸ Ruggie Framework or "United Nations Guiding Principles on Business and Human Rights" (UNGPs) is an international framework that defines 31 principles of respect for human rights in multinationals and other companies. Developed by John Ruggie (SRSG), this framework is the first global standard for the prevention and management of the risk of a negative impact on human rights related to economic and business activities

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.

The Company therefore deemed it appropriate to regulate the processes and strengthen the internal control system with specific reference to the following types of crimes and offenses established by Decree 231: art. 24 and 25 (offenses against the Public Administration), art. 24-bis (informal crimes and illegal data processing), art. 25-bis, c.1 (crimes against industry and trade), art. 25-ter (corporate offenses, including the "Corruption between private individuals"), art. 25-sexies (market abuse), art. 25-septies (culpable homicide and serious or very serious bodily harm committed with violation of the rules on the protection of health and safety at work), art. 25-octies (receiving, laundering and use of money, goods or benefits of illicit origin, as well as self-recycling), art. 25-undecies (environmental crimes) and art. 25-duodecies (employment of third-country nationals with illegal residence).

CYBER SECURITY

In a rapidly changing world where information is increasingly significant and there is a growing connection between networks, systems and applications, it is increasingly complex to manage and protect information resources, ensuring regulatory compliance. This increased complexity - combined with the growth and evolution of cyber threats - exposes companies to new types of risks, the damaging effects of which can have serious economic, legal, reputational, compliance or competitive advantage due to loss of information, intellectual property or business interruption.

In this evolving scenario, it is increasingly difficult to preserve security, minimising the potential negative impact on business operations and ensuring compliance with regulatory requirements.

In a networked world, any device connected to the Internet increases risk exposure. The business needs of flexibility and mobility lead to the introduction of new practical and innovative tools, such as BYOD programmes (Bring Your Own Device), cloud applications, IoT technologies that, however, increase the attack surface. Each adopted defence technology becomes rapidly less effective, although every level of defence adopted remains a key element in the overall security system.

These phenomena increase proportionally to the size of the organisation.

This complexity concerns the Group not only as a user, but also as a service provider, being systematically involved in innovation to compete in the global market, through the adoption of new technologies to ensure the centrality of the customer and increase business efficiency.

In this context, Prysmian Group in 2017 developed its Information Security Strategy, whose main objective is to effectively deal with the management, control and protection of the Group's information assets. A capability framework based on the best international reference standards has been established for each of the main security features to be implemented, and a series of activities have been launched to take place over the next three years.

The strategy for **Cyber Security** was approved by the top management and then inserted by the Information Security Committee into operational plans for implementing the planned initiatives.

Over the course of 2017, approximately 60 information security incidents ("incidents") of varying severity were handled every month; more than 30 suspicious internet domains used for phishing and ransomware campaigns were identified and reported; 50 security clearances were also released each month for access to the Group's IT assets and approximately 30 investigations were conducted on internal and external hostile hackers to reduce and prevent theft and fraud, business interruption and reputational damage.

In addition, 12 activities were carried out for the systematic verification ("Ethical Hacking") of the level of protection achieved by systems and critical IT applications at central level and in the Group's Tier 1 plants, distributed over three continents. The evaluations were conducted in compliance with the international reference standards (NIST, NERC, etc.) and concerned the IT systems, the industrial control systems, the organisation, the processes and the practices in use. Based on the results of these activities, the necessary improvement actions have been identified and planned.

In 2017 Prysmian launched a Cyber Security programme to strengthen information security through a well-defined set of initiatives to reduce overall cyber and compliance risks over time.

The initiatives are grouped into five main domains (streams) that involve multiple organisational levels and address a safety roadmap with a general plan for organisation, processes and technologies for the next three years. Prysmian's aim was to initiate a security transformation program for the entire Group based on international standards, best practices and more generally on risk-based ISMS practices.

The first activity stream (**Security Governance**) was completed in 2017 and provided the Group with the Strategy and Information Security Framework that oversees the operation and management of governance, architectures and risk management processes in the Organisation, together with a new organisational model.

The Group Information and IT Security structure consists of a Cyber Security Unit that reports directly to the Head of Information Security (CISO), a member of the HR staff of the headquarters.

The unit is structured to manage four main skills:

- Governance, to ensure that the Organisation has effective control structures to maintain and improve levels of prevention, investigation, response and restoration of security in the event of an incident;
- Prevention, to reduce the surface exposed to cyber attacks through systematic analysis and implementation of the Group's asset protection;
- Detection, to ensure that the organisation is aware of internal and external threats and can mitigate them proactively;
- Response & Recovery, to defend the organisation from cyber attacks and restore operational functionality in case of impact.

The new organisational structure envisages the involvement of the Business Lines in IT security activities through the Information Security Committee, chaired by the Head of Industrial Relations (CSO) and permanently composed of the Group Chief Information Officer (CIO), the Director Audit & Compliance, the Chief Risk Manager Officer (CRO), the Group Chief Operation Officer (COO) and the Senior Vice President HR & Organisation.

The second activity stream (**Information Security Policy**), also completed in 2017, provided the Group with 9 new security policies, 5 new procedures and a series of operating instructions. The policies introduced will enter into force in 2018 with the aim of directing and regulating, at different levels of detail, information security issues and operations, according to the Information Security Strategy and in correspondence with the established Framework. The main topics covered by the policies are: Information Security, Security Incident Management, IT Change & Configuration Management, Backup, Hardening, Logging, Cloud Security, BYOD Management and Removable Devices management.

The third activity stream (**Data Classification & Protection**) concerns the classification and protection of company information. Expected to unfold in the long term, the activities completed in 2017 have provided the Group with a new Data Classification Policy and a set of guidelines on the security of data and information management, through the result of the mapping carried out on three Group Business Units that are among the most critical. Based on the results, the necessary organisational improvement actions have been identified and planned.

The fourth activity stream (**Training & Awareness**) is aimed at promoting the culture of information security in Prysmian, increasing the knowledge of risk and the safe use of resources, systems and company data, so that people have the necessary knowledge tools and understand their responsibility for information security.

In 2017, a classroom course "Introduction to CyberSecurity" was offered to the Group's top managers and 10 digital courses for IT staff were published, through the e-learning company platform and with the support of the Prysmian Group Academy.

The set aims to define the roles, responsibilities, operating methods and principles of behaviour linked to Information Security that the Group's IT staff must respect during their professional activities. The 10 compulsory modules cover topics of IT security, business continuity, BYOD and mobile security, cloud, communications and networks, confidentiality and confidentiality of data, identity and access management, infrastructure security, security incident management, development of new systems and applications.

To complete the activities, the "Security Week" will be introduced for all starting in 2018: the goal of this annual initiative is to reflect on one's own behaviour, strengthen good safety practices and contribute to an organisational culture that shows and spreads safe behaviour.

The initiative will include information campaigns and brochure publications on general and specific topics.

The fifth activity stream (**Site Security**) aims to verify the levels of security and reduce the main cyber risks deriving from the adoption of inadequate practices and the improper design of the network of the Group's sites, particularly the productive plants.

The scope of activities includes evaluating the effects of potential security threats, vulnerabilities and attack vectors that can impact processes and lead to the interruption or blocking of IT systems, affecting the business continuity of factory production.

In 2017, the activities were conducted in the Group's 11 most important factories and are planned for another 50 factories over the next three years.

New network security guidelines have been released, along with industry-standard best practices (NIST, ISA and IEC) to improve network infrastructures: the documents contain both practical (hardware) and theoretical and logical (software and configurations) and describe a network segregation model that effectively protects industrial control systems (ICS such as PLCs, HMIs and SCADAs) and those of offices (clients and servers).

As with all the multi-annual initiatives envisaged in the 2017 Programme, the improvement actions implemented during the year are part of a broader strategy.

OUR APPROACH TO REPORTING

MATERIALITY ANALYSIS

In 2017, as every year, the Prysmian Group updated its materiality analysis in line with the "G4 Sustainability Reporting Guidelines" of the GRI, defined in 2013 by the GRI - Global Reporting Initiative and adopted by the Group, for the first time, during preparation of the 2014 Sustainability Report.

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

The materiality analysis process followed by the Prysmian Group involves 4 phases:

1. Stakeholder mapping and identification of sustainability issues relevant to the Group;
2. Prioritisation of the issues based on the evaluation of their relevance for the Group;
3. Prioritisation of the issues based on the evaluation of their relevance for the Group's stakeholders;
4. The elaboration of the materiality matrix.

The stakeholders and the relevant issues of the Group have been identified and subsequently categorised, through:

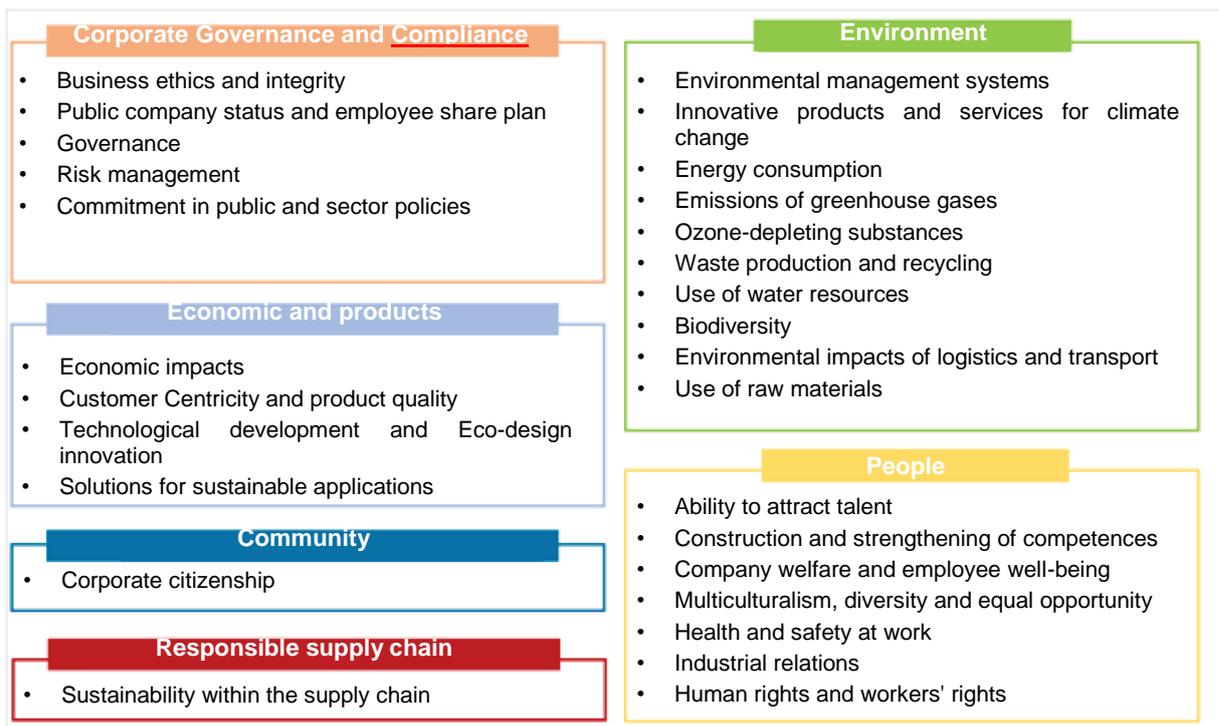
- a document analysis of the global context, of Prysmian's specific business sector, of the regulatory evolution, of the Group's strategy and policies, with a particular focus on sustainability issues;
- the direct involvement of the Group's Top Management through a materiality survey.

The following categories of Group stakeholders are identified below:

MAP OF PRYSMIAN GROUP STAKEHOLDERS



Prysmian's sustainability issues, subject to the assessment of relevance by the Group and its stakeholders in 2017, are shown below (aggregated by macro-area):



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

The document sources analysed were:

- sources on sustainability, drafted by international and national institutes (OECD, World Economic Forum etc.);

- sources for the identification of megatrends of the reference sectors (energy, telecommunications, etc.);
- sustainability report / integrated reports of other industrial Groups;
- international press review.

The analysis identified new issues for the Group that will be subject to stakeholder assessment during 2018.

In particular:

- **"Cyber security and data protection"** to **"Anti-corruption"**, two issues that are enjoying increasing attention among stakeholders⁹;
- **"Innovation of products and services for climate change"** in line with the importance of environmental issues and in line with Prysmian's current commitment to combating climate change;
- **"Access to energy"** as a subject considered important by competitors and significant for the Group's business in order to enhance its commitment to initiatives and activities aimed at sustainable development.

DIALOGUE WITH STAKEHOLDERS

The sustainability strategy adopted by the Prysmian Group 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.

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.

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:

- receive external cues that lead to product and process innovation;
- improvement the management of reputational risk;
- inform, sensitise and engage stakeholders with the aim of developing a virtuous circle that generates positive impact for both the Group and the company;
- contribute to the development of relations with stakeholders based on trust and transparency.

To define and implement its stakeholder engagement path, the Prysmian Group follows the guidelines of the **AA1000SES International Standard**, according to the latest updated version of 2015, developed by AccountAbility (Institute of Social and Ethical Accountability).

In 2017, continuing from past years, Prysmian organised a multi-stakeholder event on 30 November 2017 in Delft (Netherlands), to which about 15 local representatives of 4 stakeholder categories participated: Customer and Business partners, Suppliers, NGOs, Public Administration.

Stakeholders were invited to actively participate in a discussion aimed at:

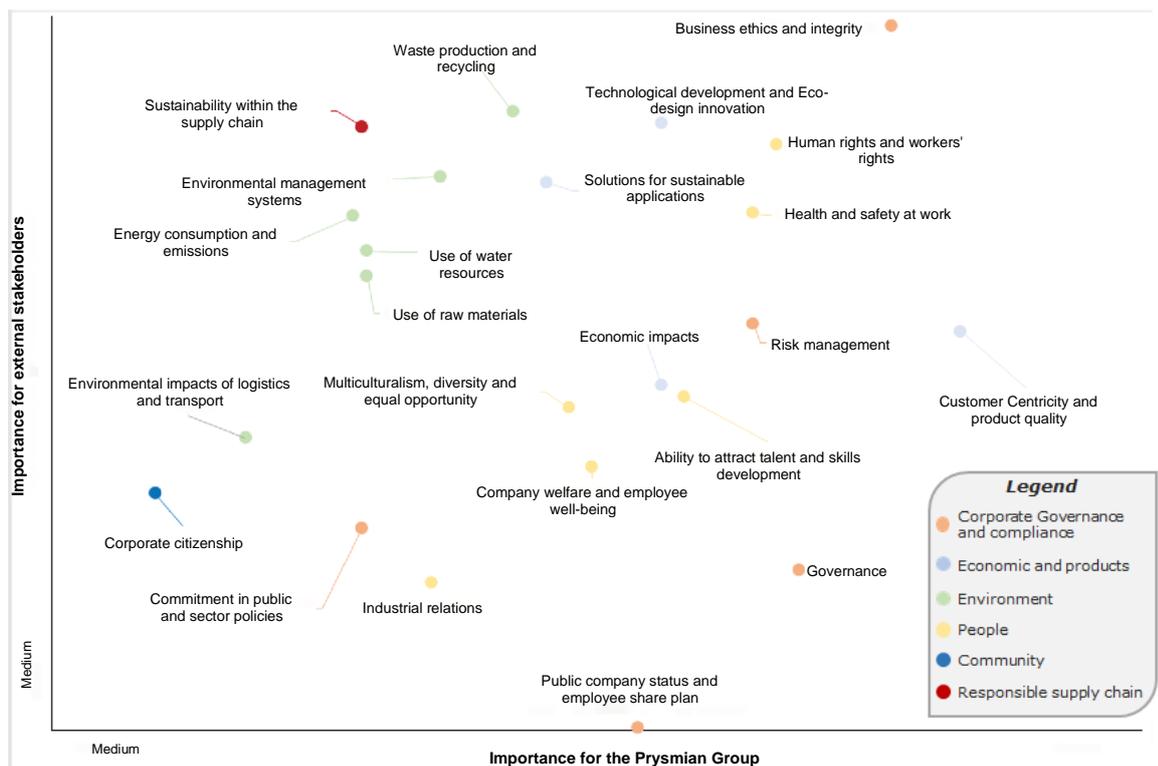
⁹ It should be noted that the topics in question are included in 2017 in "Ethics and Integrity in the business"

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

MATERIALITY MATRIX

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

PRYSMIAN 2017 MATERIALITY MATRIX



For a greater synthesis, within the materiality matrix some themes were aggregated as shown below:

- "Energy consumption and emissions" which includes "Energy consumption", "Greenhouse gas emissions" and "Ozone-depleting substances";
- "Ability to attract talent and skills development" which includes "Talent Attraction Ability" and "Building and Strengthening Skills".

The four themes considered to be a priority both by the Group and by Prysmian's stakeholders are therefore:

- **Business ethics and integrity:** the theme includes the Group's commitment to a business management model based on the highest standards of ethics and integrity and compliance with laws, regulations, anti-corruption policies and procedures and anti-competitive conduct.
- **Technological development and eco-design innovation:** in terms of the development of technological and innovative solutions through research and development and collaboration with external partners such as customers, suppliers, research centres and universities. In addition, it includes product design and engineering that takes into account the environmental and social impact during the life cycle of a product (from procurement of raw materials to disposal).
- **Human rights and workers' rights:** Group policies and procedures on human rights, banning child / forced labour, respect for freedom of association and collective bargaining, fair pay and health at work.
- **Health and safety at work:** the Group's intention to invest in workers' health and safety, by introducing occupational health and safety management systems aimed at reducing the number of accidents and occupational diseases, as well as developing training programmes on health and safety in accordance with local laws and regulations

With respect to 2016, the importance attributed to the themes identified in the previous analysis is confirmed, with an increase in relevance for the following points:

- **"Energy consumption and emissions"** "Waste production and recycling" and "Use of water resources" in light of global developments related to environmental issues (COP21, Agenda 2030, etc.);
- **"Sustainability within the supply chain"**, an aspect considered to be growing as it covers the management of relations with all the players in the supply chain in terms of protection of human rights, environmental and social responsibility;
- **"Human rights and workers' rights"**, an aspect that has grown in importance due to the growing presence of the Group in several countries where human rights issues are a priority.

In the appendix to the document there is a table of reconciliation between the Prysmian Group's material issues, the corresponding G4 aspects and the areas of Legislative Decree no. 254/2016 (page 149).

ETHICS AND INTEGRITY AT THE BASE OF BUSINESS DEVELOPMENT



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 Organisation (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 2016, the Group adopted a *Whistleblowing* procedure in line with the main ethical and compliance best practices (see below) and, in 2017, the policies were reviewed and updated.

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.

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, in its latest version of 1 March 2017, 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-BRIBERY POLICY

The Group's business model, with a global presence in over 50 countries and a high diversification of product applications, requires a continuous interface with numerous third parties (suppliers, intermediaries, agents, and customers). In particular, in the Energy (submarine and high voltage) and Oil & Gas businesses, the management of large international projects requires the maintenance of commercial relations even in countries with a potential risk of corruption (as per Corruption Perception Index¹⁰), often through local commercial agents and public officials.

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

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. In particular, it should be noted that, during 2017, specific classroom training sessions were held aimed at the Group's sales force, organised in collaboration with external lecturers and legal consultants. At the same time, e-learning sessions are being published on the company intranet. In 2017, 82 White Collar employees were trained in compliance and anti-corruption through online courses and 120 White Collar employees through classroom courses.
- Implementation of ACL tools, with the definition of a number of key indicators for the "General/Ledger" and "Accounts Payable" processes. The system can also be used to monitor the high transaction risks associated with agents.
- 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. In 2017, the Prysmian Group, in line with the objectives set in 2016, decided to further strengthen the monitoring and central focus on compliance issues by launching an Anti-Bribery Compliance Program inspired by the guidelines set by the ISO 37001: 2016 "Anti-bribery management systems". This program, in

¹⁰ The Corruption Perception Index (CPI) is an indicator published annually by Transparency International, used to measure the perception of corruption in the public sector in various countries around the world

addition to giving greater control over the management of the risk of corruption, is also aimed at minimising the risk of being subject to sanctions following the commission of corruptive offenses by employees or third parties. The core of the ISO 37001 standard, as is known, is the control of third parties (suppliers, intermediaries, agents and customers) through a due diligence system aimed at bringing out any critical or negative events that undermine the reputation of third parties with whom the Prysmian Group interacts.

ANTI-TRUST REGULATIONS¹¹

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, potentially exposed to the risk of being involved in conduct that could be considered anticompetitive and could consequently result in extremely high economic sanctions with negative repercussions on the reputation and credibility of the Group's governance system, intends to operate on the market in compliance with the regulations competition protection.

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 - Integrity First - designed to increase awareness among those who work in the name and on behalf of the Group, so that during their activities they comply with the rules safeguarding competition. The Antitrust Code of Conduct, 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.

CUSTOMER PRIVACY

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

It therefore becomes essential to approach the management of information and data considered confidential or sensitive, not exclusively as a compliance problem - as described in the Group Annual Report, in the section Risk Factors and Uncertainties - but also as a security problem and a business priority.

The personal data management model adopted by Prysmian is based on three fundamental elements that have an impact on the entire corporate structure:

- development of a "data centric" model;
- definition of a roadmap for compliance with applicable legislation on the protection of personal data;

¹¹ Further information is available in the 2017 Annual Report.

- implementation of organisational and technological protection measures.

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

THE WHISTLEBLOWING PROGRAMME: INTEGRITY FIRST

As part of its commitment to ethical and legal behaviour, Prysmian invites all the Group's stakeholders to report any real or apparent violations of the law, the Code of Ethics, or of ethical standards, so that they can be examined and dealt with appropriately. In order to meet this requirement and in order to create the necessary conditions of confidentiality, security and ease of reporting, Prysmian has adopted the Whistleblowing policy by offering to all (employees or not) the possibility of sending the Company reports, also on line and anonymous, related to incorrect behaviour and alleged illicit activities that might occur within the organisation. 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 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. In line with international best practices, the Prysmian Group has also adopted a system for collecting and managing reports of any irregularities or alleged violations of regulations and / or company policies and procedures (so-called "*Whistleblowing*"). Specifically, the *Whistleblowing policy* offers everyone (whether employees or not) the opportunity to submit reports to the Group, also online and in anonymous form, about improper conduct and alleged illegal activities that might occur within the organisation. To this end, two channels were implemented for the collection of reports, comprising dedicated telephone lines and a web portal, which will both be managed by independent operators and available in the 26 languages used by the Group. A *Whistleblowing* Committee has also been established, which evaluates the reports, conducts specific investigations and, if necessary, takes appropriate measures.

ECONOMIC VALUE GENERATED AND REDISTRIBUTED



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

The Added Value represents the economic value generated by the Group in the reference period net of amortisation and depreciation, redistributed, in various forms, to the Group's stakeholders.

It is therefore the difference between revenues and costs incurred for the purchase of production factors (Operating costs and other costs) and for human capital (Personnel costs), as payment to the Public Administration (Taxes) and to Lenders (Financial expenses), and as contributions to community support (Donations and sponsorships).

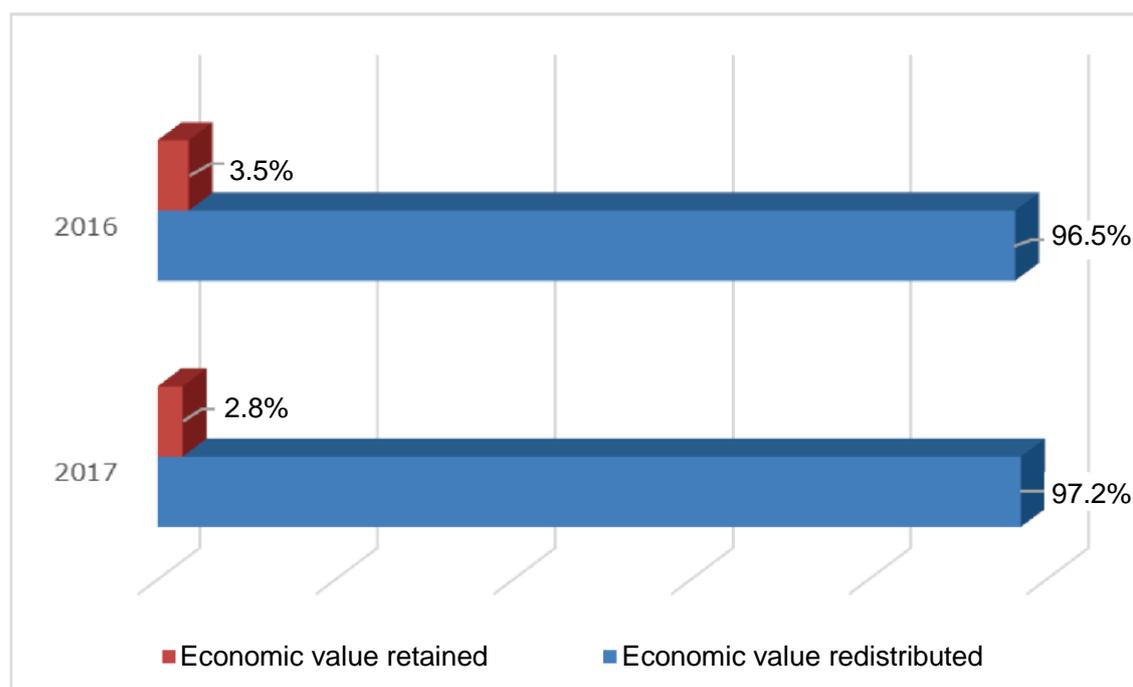
The schedule showing how the Value Added generated by Prysmian is allocated was prepared with reference to the income statement captions reported in the consolidated financial statements as of 31 December 2017.

The economic value generated by Prysmian in 2017 amounted to EUR 7,866 million, of which EUR 223 million (2.8%) consist of profits redistributed to Group Members and interest to third parties and represent the value withheld.

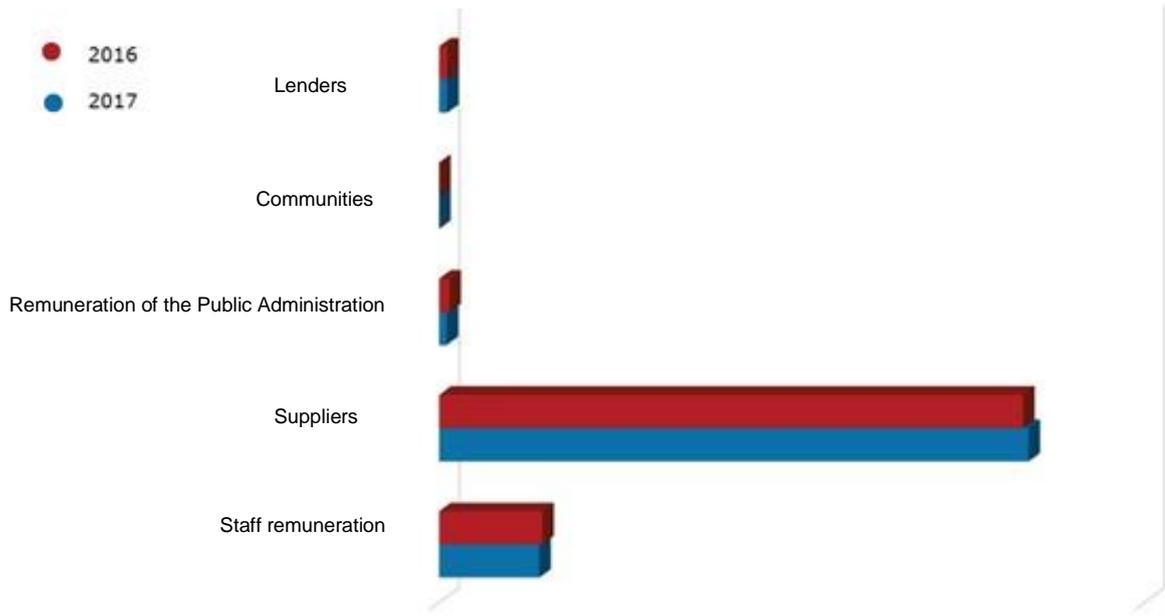
Much of the value (about 97%) was redistributed in the form of:

- spending on Suppliers (81.2%) - including raw materials and other services;
- payment to Human Resources (13.8%);
- payment to Lenders (1.1%);
- payment to the Public Administration (1.0%);
- contributions to the Community, around EUR 100 thousand (0.001%).

ECONOMIC VALUE RETAINED AND REDISTRIBUTED



ECONOMIC VALUE REDISTRIBUTED TO STAKEHOLDERS IN 2017



DESIGNING THE FUTURE RESPONSIBLY

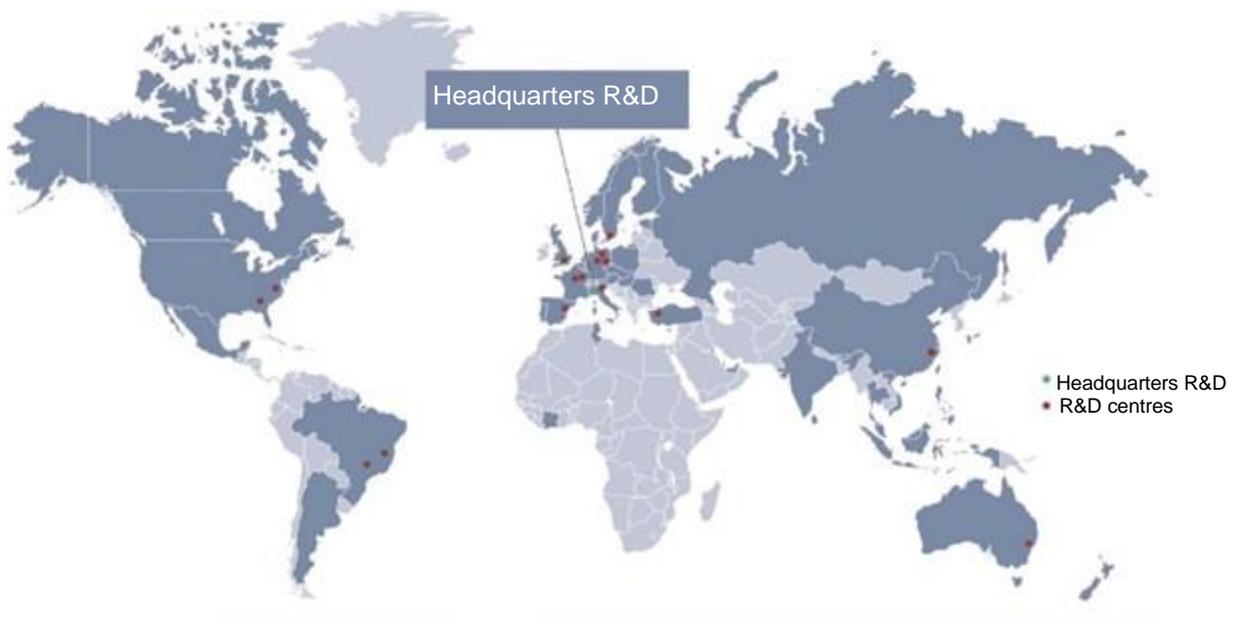


Being a leader means knowing how to innovate. The Prysmian Group seeks to generate innovation, quality and know-how, with a view to developing innovative products and systems with a lower environmental impact and higher value added for customers, even in those sectors in which products are largely standardised.

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.

Investments by Prysmian on Research, Development and Innovation during 2017 totalled about EUR 84 million¹², confirming our constant commitment and focus on sustainable growth over the long term.



€ 84 million (1% of sales) invested in R&D



17 R&D centres



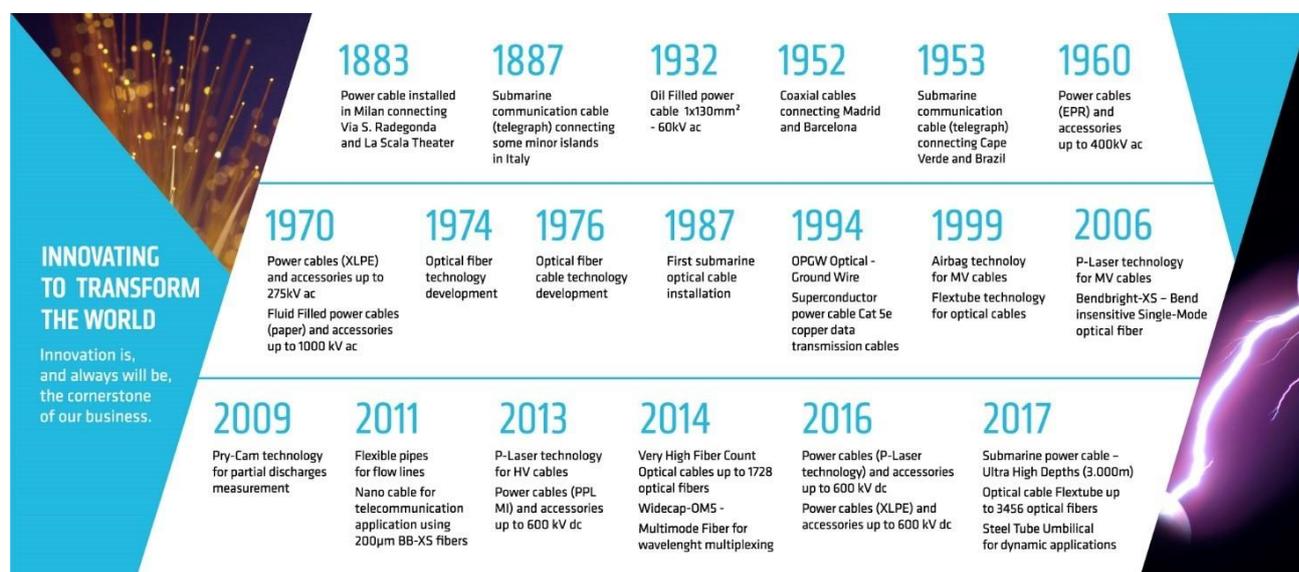
Over 500 professionals



Approximately 4,850 patents

¹² Of which EUR 73 million opex and EUR 11 million capex

The Group's constant drive to innovate is also supported by 17 Centres of Excellence across the entire globe, which have their central headquarters next to the headquarters in Milan and employ more than 500 experienced professionals.



PRODUCT INNOVATIONS

Prysmian developed numerous R&D projects during the year. This section highlights those that are most significant from the point of view of sustainability.

Work dedicated to the optimisation of costs via the **Design-To-Cost** (DTC) programme has also continued in 2017, used to lower production costs, both when developing a new product and when re-engineering an existing product. Prysmian therefore aims to reduce the quantity of materials used for cable production by redefining the design of the product. This programme achieved cost savings totalling more than EUR 13 million in 2017. More than 1,050 projects have benefited from this programme. The reduction of costs is a direct consequence of the reduction of the material used for the production of cables and therefore a reduction of the resulting environmental impacts. "

ENERGY

Submarine cables

During the year, activities related to the new large diameter aluminium conducting junction techniques were completed (with the possibility of collection on fixed platforms) and the production of a large part of the current COBRA project was completed with 320 kV direct current to connect the Netherlands to Denmark.

The activity related to the junction of conductors of different materials continued with a series of mechanical checks in order to use the solution in structures of a three-pole 220 kV alternating current cable. The geometric configuration of the cables with a three-pole design leads to higher levels of mechanical stress, in particular bending, for the conductors and the related junctions. Full qualification and production are scheduled for 2018. Below are other relevant projects:

- The development of **bimetal junctions** that make it possible to optimise submarine connections from the point of view of the efficiency of the transmitted energy, using the best conductor design for each section of the connection depending on the depth, thus ensuring greater sustainability of the connection itself.

- As part of the **MI** (Mass Impregnated - Paper Impregnated Blending) **cables**, the recovery activity for the WesternLink project and the completion of the stress tests required following the installation for the part of the connection operating in direct current were fulfilled to ensure efficient energy transfer between the north and south of the United Kingdom.
- As regards **the cables installed at high depths**, after completing all the tests to confirm the mechanical feasibility of the developed cable solution, innovative activities were launched and partially completed related to the development of the installation and repair technologies, especially for high depths. Future high-depth submarine systems (up to 03:00 meters) will therefore allow new interconnection and power transmission links, which were previously not achievable, guaranteeing better efficiency and energy sustainability.
- With regard to the project for **600 kV DC extruded cables**, tests have continued for application of the XLPE and P-Laser technologies. In particular, new prototypes were produced in both XLPE and P-Laser with copper conductor sections up to 2500 mm² and aluminium conductors up to 3500 mm².
- On the other hand, in the case of the very high voltage cable versions with solid P-Laser insulation, the development of the "**P-Laser**" **flexible** joint continued with a new so-called intrusion technology by means of which the insulation is extruded by filling in the joint. This technology has been patented and the first internal tests have been carried out on a full-size prototype, with decidedly encouraging results. Cables with P-Laser technology are made of recyclable and eco-sustainable materials and make it possible to lower the environmental impact of circuits while also raising their efficiency and power transportation capacity.
- Tests have been carried out to fine-tune the "**Lead Less**" technology for the production of lead-free metallic sheaths, using a tube-shaped and longitudinally welded copper sheet. Over the next year, this technology will be industrialised at the Pikkala Plant, Finland. The removal of lead from high and extra-high voltage submarine cables is an extremely important milestone for the environment. Furthermore, this technology will also allow the development of dynamic connections for offshore platforms, thus expanding the range of wind systems to even the deepest seas.
- Finally, **monitoring activities** continued (partial discharges) of **submarine systems in EHV, AC or DC** over long distances, using Prycam Gate technology. Research activities have begun to implement diagnostic systems to verify in real time the position of possible problems during cable operation, thus minimising repair times. Diagnostics and monitoring make it possible to reduce the inactivity time of transmission systems, ensuring better energy distribution and improving system sustainability.

Terrestrial cables

- In the field of Product Development of Very High Voltage Cable Systems, new prototypes for **525 kV HVDC** systems insulated with proprietary P-Laser technology were produced. The conductor section, 3500 mm², is the largest produced to date in Prysmian while the choice of the conductor material (aluminium) made it possible to limit the weight of the cable. Thanks to the P-Laser technology, the system can therefore operate at a conductor temperature of 90° C (instead of 70° C as is normally the case for HVDC cables insulated in XLPE) ensuring a power equal to that of a cable of the same voltage but with a conductor of 2500 mm² section in insulated copper in XLPE.
- The industrialisation of the production technology of the new generation of accessories dedicated to **EHVDC applications** continued.
- In the field of future UHV applications in alternating current, the development of materials and technologies suitable for use for voltages up to **800 kV** was started. The cables produced allowed the preliminary evaluation of existing and new generation materials, with new technological solutions for insulation.

- At the Abbeville Plant, South Carolina, the 500 kV (AC) prototype was produced with 2500 mm² conductor (pre-qualification tests according to the IEC62067 standard), while the Mudanya plant (Turkey) started the production of HV cables with longitudinally welded aluminium sheath.

T&I (Trade and Installers)

With regard to the T&I business, 2017 was characterised by the definitive entry into force of the European standard on the homologation of cables according to the CPR (Construction Products Regulation) standards, which establishes specific cable performance requirements in terms of reaction and fire resistance. The intense development activity carried out in previous years to adapt the products to the new European legislation has allowed the various companies of the Group to reach from the outset a prevailing position in the various local markets. However, the work of completing the range and optimising costs will continue intensively throughout 2018. Several product families destined for applications not regulated by the CPR are in any case requesting the adaptation to the same safety standards, intensifying the R&D focus in this direction. The imminent extension of the requirements of the CPR in terms of reaction to fire and fire resistance has already started verification and development activities by Prysmian of products in this category of use, even if the final requirements have not yet been clearly defined. The focus on sustainability has also achieved primary importance with reference to products for the T&I field.

Oil&Gas and Surf

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. In 2017, the Group added a new technology of umbilical cables called steel tube for dynamic applications.

The O&G market crisis has oriented all core cable development activities on the optimisation of design and production costs, also by introducing alternative products on the market. The introduction of CPR in the T&I field is also attracting the interest of the oil companies, requiring developments also for the products of this family.

In the field of cables for submersible pumps (ESP) the technological trend of operators in the oil extraction sector is aimed at simplifying the installation and maintenance phases as well as limiting the relative costs.

This involves developing extremely innovative solutions that require new generation cables with very specific additional performance. This trend also leads to an increasing synergy between the ESP systems and the Downhole Technology systems making strategic the combination of KH on both technologies.

OEMs

In 2017, the intense activity of development and improvement of products for the industrial market continued, including a vast and varied number of applications. The specialisation in some of these sectors, developed at some of the Group's units, must often be transferred to other units due to the increasingly frequent requests for the localisation of markets in emerging countries. It was therefore necessary to enable local plants to produce part of the product portfolio, making it possible, also thanks to the transfer of know-how and technologies owned by the Group, to penetrate new markets.

Monitoring systems

The focus on the development of monitoring systems has assumed an increasingly crucial role as a constant monitoring of the network helps in the management, optimisation and identification of any problems connected to the network, minimising the risk of network default. This led to a greater focus in 2017 on the measurement systems of partial discharges as well as on other parameters, such as temperature, strain, vibration, radiation, with the development of both sensors and monitoring equipment and systems. As part of the PRYCAM

services, which aim to obtain real-time information on the conditions of the cables or network components in the respective connections or circuits, the Group has developed the PryCam Cable, in order to achieve supply and data collection for distributed systems of this type.

TELECOM

Optical fibres

In terms of the optical fibre sector, 2017 saw further improvements in the process of manufacturing fibres at the factories in the USA and Brazil, where an autonomous production process is now operational.

During the year, the production capacity of the BendBrightXS fibres (single-mode fibre completely insensitive to bending for FTTH applications) was also increased through process improvements. This fibre is very appreciated by the market thanks to its high flexibility and ductility, especially after the entry into force of the G657.A1 standard. As a result, the Group is reorienting much of the production in this direction, favouring the production of multimode fibres, insensitive to bending and used in FTTH applications.

Since the standard for OM5 fibres has been ratified in IEC and ISO / IEC, this platform is now used in IEEE to develop the specifications of the physical interfaces of transceivers that will operate at 25/50Gbit/s using up to four wavelengths. This will provide, for example, in an 8-fibre cable, the possibility of transmitting from 40G to 100G up to 400G.

Another important innovation concerns the use of "**Few Mode**" fibre technology that allows digital information to be transmitted using a limited number of "modes", whereas, until now, it has been possible to do so only using single mode fibres. While in the single mode fibres the information is coded and travels in a single lighting mode, in the "Few Mode", different modes are possible to transmit the digital information (with consequent advantage for the information capacity). The first "Few Mode" fibres, in so-called "4-LP mode", are still being tested.

Optical cables

Group activities in the optical cables field principally involved three types of product (Flextube, Blowing, Ribbon).

Flextube cables have shown their suitability for many international markets and their production has been extended to multiple Group plants. Prysmian continues to work to increase the number and density of fibres contained in a single cable: the last design involves the housing of **3,456 fibres**, organised into 6 elementary nuclei of 576 fibres each in a single cable (this cable uses the BendBrightXS fibres with a diameter of 200 µm to promote miniaturisation without compromising sensitivity to bends).

The increase in the density of the fibres is also the main objective for the development of cables for installation by means of blowing technique (**blowing**), the so-called "Mini" and "Nano" cables. This family includes drop cables with up to 24 fibres and a maximum diameter of 3 mm and multiloose cables with up to 288 fibres and a maximum diameter of 8 mm. Furthermore, a blowing technique called "overblowing" has been developed that allows "blowing" new cables in the space of the pipe not yet used by previously installed cables, representing a clear advantage for the environmental impact.

In the classic ribbon cables (**Ribbon**) for external and internal use, further improvements and additions to the portfolio have been made. The Totally Dry Ribbon cables with up to 864f have been developed in the Low Smoke Zero Halogen version, while the new generation of Ribbon cables is underway, which provides loose-connected fibres to allow a greater packing density while maintaining the advantage of "mass fusion splicing".

The impact of the choice of broadband access technology on CO₂ emissions was studied in collaboration with the University of Applied Science Südwestfalen. This comparison with xDSL, Hybrid-Coax, GPON, Point-to-Point showed the advantage of full implementation of the FttH, although it should be noted that the impact on energy consumption of customer modems offers room for improvement.

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 so-called "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. The family of multifunctional joints has also been launched in several countries, with special characteristics to adapt to the various platforms.

The main innovations involved:

- the development of a new range of **termination caps**, industrialised in the Menzel plant (Tunisia);
- the development of additional **components for the joints**, which have made it possible to extend their use in the network, thus increasing Prysmian's market share;
- the development of **multiple components** and the launch of an extensive test program to qualify the joints. These components are currently being processed and sales are expected to start in the second quarter of 2018.

OPGW (Special and submarine optical cables).

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

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

Multimedia and Data Centre solutions

Some improvements have been made to the 6A U/UTP solution, based on discontinuous metal tape for cables with copper conductors.

The PoE technology (Power of Ethernet) continues to be the main engine for the extension of the product range and use in the field. Wireless access points, cameras, sensors and other IoT devices (Internet of Things) are connected to each other. Even the new Reduced-Twisted-Pair technology is gaining ground: the first projects that will enable, therefore, 1 Gbit/s transmission channels on a single pair have been qualified. This also allows us to support ongoing standardisation work.

For the data centres, cabling solutions have been developed that use both copper and fibre optic (hybrid) combined cables. In collaboration with an industrial partner, the first complete connection of category 8.2 has been qualified and is now available for sale, offering a 40 Gb/s copper solution on a 30 m channel. With the 25 Gb/s speed changeover in IEEE, a solution with the Cat.7a product range seems possible. For high data transmission speeds (40/100 Gb/s) new multimode optic fibre cables have been developed; these cables are based on 8 or 12 fibre modules terminated with multi-fibre MPO connectors. The optical modules used can be of the Flextube micro-module type or 3 mm micro-cables that are assembled to cover the range of fibres from 72 to 144. These families of cables are available in a version with low emissions of fumes and toxic gases and in the Plenum / Riser version.

In 2017, all the product families were qualified according to the European legislation on the homologation of cables according to the CPR (Construction Products Regulation) standards: tests were carried out on existing products, design adaptation and material modifications took place to propose a product portfolio able to cover all the necessary performance classes on the market. 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.

INNOVATIVE MATERIALS

Prysmian is strengthening exploratory studies to identify innovative materials for the new technologies employed by cables and accessories. The main results achieved during the year include:

- Realisation of an elastic sheath for aerial cable accessories (in the industrialisation phase), also evaluating new constructions of the elastic joint for which it is intended.
- Studies to understand how to eliminate lead from insulating compounds for medium and high voltage, both from accessories and cables (study still in progress).
- Development of semiconductive compounds for medium voltage disconnectable joints in use at a subsidiary in France.
- Collaboration with an external partner for the development of a coating able to reduce the flame propagation of crosslinked polyethylene, in order to improve the performance of low voltage cables compliant with the CPR standard in order to enhance its characteristics in the future.
- Collaboration with the University of Padua for a preliminary study in order to start a joint project on fire-resistant materials.
- Study on substances that absorb water without subsequently releasing it, which demonstrated the feasibility of a material with an increased impermeability. By inserting this material into the high density polyethylene compounds, impermeability increases by at least one order of magnitude. In the field of low-weight submarine reinforcements, a collaboration was started with a UHMW-based polyethylene fibre producer.
- Completion of tests in use of by-products absorbers in HVDC cables to confirm the reliability of the proposed solution with positive results.
- Collaboration with another external supplier for the development of a new traction element. Experiments are underway to understand how to improve the structure of the catalyst in order to have a cleaner polymer that better absorbs the gas.
- Development of a method to study the electrical characteristics of mica glass tapes at high temperatures (up to 800° C) to evaluate the performance of tapes in current use.
- Collaboration with the Politecnico di Milano study and obtaining of polymers resistant to oils, which led to the creation of a material based on unsaturated polymers that react with each other generating a crosslinked product with good characteristics. If this technique confirms its validity it will be possible to realise sheaths resistant to oils with a consumption of energy much lower than the current one.
- Experiments have been launched to evaluate and approve materials suitable for the production of small-sized optical cables, which are becoming increasingly important on the market
- Studies were carried out with the University of Salerno on a polypropylene used to make the diameter joints in PLaser cables that showed a totally unexpected anomalous behaviour.

RATIONALIZATION 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 reduce the use of monopoly suppliers. Therefore, the use of the new method of **preparing supply specifications** (PrySpec) was started in some key countries in order to evaluate all the problems deriving from the procurement in "single source" and, by the end of the experimental phase, all other countries in which the Group operates will be involved.

Furthermore, the **database of compounds** (CompoundDS) of internal production has been completed: the research tool is now operational and can be consulted by all the affiliates in order to facilitate the search for the most appropriate compound for the final application.

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 range of products offered.

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**.

With regard to the Gas Getters technology, further industrial trials have identified the possibilities and limitations of the absorption system of by-products generated in the production phase. Initial studies of materials capable of absorbing water and gas vapour have produced interesting results.

In line with the principal developments of safe, reliable and sustainable technologies, Prysmian has once again confirmed its pioneering and innovative spirit by continuing to expand the range of Afumex Green cables. With regard to the new generation of Afumex LSOH cables, energy consumption during production has been reduced significantly and better surface finishing has been achieved by the development and industrialisation of new formulas. In the Telecom business, in addition to the permanent objective of reducing **waste** and increasing the **speed** of production lines, much work has been done to increase the number of fibres contained in a cable with the same cross-section as the cable (densification) with a consequent decrease of the fibre protection materials and, therefore, of the energy consumed to extrude them. The Group has also worked to extend and expand the "dry/dry" version of Flextube cables, which allows a considerable reduction in installation time and, therefore, in the total costs of the system, facilitating the recycling and separation of components.

CFP – CARBON FOOTPRINT

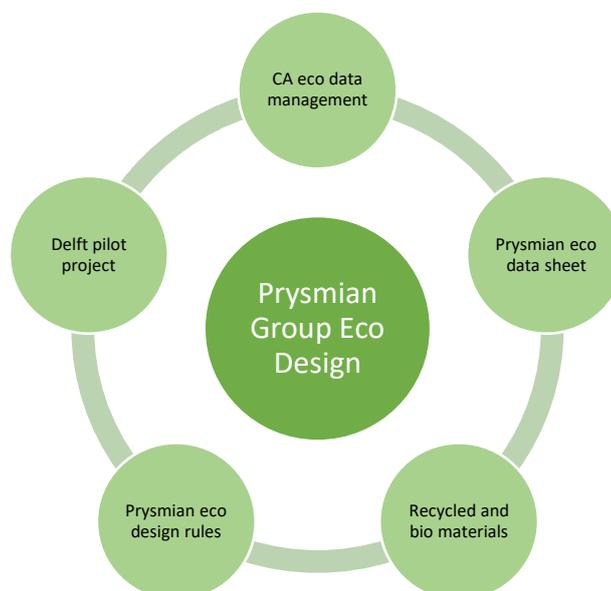
In 2017, the development of the instrument dedicated to the calculation of some important environmental parameters of cables produced in the Group plants has continued: the Carbon Footprint (CFP) and the recyclability at the end of its life.

The development of this activity is the result of an ever increasing commitment by the Group to improve its sustainability performance, starting from the product design and the requests of its stakeholders, such as sustainability assessments requested by suppliers and customers.

The development of the Prysmian Group Eco Design is the result of a combination of different elements.

- Common Analysis tool (CA) eco data management.
- Prysmian eco data sheet.
- Recycled and bio materials.
- Prysmian eco design rules.
- Results of the pilot project developed at the Delft plant (Holland).

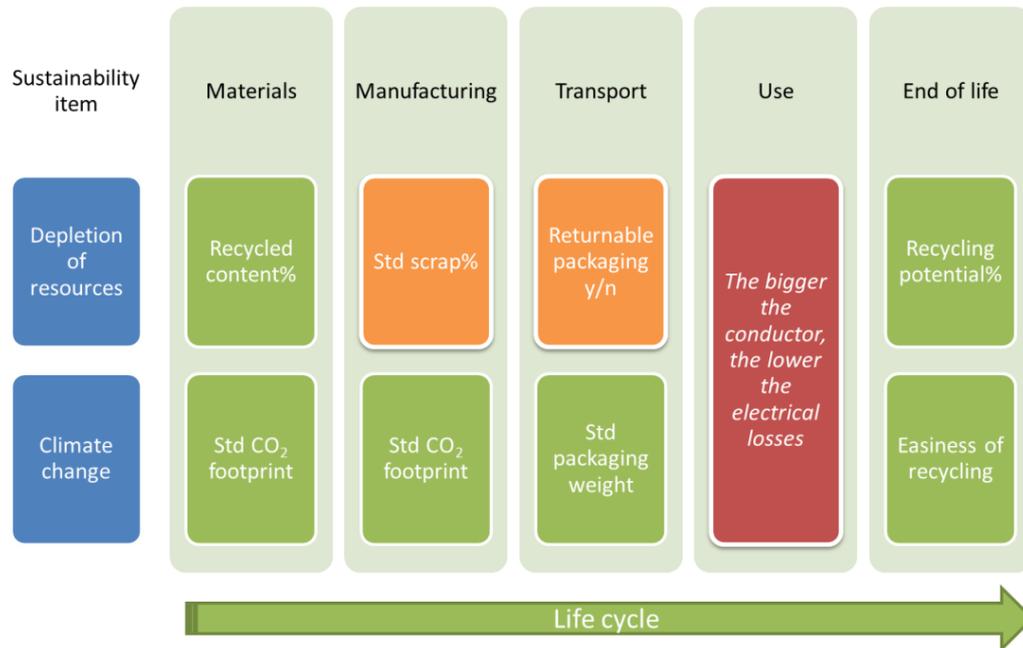
THE ECO DESIGN PROCESS OF PRYSMIAN



The system in question represents a new feature of the Common Analysis (CA) application, already developed and in use for several years for the calculation of the design and the costs of cables for all the Group's plants. It makes use of the fact that it can utilise the same databases.

Combining CA data (represented by BOMs - the "Bill of Materials" - and Routing, i.e., process data for cable production) with the equivalent CO₂ values attributable to the energy and materials used to build the cables. These values are mostly obtained by combining the emission data provided by the "Ecoinvent" source with an environmental impact methodology focused on the calculation of the "carbon footprint", namely "GHG Protocol". In this way it is possible to have a reliable assessment of the equivalent CO₂ associated with each cable produced in a given factory. The perimeter considered for the assessment of the "carbon footprint" is therefore typical of a partial LCA "from the cradle to the gate", consisting of the sum of the impacts related to the production of raw materials and of the product itself (i.e., in our case the cable). However, with the aim of also considering the end of life of products in the sustainability analysis, it became possible to obtain an assessment for each cable of the quantities of potentially recyclable materials at the end of their life.

“ECO PRODUCT DATA SHEET”



As far as the progress of the project is concerned, in 2017 the Common Analysis implementation of the carbon footprint impact coefficients relating to the various materials and energies was completed, with the aim of making them available for the estimation of the CO₂ equivalent in the cable design phase. The collection of process data relating to the production activities that take place at the Prysmian plants (Routing) is still being completed. The system has been implemented to date for cables designed in 4 Group factories, chosen as characterised by a mix of very differentiated products and production processes and therefore sufficiently representative to test the system, so as to verify reliability in different situations.

In 2018, there is a plan to extend the new functionality to a greater number of production sites, in order to allow an assessment as precise as possible of the environmental parameters of the Group's products.

It should be noted that an accurate evaluation of the CFP value of Optical Fibres (FO) produced internally was carried out in 2017, during a dedicated study performed at the Douvrin plant (France - one of the Group's main centres of optical fibre production). The measurement of material consumption and energy consumption of the factory made it possible to obtain the equivalent CO₂ value of the weight unit of the optical fibre, to be used for the calculation of the CFP of the main TLC cables. This activity was necessary due to the unavailability, both in international databases and in literature, of a CO₂ equivalent value for the optical fibre, given the technological and functional particularity of the material in question.

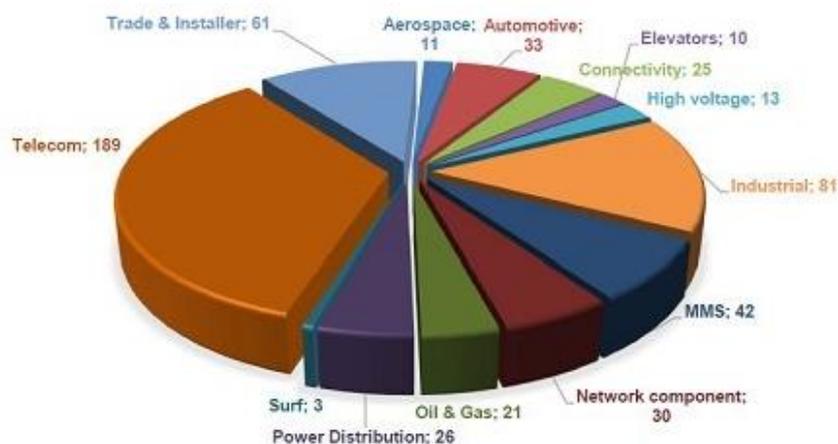
NPI – NEW PRODUCTS INTRODUCTION

The development of the reporting system for New Products (NP) continued, with the aim of extending its use to as many types of Group products and/or businesses as possible. In particular, a feature has been developed that extends the evaluation of sales and NP results to "non-configurable" objects, such as Accessories for Power cables and Connectivity for TLC cables. Also of particular importance is the introduction - still in the pilot version - of a success factor for NPs, based on the time between the availability of the new product and its first

actual sale. The NP system is already applied to a business volume of approximately 70% of the Group's turnover and, from the initial assessments, the sales volume of NPs on the reference turnover (FY2017) can be estimated at around 8.9%. There is a plan to extend the application of the NPI system to around 90% of the business volume by 2018.

CATEGORIES OF NEW PRODUCTS

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 the safest and most sustainable cable on the market. With this launch, the traditional petroleum-derived polyethylene, used for insulation purposes, is replaced with 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.

P-Laser - The first fully recyclable HVDC cable

The Group is ready with the market launch of a completely innovative product offering better performance at a lower cost. In particular, the new P-Laser 600 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

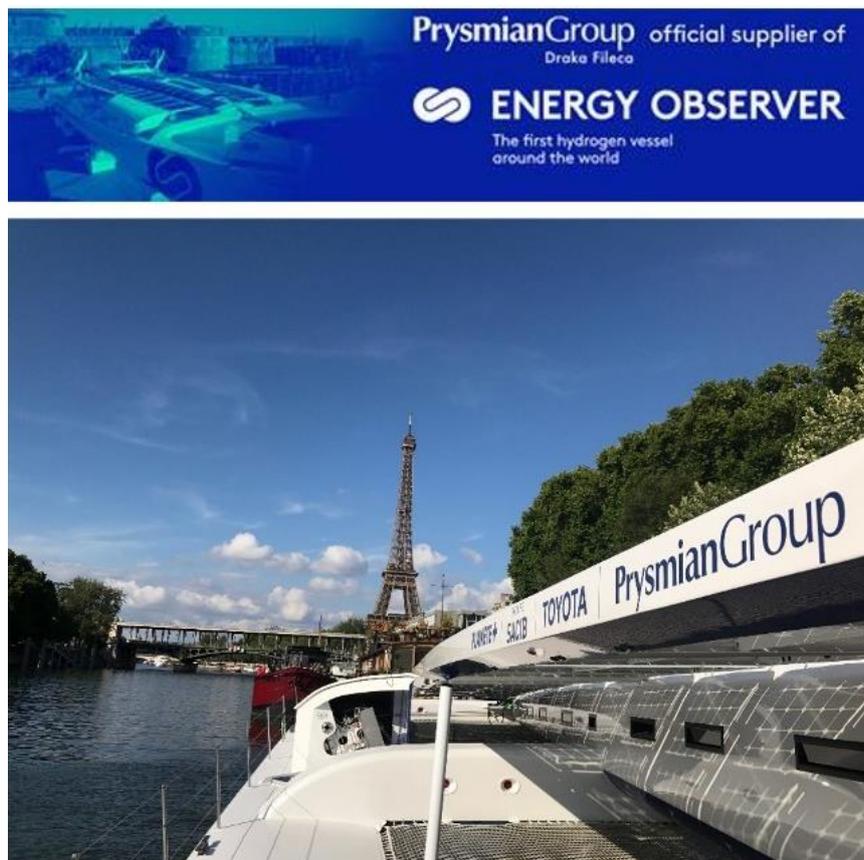
P-Laser 600 kV HVDC Prysmian has launched an innovative technology for power transmission networks that guarantees better electrical performance, lower costs and greater environmental sustainability. The 600kV P-Laser cable, designed for direct current (HVDC) applications, is more efficient to manufacture 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.

Energy Observer - Self-sufficient energy vessel

Prysmian participated in the Energy Observer project, the first catamaran in the world powered exclusively by renewable sources, engaged in a six-year navigation around the world.

The Group has been chosen as the official supplier of the cables that feed the boat, which, thanks to their efficiency, reliability and a reduced weight compared to standard solutions, distribute the energy generated by renewable sources, both wind and solar, to the engines of the boat.



COMMITMENTS FOR THE FUTURE

In 2018, the Prysmian Group will strengthen its commitment to increase the efficiency and reliability of products with the aim of reducing, at the same time, 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.

THE PROTECTION OF OUR INTELLECTUAL PROPERTY

Protecting the portfolio of patents and trademarks is a key part of the Group's business, particularly in relation to its strategy of growth in high-tech market segments. During the year, the Group continued to increase its patent assets, especially in segments with higher added value and in support of the significant investments made in recent years.

As of 31 December 2017, the Prysmian Group holds **4,871 patents** and patent applications throughout the world, covering 746 inventions (of which 211 in the Energy Projects and Energy Products segments, 15 in the Oil&Gas segment and 520 in the Telecom sector). A total of 28 patent applications were filed during 2017, of which 18 in the Telecom sector, 8

in the Energy sector, and 2 in the Oil&Gas sector. Following examination, 187 patents were granted during the year, 52 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 2017, the Prysmian Group owns 586 trademarks, with 2,514 registrations in the various countries in which we operate, covering the names and logos of our companies, activities, products and product lines.

THE MAIN INVESTMENTS IN INNOVATION

During the year, Prysmian continued to invest in all corporate businesses, with particular attention to the submarine cables business and the optical fibre business and cables for Telecom applications, further strengthening its presence in a segment with high added value.

The Prysmian Group's production activities are characterised by a strongly decentralised model, which leverages **82 factories** across **50 countries**, and which allows the company efficiency and effectiveness in meeting the various market demands at the global level. Once again, during 2017, the Group has continued to implement an industrial strategy based on the following factors:

- creation of products with higher added value and technological content in a limited number of establishments destined to become centres of excellence with high technological skills, exploiting economies of scale, with consequent improvement in production efficiency and reduction of capital invested;
- constant search for greater manufacturing efficiency in the commodities sector, while maintaining a well-diversified geographical presence in order to minimise distribution costs.

In 2017 the value of gross investments amounted to EUR 257 million, up approximately 10% compared to the previous year (EUR 233 million), including the item relating to the purchase of assets of the Chinese plant located in Yixing and managed previously by ShenHuan Cable Technologies, active in the production of HV cables, and the further acceleration of investments in the Telecom sector (fibre and optical/data cables). The incidence of investments linked to the industrial footprint remains in line with previous years, with the objective of optimising the cost structure and guaranteeing an adequate saturation of the plants within the various countries.

CAPACITY / PRODUCT MIX

Investment to increase production capacity and take account of changes in mix accounted for 49% of the total.

Energy Projects

During the year, the most significant investment was related to the completion of the acquisition of assets previously owned by ShenHuan Cable Technologies with the aim of creating a centre of excellence in China serving the entire area of the Far East so as to offer all high voltage cable technologies to APAC customers. The site can count on production and logistics facilities located in an area of over 190,000 m² and has 5 insulation lines inside it, including 2 vertical extrusion lines for the production of Extra High Voltage cables up to 500kV.

Also within the High Voltage business, at the Gron plant in France, there was an increase in the production capacity of cables up to 2 km to meet the ever-increasing demand for direct current connections over long distances.

Lastly, in Argentina, Prysmian is completing the installation of a line for the production of cables with welded aluminium sheath, thus complementing the current range of products equipped with a lead sheath offered to South American customers today.

With reference to the submarine cables business, work has been completed in Pikkala, Finland, for a new vertical extrusion line that will allow the production of the Cobra cable for the submarine link between Denmark and the Netherlands. Investments for the Group's fleet of cable laying vessels dedicated to installation services remain stable. The fleet comprises three cable-laying units: "Giulio Verne", "Cable Enterprise" and "Ulysses".

Energy Products

The Energy Products segment has been invested globally to ensure the satisfaction of a growing demand in some value-added sectors. Investment in Suzhou, China, has increased the production capacity of Trade & Installer, Rolling Stock and Automotive cables.

In general, great impetus was given to the whole area of the Far East, where investments are also under way in Malaysia to strengthen the Instrumentation and Control market and, especially in Indonesia, where an additional line is being installed for the catenary extrusion of medium voltage cables in order to make greater use of the growth opportunities that this geographical area presents in all the business sectors in which the Group operates. Finally, in Mexico, an investment was made to increase capacity in the Durango automotive plant, so as to better serve local suppliers of automotive components. Like last year, Prysmian Group also consolidated its investments in the subsidiary Oman Cables Industry, after acquiring an absolute majority of its capital during the previous 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.

Telecom

In the Telecom business area, in the optical fibre plant of Claremont (North Carolina), the Group made investments to create a verticalised production structure, increasing spinning capacity to meet the demand for fibres destined for the production of optical cables. In this regard, the Group is also increasing the production capacity of ribbon cables in the Lexington plant (South Carolina), also following an important supply agreement signed with Verizon Communications to support the expansion of the American telephone operator's optical network to include 5G services and an increase in the 4G LTE capacity of the broadband network.

The factories of Douvrin, France, and Battipaglia, Italy, have also been the subject of further investments by the Group with the aim of increasing the production of single-mode fibre and of serving the continental optical cables market for telecommunications.

EFFICIENCY AND INDUSTRIAL FOOTPRINT

Total investments destined to reduce variable costs (mainly product design and materials used) and fixed costs amounted to around 27% of the total. The Group is continuing to perform an important cost optimisation activity for the entire production chain of the Telecom business segment. Two new factories were almost completed in Eastern Europe: in Slatina (Romania) for the production of optical cables used in telecommunications, and in Presov (Slovak Republic) for the production of optical cables for multimedia applications, in addition to the current production of copper cables. In Durango (Mexico), work has now been completed for the construction of an optical telecommunications cable factory to meet the growing demand in North and Central America. Lastly, in the European optical fibre factories of Battipaglia (Italy) and Douvrin (France), efficiency investments continued, with a significant reduction in the cost of fibre manufacturing, with particular emphasis on increasing the size of the preforms and on the spinning speed.

As for the Energy business, it is worth mentioning the start of work on the creation of a new Centre of Excellence in South America, within the industrial pole of Sorocaba, in Brazil: this pole will also host the entire structure of the production unit currently located in Santo André (São Paulo) and, at the end of the works, will be one of the most modern Prysmian offices in the world.

IT, R & D

7% of investments were allocated to the development of Group information systems and Digital Transformation initiatives.

In 2017, activities continued for the completion of the "SAP Consolidation (1C)" programme, based on the innovative SAP HANA technological infrastructure and aimed at the harmonisation of back-office processes, with the geographical extension of the Group platform in Argentina and partially in the United States.

In the Operations area, a pilot project was launched in Calais for the development of the Factory 4.0 project, the Group's first "Global Manufacturing Execution System", with the aim of increasing the efficiency and effectiveness of industrial processes and improving customer service, ensuring complete traceability of the components used in production cycles.

In the Marketing and Communication area, the roll-out of 29 Local Websites was completed, according to the model developed for the Group Website (www.prysmiangroup.com), with particular attention to the business needs of business and employer branding of each country in which the Group operates.

BOX "Industry 4.0"

Prysmian Group commenced in 2017 the launch of its first Factory 4.0 pilot project at the optical cable plant in Calais (France). The project, called "Fast Track", represents a step forward in the implementation of the Group's "Fast Forward Operations" programme aimed at creating smarter establishments by leveraging the integration of digital skills and people's know-how. The "Fast Track" project will be realised thanks to the collaboration with Dassault Systèmes, 3D Experience Company, world leader in 3D design software, 3D Digital Mock Up and Product Lifecycle Management (PLM) solutions. The partnership with Dassault Systèmes allows Prysmian to leverage the best applications in the sector created for the use of IoT technologies at the forefront of production processes and for the analysis of Big Data. The launch of the pilot project in Calais will allow the Group to develop more extensive plans with the aim of progressively installing Factory 4.0 solutions in all of its 82 plants worldwide. The "Fast Track" approach ensures full traceability of production activities and materials used, better management of events that could jeopardise production processes, and provides in real time all the relevant information needed to identify causes and possible solutions.

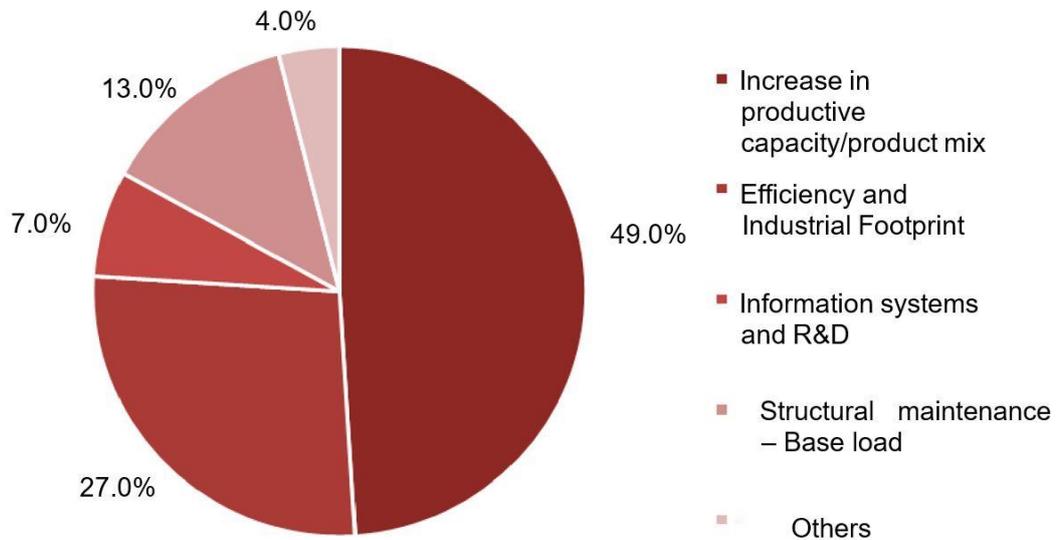
STRUCTURAL MAINTENANCE - BASE-LOAD

Capital investment to maintain capacity amounted to about 13%, in line with prior years. A significant part is related to the removal of all asbestos present at every Group factory around the world.

OTHER

In this last category (4% of the total) we include the purchase of a building in Taunton (Massachusetts, USA) linked to the current plant operating in the Industrial cable sector, so as to support its future growth plans; along with this investment, it is worth mentioning the completion of the works in the Ansaldo 20 industrial area, in the Bicocca district of Milan for the construction of the new headquarters of the Group, which covers an area of over 20,000 m² and brings together all the company functions located in Milan in a single location, with a consequent saving on management costs compared to the past.

GROUP INVESTMENT IN 2017



RESEARCH AND DEVELOPMENT: THE PARTNERSHIP

Prysmian has established consolidated collaborative relations with major universities (more than 35 agreements) and research centres in various countries around the world: Such collaborations are strategic for Prysmian, in order to stay constantly up to date with 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 (Italy)
- Università degli Studi di Milano, Genova, Salerno, Palermo e Padova (Italy)
- National Electrical Energy Research & Application Center (USA)
- Georgia Institute of Technology (USA)
- University of South Carolina (USA)
- Centro di Pesquisa e Desenvolvimento em Telecomunicacoes (Brazil)
- Universidade de São Paulo (Brazil)
- Universitat Politecnica de Catalunya (Spain)
- Shanghai TICW (China)
- University of Applied Science Südwestfalen (Germany)
- University of Lille 1 (France)
- University of Central Florida (USA)
- Nokia Bell Labs France and (USA)
- Technical University of Eindhoven (Holland)
- CaiLabs (France)
- PA Consulting (UK)
- CEA (France)
- Nanocomp (USA)

The Prysmian Group organised in 2017 the second edition of the **Technology for Human Beings** contest (in collaboration with the Human Foundation) for the selection of bachelor's and master's degree thesis on the applicability of new technologies for sustainable development. The contest, aimed at students of engineering, physics and material sciences enrolled at Italian universities or colleges, was inspired by the Sustainable Development Goals (in line with the Group's Sustainability strategy) and involved the following thematic areas:

- 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;

The competition has awarded 6 students - 3 bachelor's theses and 3 master's thesis - with cash prizes, while the first winners of each category were offered the possibility to carry out a six-month internship within the Prysmian Group.

CUSTOMER CENTRICITY

Over the years, the Prysmian Group has perfected its approach to the market by always 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, 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**", which is the ability to understand early and satisfy the needs of the customer. This requires constant attention at all stages, from product design to delivery, with performance measured against predetermined and agreed parameters. The Prysmian Group develops solutions that meet specific standards and satisfy the precise requirements of an individual customer.

In particular, the Group is able to serve very different segments and markets thanks to a matrix organisational structure: from highly specific local markets with the business and development structures of individual countries, to markets with products and global customers with integrated business units and segments in which both local presence and cooperation between countries is necessary.

CUSTOMER SATISFACTION AS A KEY TO SUCCESS

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

SURVEY

For many years, the Group has performed specific surveys to measure the level of customer satisfaction. Until 2015, these surveys were carried out by a market research agency using standardised questionnaires that were completed by telephone interviews (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 approximately 900 customers in the Trade&Installers sector in 15 countries.

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

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

At full speed, the process of digitalisation will allow all Group divisions already in possession of a CRM tool to manage the feedback from the interviews directly, monitoring any critical situations and guaranteeing an ever-increasing quality in the relationship with customers.

The new web interviews were implemented during the first four months of 2017 through a platform connected with the Prysmian Customer Relationship Management (CRM) Sales Force, thus allowing countries that already use CRM to obtain the Survey results in their portals, facilitating the activation of specific actions. The Department of Customer Centricity of Prysmian HQ guarantees quantitative and qualitative Reporting of the Survey, even for those countries that have not yet activated such a structured CRM system.

Particular attention has been focused on management of the Privacy Policies, thanks to the direct contribution of the Compliance Department, in order to allow and obtain the necessary authorisations from the customers and traceability of the responses to the Web Survey. In this way, each country is able to implement targeted action plans not only at the country level, but also at the more specific level of customer and individual customer segments.

In 2017, the project mainly involved the customers of the Trade & Installer segment, with the possibility, in the future, to extend to other business segments.

Each question linked to customer satisfaction is evaluated with a score between 1 (minimum) and 5 (maximum) in the following areas of investigation:

- business conditions,
- products and services offered,
- customer support,
- brand awareness,
- range of products.

The Net Promoter Score (NPS) and Effort Score (ES) are also calculated in the survey.

The average response to Web Surveys - reported by the partner with whom Prysmian cooperates - is between 5% and 7%.

The Web Survey system has ensured significant efficiency in terms of response time to the questionnaire, bringing the average response time to the survey to below 10 minutes (compared to the 40 -45 minutes required with the telephone interview method (CATI).

The Pilot Projects planned for 2017 have been successfully conducted in Spain, Portugal, Brazil and Argentina, followed by the Central-Eastern Europe Region.

The main results of Web Surveys

In **Spain and Portugal**, in 2017, 28% of the target customers involved compiled the Web Survey.

The average score was 3.35 (from a minimum of 1 to a maximum of 5).

The percentage of involvement in **Brazil** was around 11%, while the average score for customer satisfaction was 3.64%.

In all areas (Spain, Portugal and Brazil), the actions identified as priorities are linked to the areas of:

- terms of sale;
- service / delivery (logistics);
- customer support.

In **Argentina**, the response rate in 2017 was 36% of the customers involved. It is important to note that, despite the score obtained being quantitatively low (both in terms of average importance of drivers 1.52 and average score reached around 1.24), the results of the Net Promoter Score (NPS) and Effort Score (ES) are positive. The areas of intervention to be improved are:

- terms of sale
- product offer
- service/delivery (logistics)
- documentation
- customer support.

The **EU** area (Germany - Slovakia - Austria - Hungary - Poland and Romania) had an average score of 3.87, the highest among the scores to date.

The survey has nonetheless highlighted areas of intervention in sales conditions. The countries in which more targeted interventions are required are: Germany in terms of logistics, sales conditions and customer support; Austria for sales conditions and product offer; Hungary for logistical aspects and sales conditions.

ONE-ON-ONE INTERVIEWS

In order to strengthen its relationship with key Customers, the Group started carrying out specific one-on-one interviews in 2015 and in parallel with the 2017 Web Surveys.

One-on-one interviews, managed directly by the Group's Customer Centricity Department, have obtained very positive results, as the subjects involved have shown they like to share their ideas and feedback directly with headquarters.

The interviews, carried out on an annual basis, cover various thematic areas, including: sale conditions, product offer, service / delivery, documentation, customer support, brand / relationship, Net Promoter Score, Effort Score. The selected target customers are of strategic importance for the Country and for the Prysmian Group, in the context of Business & Installer, Power Distribution, Industrial / Special Cables, Accessories.

Following the one-on-one interviews carried out in China and Hong Kong during 2015, the Group selected eight major customers in the Trade&Installer and Utility Business sectors in North America in 2016. 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 of 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.

In 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 Centres, 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 the above-mentioned interviews, North America decided to implement specific actions between 2016 and 2017 in line with the evidence obtained in the meetings, with a supporting role played by the Milan Headquarters.

As planned, one-on-one interviews were conducted in 2017 in the United States for the market segment for Special Cables and in Europe for the T&I segments. Six American customers were interviewed in the Distribution and Utility sector. Quantitative feedback was obtained only from 3 customers, while more business and market issues were addressed with the remaining ones. The scoring has been changed from 1 (minimum) to 5 (maximum) to align the one-on-one survey parameters with those of the Web Surveys.

The main results of one-on-one interviews

USA

3 areas of intervention emerged from the one-on-one interviews in order to improve Prysmian's market performance:

- Partnership,
- Engineering & Technology;
- Marketing.

For each area, ad hoc actions were identified to be implemented in the medium-long term by the US organisation - supported by Headquarters functions, where necessary.

FRANCE

Further one-on-one interviews were also conducted in France with 3 major customers of the T&I business.

Several areas of intervention emerged from the on-on-one interviews:

- wider product portfolio;
- branding & marketing;
- training and assistance to distributors;
- digital instrumentation (PIM/eCatalogies-EDI).

The French team undertook a process of specific actions on individual customers in order to further investigate the issues raised and find possible shared solutions.

As a further verification and extensive monitoring action, a Web Survey will be conducted in Q1/ 2 2018 with the main French customers to extend the direct checks on local performance on the market.

United Kingdom

Further one-on-one interviews were conducted in the UK with two major customers, obtaining the following results: average performance 3.6 and NPS 10 for both customers.

Some areas of intervention emerged from the one-on-one interviews.

- Excellence in execution
- Keep strong Brand
- Improve Product mix
- Improve partnership and actions @Branches

FUTURE AND ONGOING COMMITMENTS

The Group aims to implement Web Surveys for 2018 in France, Italy and the Nordic countries. In order to improve the response rate to Surveys, the Group is evaluating additional methods for engaging its customers, also using dedicated tools (e.g., specific APP).

One-on-one interviews are planned in 2018 in the UK and in ASEAN, where a meeting is scheduled with at least 8/10 major customers. It is likely that China and Hong Kong will also be included, as a follow-up to the interviews conducted in 2015.

In 2017, Prysmian launched the Product Information Management (PIM) project in order to create a tool to manage the technical and commercial information of products in an efficient and shared manner. In the digital age - where information needs to be provided in real time, the management of product data is crucial. The Group's objective is to equip itself with an internal tool that will allow customers, especially distributors, to provide all the details and technical and commercial specifications of the products (e.g., functionality features, images, videos, demos, etc.) for creating visibility on online sales channels.

The operational phase of the project will start in January 2018 with Holland as the pilot country. Other European countries will follow Holland in the implementation of the tool, which, according to estimates, will cover at least European products within 3 years.

SERVICE TIMELINESS AND EFFICIENCY

Prysmian has confirmed our strong orientation to continuous improvement in the **punctuality and reliability** of our processes. The measure of On Time Delivery (OTD), or the ability to serve the customer respecting the promised delivery date upon confirmation of the order received, saw in 2017 a maintenance of the high levels achieved in the previous year, as highlighted in the graph below, both in the Energy Products and in the Telecom area, with the latter experiencing a strong increase in volumes.

In addition to maintaining the On Time Delivery level in absolute terms, in 2017 the share of performing energy units fell below the 90% threshold. In this way, Prysmian has further guaranteed the uniformity of performance among its plants.

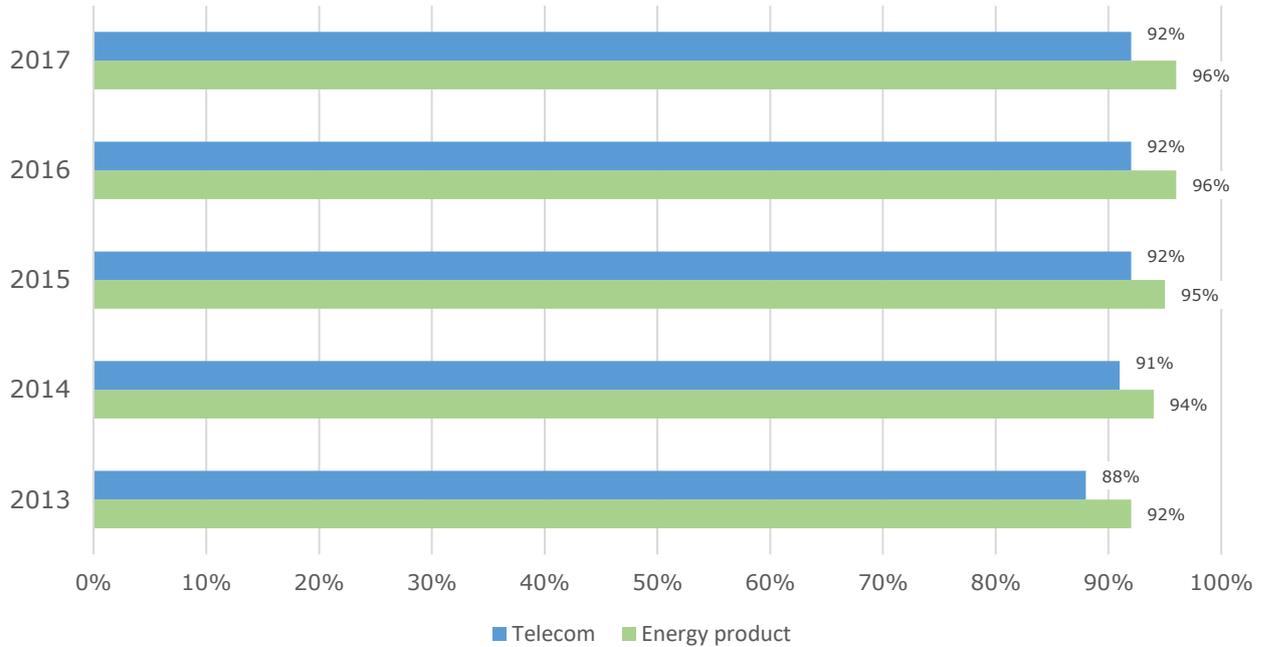
In order to **accelerate customer response times**, in 2017 Prysmian continued its efforts to reduce entry and management times for sales orders. This effort resulted in a 90% reduction in the time it takes to insert, process and save a customer order in the SAP system. This has positively influenced the waiting times of the customers on the phone and has increased the 'qualitative' time dedicated to the management of the orders.

Since the **immediate availability** of goods has become increasingly important to meet the needs of distribution customers, in 2017 the Group further expanded its performance indicator to monitor the quality of available stocks in order to improve speed on the market: for each product category (high, medium, and low rotation) the weekly stock availability is

monitored by material code with respect to the minimum stocks required on the basis of annual sales (Stock Fill Rate).

To limit the possible delays and improve the reliability of the business also for the 'Make-To-Order' products, the weekly visibility of the CLIP index was made available on the SAP 1 Client platform, in addition to the traditional service indicators, measuring the reliability of production compared to target.

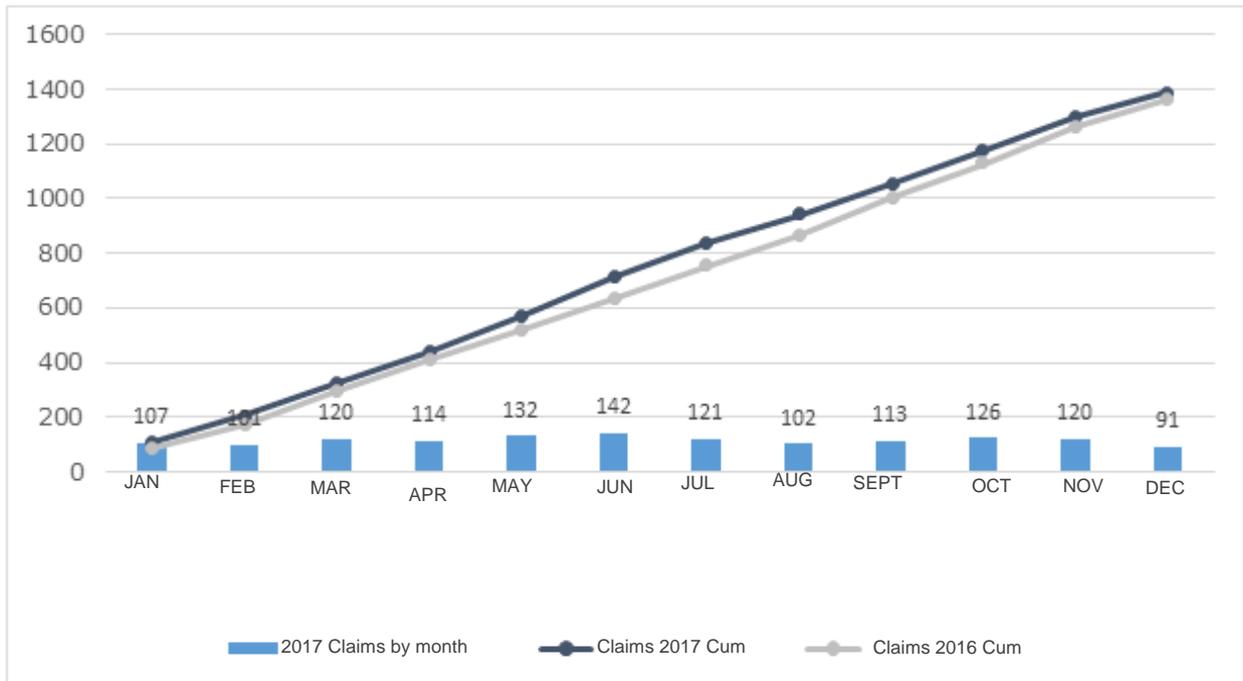
ON TIME DELIVERY



CUSTOMER CLAIMS

Despite the fact that the total number of complaints increased slightly compared to the previous year, in 2017 the positive performance concerning the management of response times has been confirmed: after the significant improvement achieved last year (-40%), this year there is a reduction of 30%, confirming the effectiveness of the actions taken to improve the efficiency of internal processes, together with a greater sensitivity by all the functions to maximise the success of our customers.

CUSTOMER CLAIMS IN 2017



RESPONSIBILITY TOWARDS PEOPLE



Sustainability also means creating value internally. Prysmian knows that our people represent the most important value added; accordingly, it ensures 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 "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 of the Group 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 knowledge and 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 seven years;
- Meritocracy as a basic element for the development of resources to ensure long-term sustainability;
- 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.

To maintain the commitments made last year, during 2017 Prysmian launched a series of global initiatives focussed on its employees and the world's talents. The main ones are shown below:

- The "Sell It" and "Make It" global recruitment programmes, which will lead to the addition of another 100 experienced resources within the company. The company intends to replicate these initiatives in future.
- Further development of information systems for the management of issues related to Human Resources: digital training platform and big data analysis.
- A new Group Viewpoint Survey (engagement survey) will be conducted, while also implementing the actions identified in relation to the topics that were important during the previous edition;
- The seventh edition of the "Build the future" programme for the recruiting of new graduates of different nationalities with the aim of enhancing recruitment in the strategy of planning the Group's workforce and skills.
- Launch of a due diligence process on respect for human rights at the Group's sites and offices, in relation to the Human Rights Policy promoted during 2017.

CYBER SECURITY PROJECT

Since 2017, the Group has launched an important information security project in which technical, organisational, legal and human elements are involved, aimed at providing greater awareness of the responsibilities and knowledge tools required in the field of information security and information technology of the Group.

The programme has provided for several "work sites" starting from the definition of a corporate governance body of the subject up to the redefinition of internal policies and procedures, classification and protection of data accompanied by an important phase of information and training regarding the project and the policies for all employees.

In 2017, a first on-site assessment phase was implemented for 10 strategic business sites: Arco Felice (Italy), Pikkala (Finland), Abbeville (France) Gron, Douvrin and Calais (France), Neustadt (Germany), Durango (Mexico), Mudanya (Turkey), and Slatina (Romania), which led to a redefinition of network security.

An extension of the assessment to other sites, such as the Indonesian site of Jakarta-Cikampek, is planned for 2018, in order to extend the sample checks also to the ASEAN region.

As part of the program, new policies, procedures and work instructions have been set up that are entering into operation at different levels in order to make the most exposed subjects increasingly aware and attentive to safety in their daily activities.

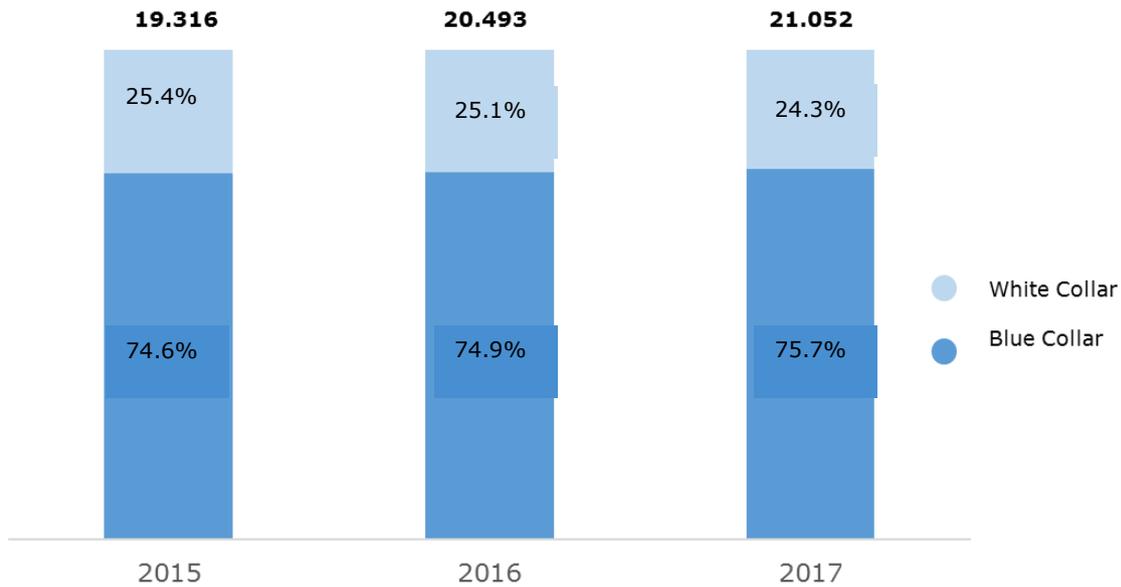
More details are available in the "Cyber Security" section in the chapter "The risk management system".

OUR HUMAN CAPITAL

The Prysmian Group employs¹³ 21,052 persons, comprising 5,124 White Collar (WC) staff including executives and 15,928 Blue Collar (BC) workers.

¹³ The total represents the total workforce of the Group, calculated in FTE, and represents 100% of the total of Prysmian's employees, i.e., all Group companies controlled or subject to the Management, including estimated figures of India Ass Cables. This calculation also includes the agencies (interns and collaborators). 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 4 years, while the qualitative breakdowns have been estimated with reference to Group averages

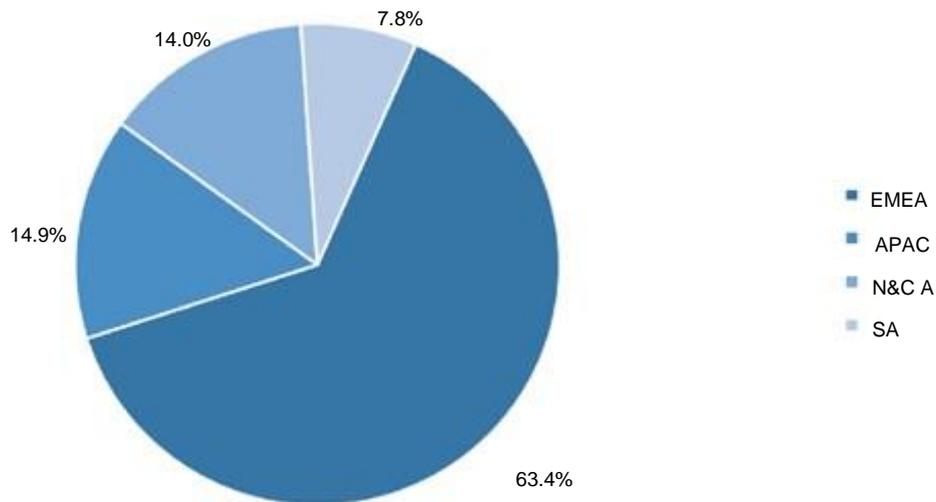
THE GROUP ORGANIGRAM DIVIDED BY PROFESSIONAL CATEGORIES



GROUP WORK FORCE BY PROFESSIONAL CATEGORY			
FTE	2015	2016	2017
White Collar	4,899	5,147	5,124
Blue Collar	14,417	15,346	15,928
Total	19,316	20,493	21,052

The year 2017 records 559 resources more than the previous year; this net increase includes the start-up of the new factory in China (Prysmian Technology Jiangsu, 127 resources), the start of production of the new optical cable factory in Mexico and the increases related to new investments in some countries in the Central Eastern Europe region. During the year, the sixth edition of the "Build the future" programme for young graduates (48 resources) was launched, and the second edition of the "Make-IT" recruitment plan was held for professionals with experience in the areas of Production, Logistics and Quality (52 resources), as well as the first edition of the recruitment plan called "Sell-IT" of professionals in the commercial field, both for front office and customer care (48 resources).

EMPLOYEES¹⁴ BY GEOGRAPHIC AREA AND GENDER



In 2017, 64% of personnel are located in EMEA (Europe, Middle East and Africa), including about 17% in Italy. North America (United States, Canada and Mexico) and South America employ, respectively, approximately 14% and 8% of personnel, while APAC (Australia, Asia and China) account for 15%.

The Group had 18,514 permanent employees in 2017, comprising 13,547 Blue Collar and

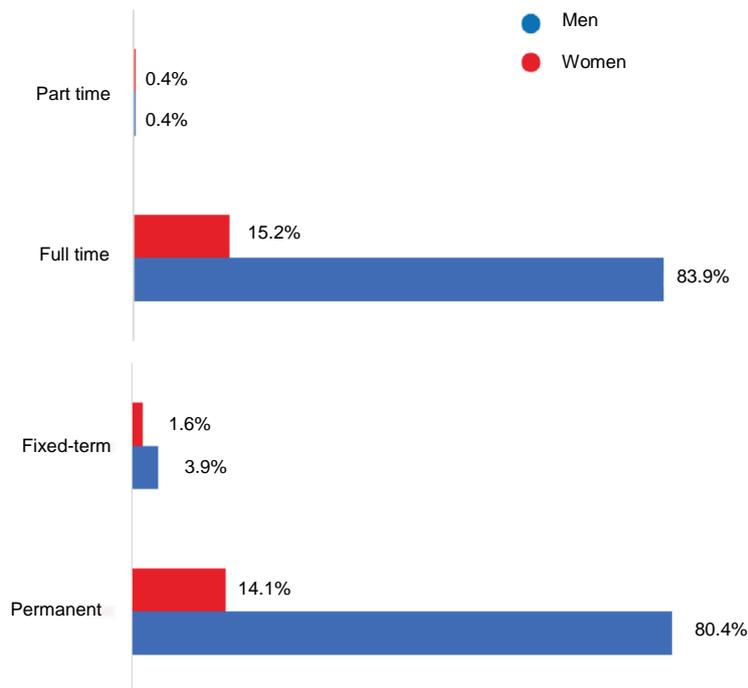
GROUP EMPLOYEES IN HEADCOUNT BY PROFESSIONAL CATEGORY AND GENDER			
2017	Men	Women	Total
White Collar	3,568	1,468	5,036
Blue Collar	12,964	1,606	14,570
Total	16,532	3,074	19,606

4,967 White Collar, which represented 94.4% of the Group's total work force.

GROUP EMPLOYEES IN HEADCOUNT BY GEOGRAPHIC AREA AND GENDER													
2017	EMEA			APAC			North and Central America			South America			Total
	U	D	Tot	U	D	Tot	U	D	Tot	U	D	Tot	
White Collar	2,375	862	3,237	500	331	831	406	148	554	287	127	414	5,036
Blue Collar	8,269	921	9,190	1,741	351	2,092	1,876	306	2,182	1,078	28	1,106	14,570
Total	10,644	1,783	12,427	2,241	682	2,923	2,282	454	2,736	1,365	155	1,520	19,606

¹⁴ The figure is calculated in headcount and represents 100% of the total number of Prysmian employees (excluding interns and collaborators), i.e., all Group companies consolidated with the exception of OCI (Oman Cables Industry (SAOG)) and OAPIL (Oman Aluminum Processing Industries LLC)

EMPLOYEES¹⁵ BY TYPE OF CONTRACT (FIXED-TERM - PERMANENT, FULL-TIME - PART-TIME) BY GENDER



GROUP EMPLOYEES IN HEADCOUNT BY TYPE OF CONTRACT (FIXED-TERM AND PERMANENT) BY GENDER AND PROFESSIONAL CATEGORY							
2017	Permanent			Fixed-term			Total
	Men	Women	Total	Men	Women	Total	
White Collar	3,522	1,445	4,967	46	23	69	5,036
Blue Collar	12,237	1,310	13,547	727	296	1,023	14,570
Total	15,759	2,755	18,514	773	319	1,092	19,606

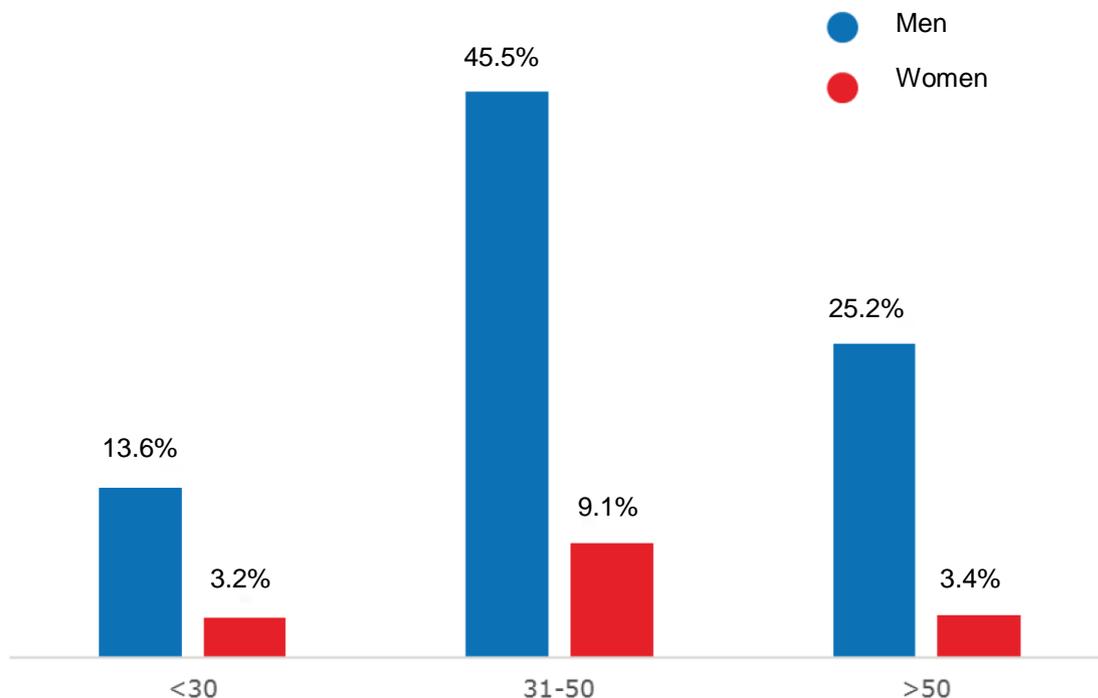
GROUP EMPLOYEES IN HEADCOUNT BY TYPE OF CONTRACT (FIXED-TERM AND PERMANENT) BY GENDER AND PROFESSIONAL CATEGORY							
2016	Permanent			Fixed-term			Total
	Men	Women	Total	Men	Women	Total	
White Collar	3,430	1,371	4,801	41	21	62	4,863
Blue Collar	11,517	1,128	12,645	666	197	863	13,508
Total	14,947	2,499	17,446	707	218	925	18,371

¹⁵ The figure is calculated in headcount and represents 100% of the total number of Prysmian employees (excluding interns and collaborators), i.e., all Group companies consolidated with the exception of OCI (Oman Cables Industry (SAOG)) and OAPIL (Oman Aluminum Processing Industries LLC)

GROUP EMPLOYEES IN HEADCOUNT SUBDIVIDED INTO FULL-TIME AND PART-TIME BY GENDER AND PROFESSIONAL CATEGORY							
2017	Full-time			Part-time			Total
	Men	Women	Total	Men	Women	Total	
White Collar	3,552	1,405	4,957	16	63	79	5,036
Blue Collar	12,905	1,584	14,489	59	22	81	14,570
Total	16,457	2,989	19,446	75	85	160	19,606

GROUP EMPLOYEES IN HEADCOUNT SUBDIVIDED INTO FULL-TIME AND PART-TIME BY GENDER AND PROFESSIONAL CATEGORY							
2016	Full-time			Part-time			Total
	Men	Women	Total	Men	Women	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

EMPLOYEES¹⁶ BY AGE GROUP IN 2017, SUBDIVIDED BY MEN AND WOMEN



¹⁶ The figure is calculated in headcount and represents 100% of the total number of Prysmian employees (excluding interns and collaborators), i.e., all Group companies consolidated with the exception of OCI (Oman Cables Industry (SAOG)) and OAPIL (Oman Aluminum Processing Industries LLC)

GROUP EMPLOYEES IN HEADCOUNT BY PROFESSIONAL CATEGORY AND GENDER							
2017	< 30		31-50		>50		Total
	Men	Women	Men	Women	Men	Women	
White Collar	495	234	1,859	899	1,214	335	5036
Blue Collar	2,179	388	7,059	887	3,726	331	14,570
Total	2,674	622	8,918	1,786	4,940	666	19,606

GROUP EMPLOYEES IN HEADCOUNT BY PROFESSIONAL CATEGORY AND GENDER							
2016	< 30		31-50		>50		Total
	Men	Women	Men	Women	Men	Women	
White Collar	361	191	1,943	880	1,167	321	4,863
Blue Collar	1,615	163	7,214	883	3,354	279	13,508
Total	1,976	354	9,157	1,763	4,521	600	18,371

GROUP TURNOVER¹⁷

There were 518 new hires in 2017 for the White Collar category, mainly in the EMEA geographical area.

For the same category, 255 voluntary exits were registered, equal to 5% of the total White Collar.

NEW HIRES

2017	EMEA			APAC			North and Central America			South America			Total
	U	D	Tot	U	D	Tot	U	D	Tot	U	D	Tot	
< 30	90	24	114	28	25	53	25	9	34	8	11	19	220
31-50	98	39	137	47	38	85	28	11	39	7	4	11	272
>50	12	2	14	3		3	4	4	8	1		1	26
Total	200	65	265	78	63	141	57	24	81	16	15	31	518

¹⁷ The data for the Group turnover for 2017 are calculated in headcount and refer only to employees with a permanent contract of the White Collar category. The scope considers the Group companies consolidated with the exception of OCI (Oman Cables Industry (SAOG)) and OAPIL (Oman Aluminum Processing Industries LLC) and India Ass Cables. With reference to 2016, the Group turnover figures are calculated in FTE.

2016	EMEA			APAC			North and Central America			South America			Total
Age group	U	D	Tot	U	D	Tot	U	D	Tot	U	D	Tot	
< 30	64	24	88	20	9	29	7	17	24	23	4	27	168
31-50	106	56	162	56	25	81	17	7	24	26	12	38	305
>50	7	11	18	7	1	8	1	-	1	10	2	12	39
Total	177	91	268	83	35	118	25	24	49	59	18	77	512

EXIT TURNOVER¹⁸

2017	EMEA			APAC			North and Central America			South America			Total
Age group	U	D	Tot	U	D	Tot	U	D	Tot	U	D	Tot	
< 30	-26	-15	-41	-11	-11	-22	-2	-1	-3	-4	-5	-9	-75
31-50	-60	-24	-84	-39	-15	-54	-11	-6	-17	-5	-3	-8	-163
>50	-7	-1	-8	-1	0	-1	-4	-4	-8	0	0	0	-17
Total	-93	-40	-133	-51	-26	-77	-17	-11	-28	-9	-8	-17	-255

2016	EMEA			APAC			North and Central America			South America			Total
Age group	U	D	Tot	U	D	Tot	U	D	Tot	U	D	Tot	
< 30	-9	-8	-17	-8	-7	-15	-9	-3	-12	-2	-3	-5	-49
31-50	-45	-25	-70	-32	-14	-46	-13	-5	-18	-5	-6	-11	-145
>50	-4	-1	-5	-1	-2	-3	-4	-	-4	-	-	-	-12
Total	-58	-34	-92	-41	-23	-64	-26	-8	-34	-7	-9	-16	-206

¹⁸ With reference to exit turnover, only voluntary exit is considered.

THE DEVELOPMENT OF TALENT

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.

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

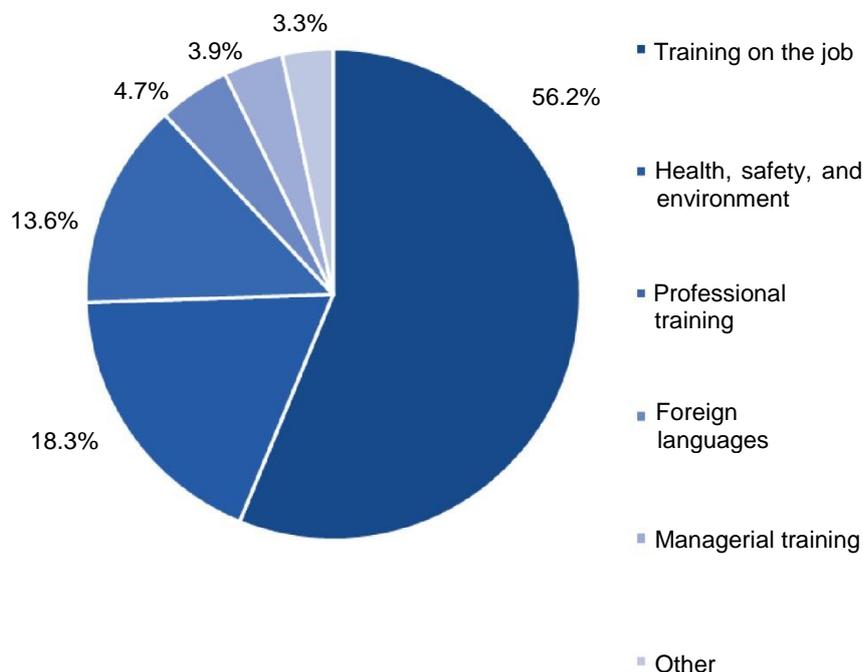
The Human Capital Development strategies are based on an integrated management system that can attract, develop, promote and retain talented people. The talent management system is based on four pillars:

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

TRAINING TYPE PROVIDED IN 2017

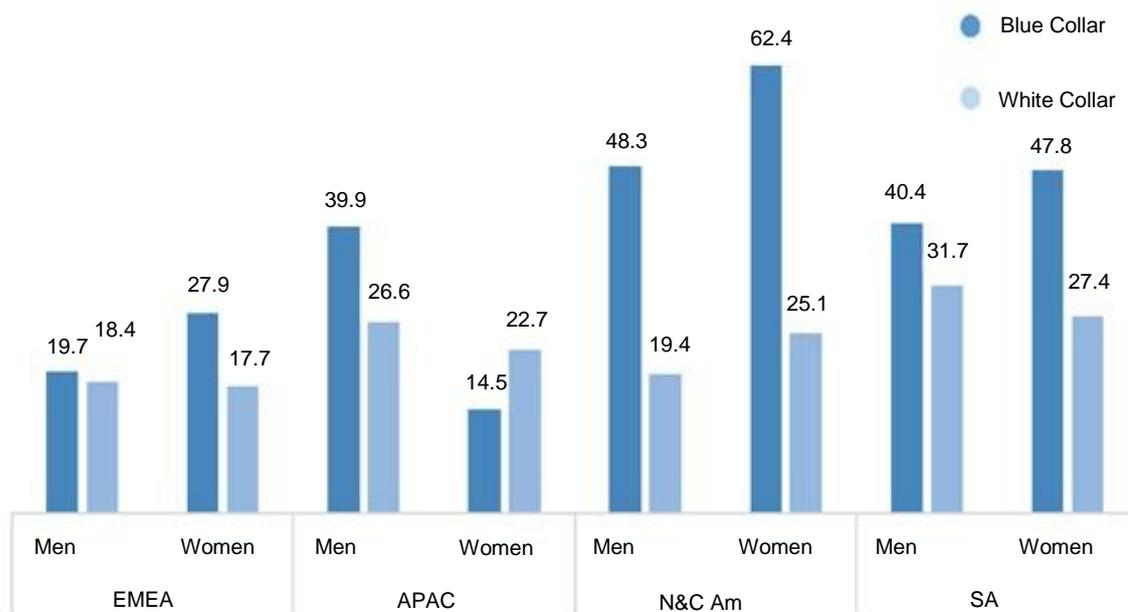
Prysmian provides training both at the Group level (through the Prysmian Academy) and at the local level. Regarding the training at central level in 2017, 12,484 hours of professional and managerial training were provided.

Furthermore, at a local level¹⁹, training activities were carried out for a total of 486,370 hours: the main types of courses include training on the job, training focused on health, safety and environment issues, and professional training.



The chart below shows the average hours of local training per employee provided in 2017, by professional category and gender.

¹⁹ This statistic considers the following countries: Argentina, Australia, Brazil, Canada, China, Denmark, Estonia, Philippines, Finland, France, Germany, Indonesia, Italy (with PPL), Malaysia, Mexico, Netherlands, United Kingdom, Czech Republic, Romania, Russia, Slovakia, Spain, Sweden, Thailand, Turkey, Hungary, US.



AVERAGE HOURS OF TRAINING BY PROFESSIONAL CATEGORY AND GENDER						
EMEA						
	Hours Men	Hours Women	Men	Women	Average hours men	Average hours women
White Collar	35,912	12,396	1,952	702	18.4	17.7
Blue Collar	152,600	18,917	7,727	678	19.7	27.9
APAC						
	Hours Men	Hours Women	Men	Women	Average hours men	Average hours women
White Collar	109,04	6,254	410	275	26.6	22.7
Blue Collar	65,711	4,973	1,646	344	39.9	14.5
North and Central America						
	Hours Men	Hours Women	Men	Women	Average hours men	Average hours women
White Collar	7,859	3,715	406	148	19.4	25.1
Blue Collar	90,674	19,091	1,876	306	48.3	62.4
South America						
	Hours Men	Hours Women	Men	Women	Average hours men	Average hours women
White Collar	9,048	3,448	285	128	31.7	27.4
Blue Collar	43,531	1,338	1,078	28	40.4	47.8

RECRUITING AND TALENT ACQUISITION - EMPLOYER BRANDING

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

THE USE OF NEW DIGITAL INSTRUMENTS

The Group has invested in a solid positioning strategy on the major digital communication channels, achieving historical and significant goals:

- A strong partnership was established with LinkedIn, the most important professional social network, enriching the "careers" page of the Group as well as the available job vacancies offer, reaching the goal of 60 thousand followers;
- An intense and targeted Recruiting and Communication activity has been launched through Facebook using the Live tool with the candidates of the various recruiting programs in order to present Prysmian and the Group's culture in the best possible

way, answering in real time to the main questions posed by candidates and providing constant update on the selection phases. This tool has proved to be a great success, reaching 25,000 likes and attracting thousands of comments and visits;

- The positioning on Glassdoor was initiated, a professional network of major importance on the American market, achieving significant milestones in terms of reviews.

TRADITIONAL METHODS

The Group has continued to invest in traditional methods, thanks to its strong presence in the major international university career fairs. Specifically, Prysmian has participated in the most prestigious "job fairs" held every year in the best engineering and economic universities in Italy, Spain, France, Sweden, Finland, Estonia, Denmark, Russia, UK, Turkey, USA, Argentina, Brazil, China, Indonesia, Malaysia, Singapore, Thailand, Philippines, Australia. The Group has promoted its Human Capital Development initiatives also through dedicated career corners in the most relevant global business fairs in which the Group has participated (Middle East Electricity Dubai, OTC Houston USA, Offshore Wind Europe conference London UK, Wind Europe Amsterdam Netherlands, ADIPEC Abu Dhabi).

GROUP SPECIFIC PROGRAMMES

Since 2012, Prysmian has implemented several Recruiting policies that have favoured a diversification of the offer portfolio, not only with "Spot" job offers but with programmes for attracting and integrating Talent ("Build the future", "Make It "and" Sell It ").

Build the Future, Graduate Program

50 young graduates from about 45,000 candidates

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 has several phases: a careful selection process (application, tests, group assessment, local and group interview) in partnership with CEB SHL, global leader in talent measurement; 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 in 2012, this programme has already resulted in the recruitment of about 220 young people from all over the world. 48 new international staff were taken on during the first half of 2017, while, in the second half of 2017, 45,000 applications were received. This will lead to the selection and recruitment of another 50 new graduates in 2018.

Make It

50 young engineers from about 10,000 candidates

In 2017, in line with the talent acquisition strategy, Prysmian has continued the international recruiting programme known as "Make It", which 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: an accurate selection process (application, test, group assessment, local and group interview) in partnership with HAYS, world leader in Professional Recruitment; 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. Starting with the design and communication process in 2015, the program led to the recruitment of around 100 engineers from around the world between 2016 and 2017. In the first half of 2017, 50 engineers were hired and around 10,000 applications were received.

Sell It

50 young salespeople from about 10,000 candidates

Consistent with the various Strategic Recruitment activities and following the success of "Make It", a new recruitment programme known as "Sell It", addressing the sales sector, was devised in 2017. The objective of the programme is to develop and grow additional sales talent. The steps of "Sell It" include: an accurate selection process (application, test, group assessment, local and group interview) in partnership with HAYS, world leader in Professional Recruitment; On-boarding & Training on the Job of about 2 months aimed at inclusion in the local reality and in the specific role; a period of commercial and managerial induction at the Group Academy located in Milan; the assignment to a business mentor and continuous technical managerial training thanks to the participation in the skills development programme in collaboration with an international Business School network in the major continents of Europe, America, Asia, and, finally, the prospect of career development through an evaluation of performance and potential.

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

PERFORMANCE MANAGEMENT - P3 PRYSMIAN PEOPLE PERFORMANCE

About 4,600 staff involved in 2017

The performance of our people is the performance of our business.

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 their own manager and the provision of constant feedback about the work performed and results obtained.

The performance assessment system "Prysmian People Performance (P3)" was introduced for the first time in 2012.

After a pilot phase, the process was extended to all Group countries, involving only the White Collar (managerial and clerical) population; in particular, about **4,600**²⁰ people were involved in 2017, equal to 94% of women (White Collar) and 96% of men (White Collar).

The objectives of the "Prysmian People Performance (P3)" are:

- 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 communication 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, is based on the following 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.

²⁰ The figure includes only employees with a permanent contract, excluding OCI companies (Oman Cables Industry (SAOG)) and OAPIL (Oman Aluminum Processing Industries LLC), India Ass Cables, Nantong Haixun and Naintong Zhongyao

As part of the constant improvement of the business and business processes, a number of measures were implemented and monitored in 2017 in order to enhance the meritocracy and employee engagement, as follows:

- 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.

In 2017, 4 significant interventions were carried out to consolidate the process, divided into different areas:

- Technology: an upgrade of the online platform that supports the process has been implemented, improving the "look and feel" and the "user experience";
- Culture: the first global training was launched in collaboration with the Digital Academy;
- Training and Development: the training offer of the Prysmian Academy (Professional School and Digital School) was integrated through the development of the Action plan section;
- Meritocracy: reward systems have been reviewed.

The challenges for 2018 include the continuous improvement of the process and its evolution towards Continuous Dialogue methodologies, which go towards the possibility of self-evaluation by employees

TALENT AND SUCCESSION MANAGEMENT - P4 PRYSMIAN PEOPLE PERFORMANCE POTENTIAL

About 1,000 people involved in 2017

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

In 2016, the Group introduced a structured process to identify P4 talent ("Prysmian People Performance Potential"), in collaboration with the consulting firm Mercer, with the aim of providing a potential assessment predicting future performance in roles with greater responsibility.

The process is based on the definition of talent developed on the basis of structured interviews with 35 key managers of the Group, and defined as the sum of consistent performance²¹ and potential²².

In 2017, the process involved all those who participated in the P3 process according to the following phases:

- Potential Scouting: all employees were screened with reference to the consistent performance criteria. This scouting activity involved about 1,000 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 Matrix: all assessments have been consolidated in the Talent Matrix;
- 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 and Succession Planning: all country-level reports were shared at an annual meeting to identify a final talent pool of about 300 people and to define succession tables for the Group's key positions;

²¹ The ability of having achieved good results over the previous two years using the P3 evaluation system.

²² The combination of 8 personality traits relevant to the Group.

- **Talent Membership and External Assessment:** for the 300 people identified as a talent pool, a validation activity was started through the design of an assessment process that will end in 2018 with a "talent membership".

In 2017, two significant steps were taken to consolidate the process:

- **Succession Planning:** by defining succession tables and identifying the talent pool, the Group has been able to produce internal solutions capable to reduce the risk of discontinuity on critical positions;
- **Training and Development:** through the development of the Action Plan section, the training offer of the Prysmian Academy ("Professional School and Digital School") was integrated.

TRAINING AND DEVELOPMENT - PRYSMIAN GROUP ACADEMY

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 three distinct but synergistic schools: the School of Management, the Professional School, and the Digital School.

School of Management

The School of Management, directly connected to systems of measuring and developing Potential (P4 programme), is established by Prysmian in partnership with SDA Bocconi and a network of 10 major international Business Schools (ESADE, FUDAN, SMU, STENBEIS, CORVINUS, SSE, FGV, ESSEC, USC, UFS). The school welcomed 710 participants in 5 years and already issued 439 diplomas, with continuous ambition for growth in 2018.

The School of Management 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 participants 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 Program:** 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 2017, the theme of innovation was tackled with the concept of an important incubator for the development of new business ideas called "Corporate Hangar";
- **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. In 2017, this programme involved over 100 employees who had previously completed past editions of our leadership programmes.

Of particular importance in the 2017 offer is the **Women Leadership Program**, the first training program for the development of female leadership. This programme is an important part of the "Side by Side" project for the promotion of diversity in the company, developed in collaboration with SDA Bocconi and Valore D.

The programme aimed to train a group of talented women from the various countries and regions of the Group on the themes of strategy, leadership, social intelligence and change management.

Professional School

The Professional School, directly linked with the systems of measurement and development of performance (P3 programme), is organised into function academies (Manufacturing, Supply Chain, Quality, Purchasing, R&D, Product & Sales, IT, HR and Cross-functional) and centres of expertise (Manufacturing, Technology, Sales), and has trained over 1,500 employees over the past five years, involving more than 200 experts and with plans to involve the same number in 2018 as well.

It 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:** first Expertise centre founded in 2016, a fully equipped office space in Mudanya (Turkey), in one of the Group's largest factories. In 2 years, it offered technical training to about 170 employees from across all plants. The Lean Six Sigma training was one of the most important courses, following which the participants received Green Belt certification;
- **R&D Academy:** at the end of 2017, the first Expertise centre dedicated to R&D training was inaugurated in the USA (Lexington) with a range of courses conducted by senior Group experts, aimed at developing technical skills in the area of innovation and product development, to offer the market technologically innovative solutions at increasingly competitive costs;
- **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;
- **Interfunctional:** 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.

Digital School

The digital school is considered one of the main projects of the Academy.

Always in step with the evolution of business learning offers, the Group has studied a range of digital training initiatives creating high quality virtual learning spaces for a wide audience and implementing technological innovations in terms of learning thanks to the JAM platform. Specifically, about 600 employees were involved in 2017, with some key products such as the Compliance training program (first edition), aimed primarily at sales managers in order to raise awareness among the participants on the importance of adopting managerial practices inspired by ethics and integrity.

A new training centre for the headquarters

In 2017, Prysmian Group inaugurated its Training Centre at its new Milan office, which this year alone hosted more than 1,000 participants for a total of 150 training days. The Milan Academy follows the opening of the Manufacturing Academy inaugurated in 2016 in the Mudanya plant (Turkey), and the opening of the Academy of Product, Innovation & Technology in Lexington (USA), also in 2017.

Prysmian, one of the first major Italian companies to found its own "Corporate University" dedicated to training and managerial and professional training, confirms itself as one of the most innovative companies in corporate training. The Academy is a concrete tool for sharing managerial and technical best practices, and, thanks to its international nature, fosters an innovative and entrepreneurial approach to business as well as sharing a spirit of diversity and integration. Furthermore, the diffusion of a long-term common strategic orientation supports the engagement of employees with a view to sustainable development of talent within the organisation.

COMMITMENTS FOR THE FUTURE

In line with the strategy of Human Capital Development, the commitments of 2018 will be oriented towards the major initiatives in the areas of Recruiting and Talent Acquisition, Performance Management, Talent and Succession Management and Training and Development.

Recruiting and Talent Acquisition

In 2018, the Group will continue its commitment to attracting the best talents in the market with the "Build the Future, the Graduate Program", "Make It, Manufacturing Career at Prysmian Group" and "Sell It; a growing path at the Prysmian Group".

For 2018, the Group envisages the inclusion of around 150 new talents.

Performance Management and Talent and Succession Management

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. Therefore, systems of performance management (P3) and potential scouting (P4) will be continuously improved from a technological point of view (implementing the latest releases available on the market), from a cultural point of view (experimenting with the most advanced processes of personnel management, such as self-evaluation) and, finally, from the point of view of rewarding policies (outlining in a structured and transparent manner significant initiatives to enhance merit such as Talent Membership).

Training and Development

Prysmian Group Academy will continue to expand its managerial, professional and digital portfolio with the development of important initiatives in the field of managerial training (programme for all new recruits), technical training (increase of the R&D Academy portfolio in Lexington to develop the skills and excellence for innovation and development of our products) and digital training (induction welcome kit for new employees).

INTERNATIONAL MOBILITY

As of 31 December 2017, the Prysmian Group's expat population counts about 243 employees from about 30 different countries (34% are Italians) who are living in 35 different destination countries.

Of these, 72% are at a non-executive level and 14% are women. There were 81 new departures during 2017.

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 2017, 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 "Build the Future, the Graduate Program".

During 2017, 35 new graduates from 17 countries of origin commenced an international experience due to last two years in 16 destination countries.

Despite this great attention to internationalism and the cross-country development of resources, the 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.

COMMITMENTS FOR THE FUTURE

International mobility during 2018 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.

THE WELL-BEING OF EMPLOYEES

SALARY POLICIES²³

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 (252 employees), but are addressed locally for all other employees subject to the guidelines which are issued centrally.

2017 has seen some activities continue:

- special-rate share purchase plan (named YES) for the period 2016-2018;

²³ Further information is available in the 2017 Salary Report.

- total reward project that links remuneration policies more directly with processes of assessing performance and potential.

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, Appointments and Sustainability Committee and the Board of Directors of the Company both play a central role. Every year, in fact, the Compensation, Appointments and Sustainability Committee submits the remuneration policy to the Board of Directors for approval and checks on its application during the year.

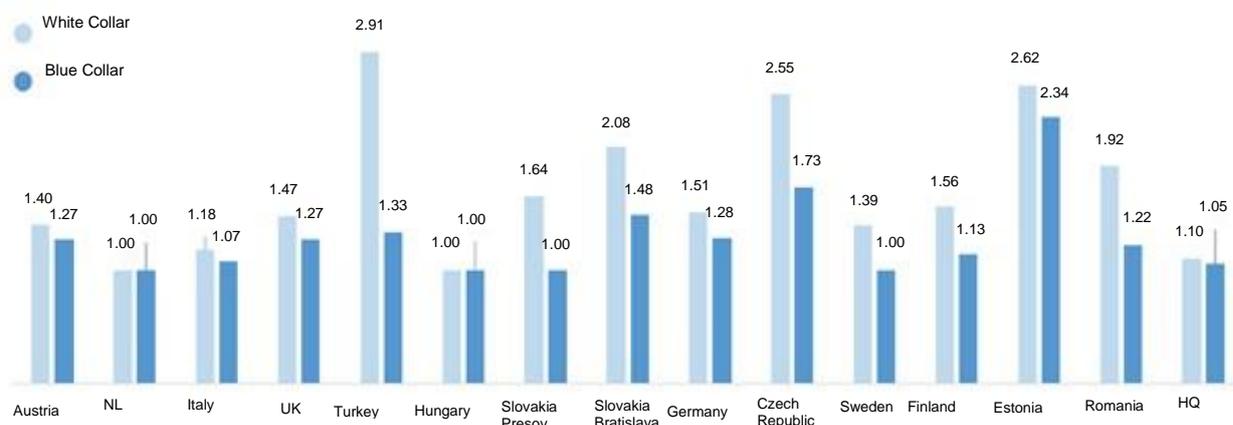
The pay structure for executive directors and managers with strategic responsibilities and executives comprises a fixed component, a short-term variable component and a medium-long-term variable component.

The 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.

RATIO²⁴ OF STANDARD²⁵ SALARY TO THE MINIMUM SALARY SPECIFIED IN THE NATIONAL CONTRACT²⁶ BY GENDER

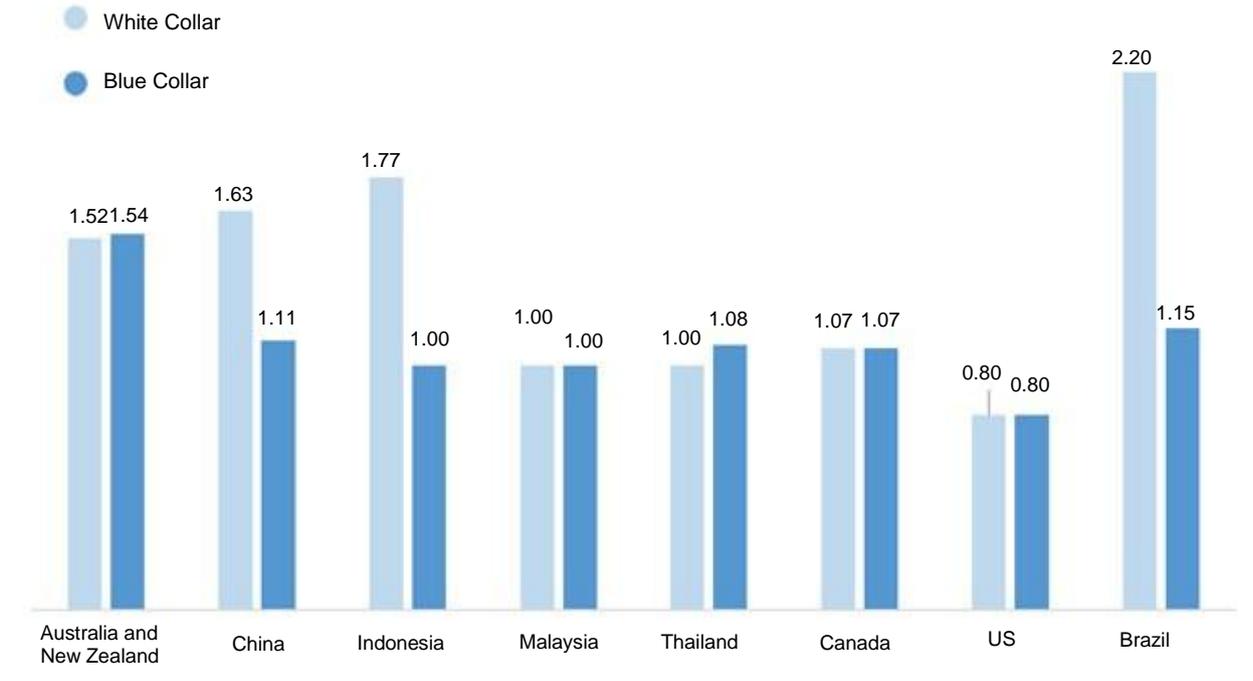
Men



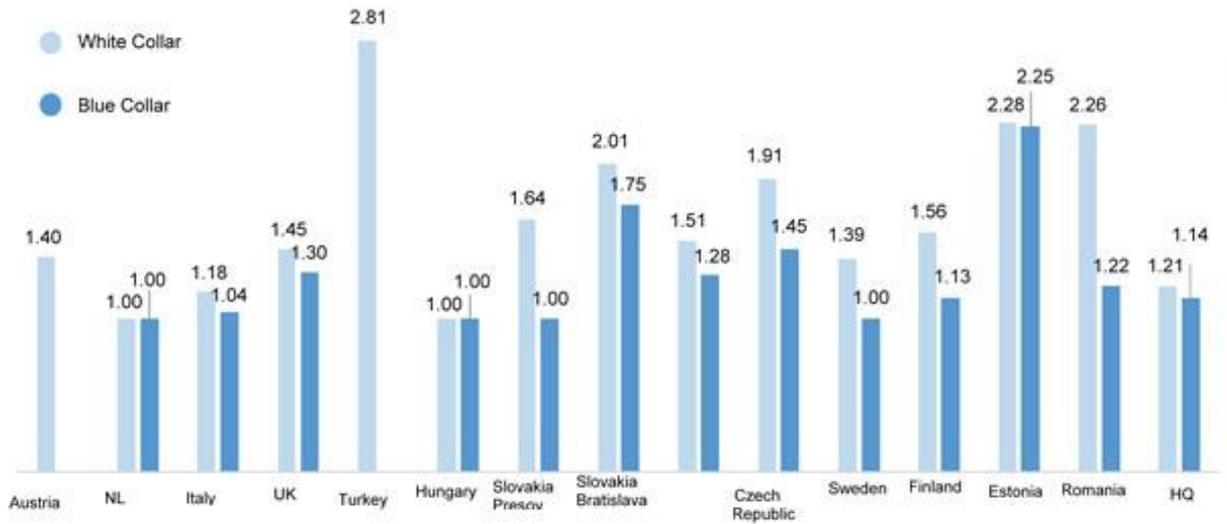
²⁴ Ratio of the Group's standard salary to the minimum salary established for each country; a ratio of 1 indicates correspondence between the legal minimum and the amount paid by Prysmian

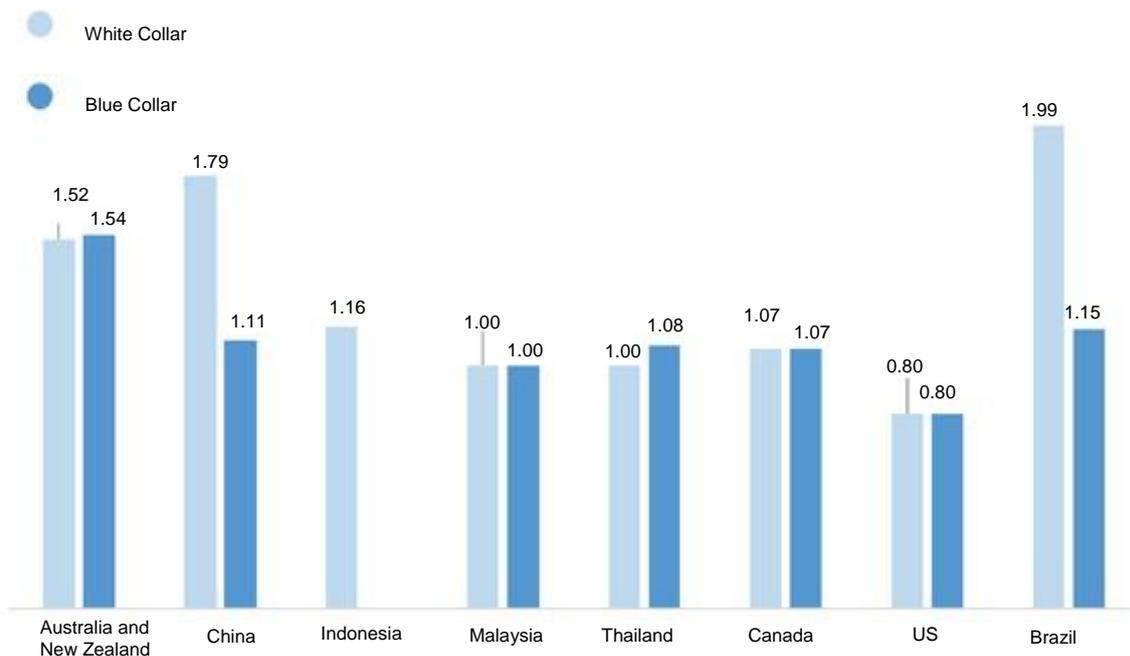
²⁵ Standard salary: minimum gross annual salary of newly hired staff

²⁶ Minimum salary established: minimum wage required by the laws of the individual countries



Women





Yes: Your Employee Shares

Towards the end of 2013, the Prysmian 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 allows 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 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".

The goal is to encourage employees to become stable shareholders, thus making them owners of a small part of the business in which they work. The target audience is around 1%.

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).

In 2017, there were two purchase windows.

Over the years, the YES program has proved to be a real success, chosen by more than **7,400 employees**: approximately **53%** of the corporate population entitled to do so became a shareholder. 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.

Summary of the results of the programme:

- more than 7,400 employees involved, representing 53% of those entitled;
- EUR 28 million invested;
- 1.7 million shares purchased by employees.

GROUP WELFARE SYSTEM

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. In 2017, the introduction of new "intangible" benefits continued, such as smart working and the flexibility and mapping of benefit policies at a global level, essential for launching rationalisation activities and welfare development projects.

In particular, the Group is implementing, where possible, flexible benefit projects and launches 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 local supplier and an on-line and mobile service that allows benefits to be customised to meet the needs of each person.

In addition, Prysmian HQ organised in 2017 a family day inside the company dedicated to the families of employees. The initiative took place within the Group's new sustainable headquarters, specifically designed to reduce CO2 emissions and guarantee high working standards for Milan employees. The main focus of the new headquarters is the concept of Smart Working, an innovative and functional method of understanding work time and space thanks to 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. 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.

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 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

legal 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.

COMMITMENTS FOR THE FUTURE

For 2018, 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.

INTERNAL COMMUNICATION AND INVOLVEMENT

Internal communication is an essential asset for the Prysmian Group, 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 Group's intranet functions as an online 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
- Group websites, a Group ecosystem characterised by a central hub - Prysmian Group website - and by 29 local sites, managed directly by the countries in collaboration with the headquarters. The Group's web ecosystem allows Prysmian to provide accurate and timely information to its stakeholders on the most important projects, events and initiatives, both corporate and business.
- "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. One notable initiative in 2017 was the continuation of the Prysmart internal communication campaign dedicated to the employees of the Milan Headquarters, aimed at facilitating the transition to the new HQ and smart working practices.

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 was support for gender diversity and then extend to diversity of other kinds (age, culture etc.).

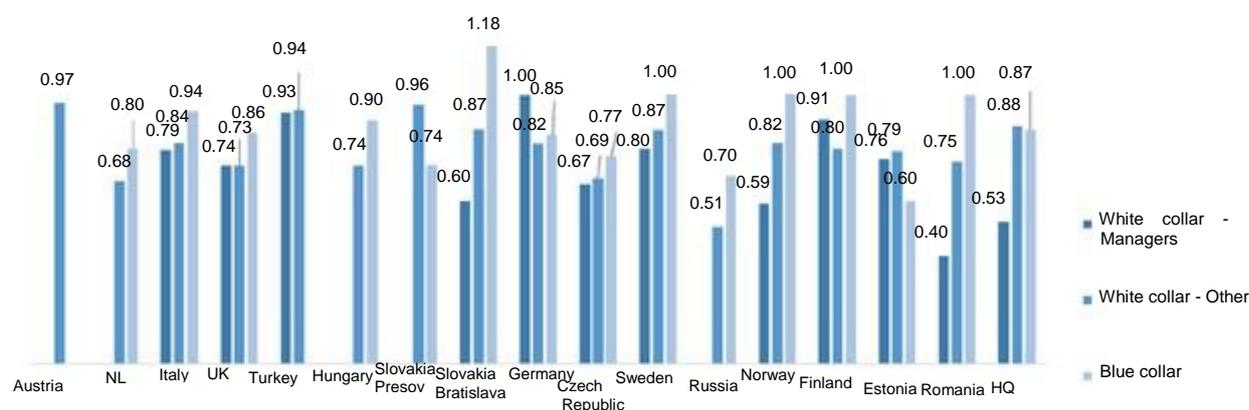
This programme is founded on four pillars:

- The Diversity and Inclusion Policy and the recruitment and gender equality policies;
- Identification of quantitative objectives for female participation at each level of the business and for inclusion in HR processes (specifically, recruiting);
- Internal and external communications campaigns;
- The development and provision of training and awareness initiatives on the theme of diversity within the Prysmian Academy, in order to guarantee maximum support and involvement of the company population. All the initiatives will be designed with the help of focus groups that will involve employees at different levels of the company and age.

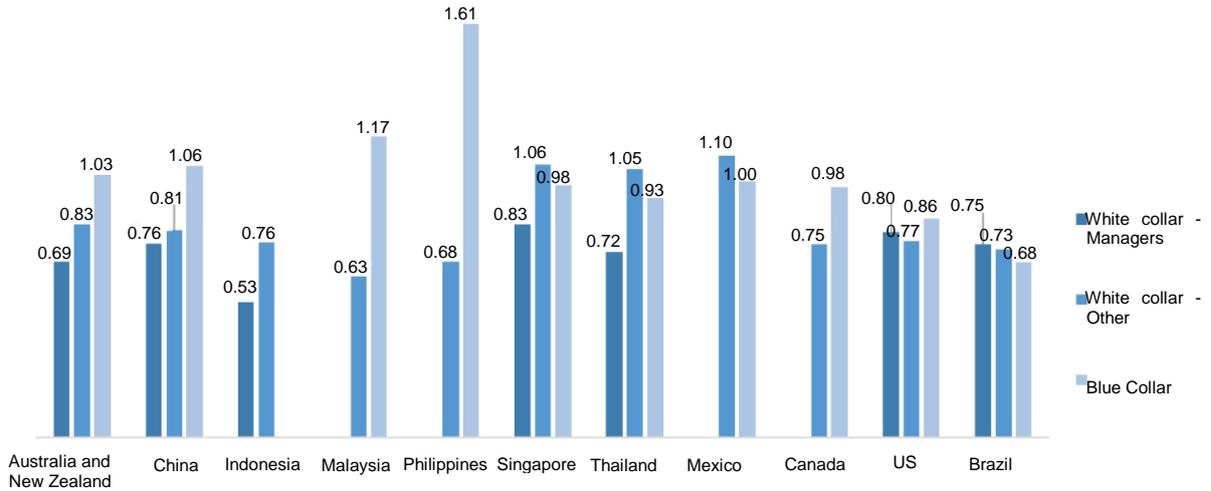
The project was presented and approved by senior management in 2016, while the first initiatives started in 2017 will continue in 2018, including 1 workshop on Diversity and Unconscious Bias to build a mindset open to diversity and multiculturalism, policies and basic rules to promote a respectful and productive environment for all, social events that allow the exchange of best practices inside and outside the company.

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

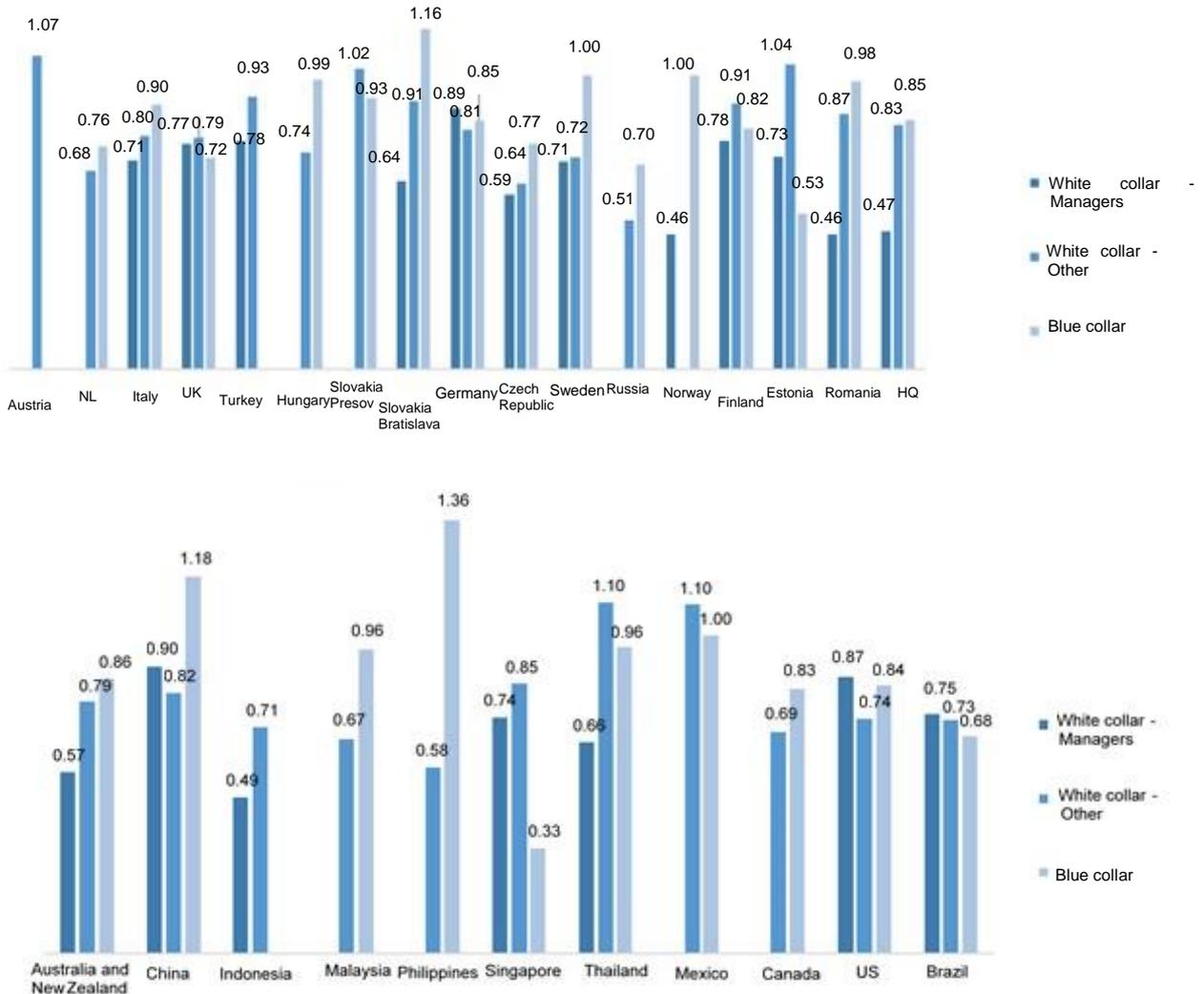
RATIO BETWEEN THE AVERAGE BASE SALARY OF WOMEN AND OF MEN BY PROFESSIONAL CATEGORY²⁷



²⁷Ratio between the average base salary of women and of men; a ratio equal to 1 indicates equality between the average female and male salary



RATIO BETWEEN THE SALARY OF WOMEN COMPARED WITH THE SALARY OF MEN BY PROFESSIONAL CATEGORY ²⁸



²⁸ Ratio between the average annual remuneration of women and the average one of men; a ratio equal to 1 indicates equality between female and male remuneration

DIALOGUE WITH SOCIAL PARTNERS

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 operates, 2017 was also 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 new work hours and shift work where required by market conditions. The percentage of Group employees covered by collective bargaining agreements is 65.7%²⁹.

Furthermore, at the European level, Prysmian Group qualifies as a group of companies on a community scale and is therefore subject to EU Directives and national transposition laws aimed at improving workers' rights to information and consultation through the European Works Council (EWC). In particular, it should be noted that on 10 May 2017 Prysmian signed a renewal agreement for the establishment of the EWC with the aim of encouraging the improvement of the Group's activities and results through the effective involvement of European staff in transnational decisions, obtained through information and consultations with the members of the same Committee that collectively represents the interests of the personnel belonging to the different sites located in the various EU countries.

The Committee is made up of 28 trade union representatives from all European countries where Prysmian is present and meets at least twice a year with the possibility of planning further meetings in case of need for extraordinary operations.

The EWC will be informed and consulted on subjects of a transnational nature that have a significant impact on the personnel:

The information provided to the EWC will refer in particular to:

- business development
- the structure and the economic situation of the Group
- consolidated financial statements and position in terms of income and finances
- the probable development of the Group's production and sales
- relevant developments in research, processes and products
- significant policies relating to Human Resources and training

The information provided to the EWC and the consultations with it will concern in particular:

- personnel situation and its potential evolution
- investments made and planned
- substantial changes concerning the organisation
- opening and / or closing of offices and production facilities
- significant and extensive innovations in work organisation
- introduction of new working methods or production processes
- transfer of production
- mergers, staff reductions or closures of companies, structures or significant parts of the same
- collective redundancies

At both European and national level, the communication and consultation process must be initiated in a coordinated way. On a global level, there were no particular negotiations and consultations during 2017 that were deemed necessary following major organisational changes with impact on people. As an exception, the so-called "+90" project implemented last year in Brazil includes the closure of the Santo André site with the consequent transfer of administrative activities and people dedicated to Sorocaba, with a consequent concentration of the central bodies of the South American Region in Sorocaba. The industrial

²⁹ The figure is calculated on the total number of Group HCs as of 31.12.2017 represented by 95.3% of the total. The excluded countries are as follows: Argentina, Chile, Ivory Coast, Denmark, United Arab Emirates, India, Oman and Tunisia

activities will be partly relocated to Sorocaba and partly to the other Brazilian production sites in Prysmian (Vila Velha and Jointville) and at the La Rosa site in Argentina. During the year, all the employees of the two sites were informed of the operation (April 2017) with the identification of people who could move articulated in two steps (White Collar in August 2017 and Blue Collar to be communicated in February 2018).

The economic conditions have been defined with the trade union, informed and consulted throughout the operation, to facilitate the collective transfer as well as exit in case of unwillingness of the same people to move to the new site of Sorocaba.

Finally, worth noting is a restructuring that took place in the Netherlands at the Emmen plant, which has led to an increase in the efficiency of the plant structure; in this case the local trade union was also consulted throughout the operation, jointly defining the exit conditions for those who left the company.

There has been virtually no collective conflict in 2017 within the Group at global level thanks to the pursuit of an industrial relations policy aimed at preventing through constant and constructive dialogue and effective union consultation any source of controversy that could potentially generate conflict at different levels.

Exceptions to this general picture were the Italian sites which, towards the end of the year, registered a nationwide union mobilisation of the Rubber & Plastics sector for a few hours of strike due to interpretative issues related to the National Collective Contract of the same sector without major impact on production and internal organisation.

In France, a period of collective conflict has been reported in all our factories since September (with the exception of the plants intended for Telecom) deriving from the demonstrations of dissent against the labour law put forward by the French president Emmanuel Macron. The reform provides substantially five main points: greater possibility of derogating from national contracts at company level, a new limit to the compensation that workers can receive for redundancies without just cause, more possibilities for companies to hire and terminate employment contracts, a liberalisation of fixed-term contracts and a simplification of union representation in larger companies. These innovations all have the declared aim of shifting bargaining from the central to the corporate level, with the result of providing the country with more flexible collective bargaining that is close to the needs of employees and companies, with the consequence of greater incentives to create new jobs.

HEALTH AND SAFETY AT WORK

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 in 2017, 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 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').

In 2017, some of the objectives set for the year were achieved, with a series of initiatives to support and involve the various company levels:

- the process of analysing events and defining corrective and preventive actions has been made more effective and accepted: in the case of serious accidents, the causes have been analysed in detail, both in order to contribute to the management of the cases concerned and to prevent repetitions at the Group's other operating units;
- training activities on specific safety topics continued: during the year, some training sessions were provided, which involved, for example, the use of the new Blumatica tool used to manage data and content worldwide. 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;
- 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 has continued. In the course of 2017, great attention was given to the safety of machinery, in order to improve safety standards.

This year, the Group's priority objective is to reduce accidents, as measured by the IR index (OHSa LTA). This index was about 2.35 at the end of 2017. 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.

The following are the health and safety data monitored by the Group by gender and geographical region for 2017. For comparative purposes, the 2016 data are reported with details by geographical area. The data shown refer to the Blue Collar category only.

RATE OF WORK ACCIDENTS, OCCUPATIONAL DISEASE, WORKING DAYS LOST, RATE OF ABSENTEEISM BY GENDER ³⁰			
Indicator	2017		
	Men	Women	Total
Injury rate ³¹	2.53	0.95	2.35
Lost day rate ³²	59.66	45.03	58.04
Occupational disease rate ³³	0.99	2.00	1.10
Absentee rate ³⁴	-	-	5.74%

³⁰ Given the unavailability of some data on accidents, lost days and occupational disease divided by gender, some estimates have been made. Estimates are based on the calculation of unavailable data based on the percentage of data that is visible. The hours worked were re-proportioned on the % of men and women headcount blue collar

³¹ Injury rate: (Total number of accidents with loss of work / hours worked) * 200,000

³² Lost day rate: (number of days lost / hours worked) * 200,000

³³ Occupational disease rate: cases of occupational disease (officially notified / hours worked) * 1,000,000

³⁴ Absentee rate: total hours of absence / hours to be worked

RATE OF WORK ACCIDENTS, OCCUPATIONAL DISEASE, WORKING DAYS LOST, RATE OF ABSENTEEISM BY REGION					
Indicator	2017				
	APAC	EMEA	North America	South America	Total
Injury rate	0.83	3.16	0.25	4.20	2.35
Lost day rate	37.80	76.80	8.54	66.73	58.04
Occupational disease rate	0.00	1.32	0.53	4.13	1.10
Absentee rate	2.9%	6.9%	3.5%	6.2%	5.74%

RATE OF WORK ACCIDENTS, OCCUPATIONAL DISEASE, WORKING DAYS LOST, ABSENTEEISM RATE			
	2017	2016	2015
Injury rate ³⁵	2.3	2.6	2.6
Lost day rate ³⁶	58.0	53.6	51.8
Occupational disease rate ³⁷	1.1	1.2	0.75
Absentee rate ³⁸	5.7%	5.5%	5.4%

Blumatica platform implemented

The Group has implemented Blumatica, a platform for managing and sharing topics related 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 system 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, and the management of data and content concerning accidents has been reinforced worldwide.

³⁵Data on the injury rate does not include the factories in Australia and Slovakia (in 2017) and the Livorno plant in Italy (in 2016)

³⁶Data on the lost day rate does not include the factories in Australia and Slovakia (in 2017) and the Livorno plant in Italy (in 2016)

³⁷ The data on occupational disease rates does not include the factories in the Czech Republic, Germany, Hungary, Romania and Slovakia (in 2017), Sweden, Hungary, Australia and New Zealand (in 2016), Hungary, Australia and New Zealand (in 2015)

³⁸ The data on the absentee rate does not include the Sicable (Ivory Coast) and Arco Felice (Italy) factories for all three years.

RESPONSIBILITY TOWARDS THE COMMUNITY



CORPORATE CITIZENSHIP AND PHILANTHROPY

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

In addition to direct economic contributions and donations in kind when allowed by the Corporate Citizenship and Philanthropy Policy, the Prysmian Group has also supported social responsibility by allowing its employees to spend working hours on socially useful activities. The main activities of the Group involved various areas and were concentrated in Italy, in European countries such as France, Spain, Finland and Germany, as well as in North America.

Italy

On the occasion of the discontinued use of the old Prysmian offices, a total of 90% of the assets recorded among furniture, equipment and electronic equipment were donated or recovered (for internal re-use). 33% of the assets were reused in some of the factories located in the territory, while 57% was donated to non-profit organisations, foundations, non-profit associations, kindergartens and institutes operating both in the public and private sectors. The beneficiaries work for the promotion of humanitarian and solidarity activities, aimed at providing assistance to those disadvantaged and in difficulty; they carry out projects to support young people and their needs in their path of growth and training and / or promote diversified welfare interventions for people in difficulty.

Furthermore, Prysmian has decided to donate the contributions intended for the Christmas presents of customers and stakeholders to the non-profit organisation "Elettricisti Senza Frontiere Italia", for the realisation of a project in Central Africa. Thanks to this donation, a youth centre will be built, run by a Comboni missionary, on the outskirts of the city of Bimbo. The centre, which will be equipped with an electricity and water system, will be used by young people in the suburbs of Central Africa who will be able to use a library and a video library inside.

France

In 2017, Prysmian France also contributed to the donation of industrial cables under a three-year contract (1.1.2016-31.12.2018) with Electriciens sans frontières (ESF), an NGO. These cables are used for numerous initiatives promoted by the NGO, which, 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. To date, the organisation employs over 1,200 volunteers distributed in 136 projects across 35 countries. In 2017, the ESF intervened in Madagascar with the project "Sofia Bridge: Health Education in Remote Areas" in the municipality of Point-Sofia. Between April and June, 3 photovoltaic plants were installed that produce electricity for two primary schools, a college and the health centre of the Municipality; moreover, the students were trained to maintain the installation.

Germany

In Germany, Prysmian has been involved in numerous initiatives in the field of Corporate Citizenship, mainly 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 the Vilanova area, in particular, the Group supported the cultural initiative for the commemoration of Alexandre de Cabanyes, a well-known Spanish painter from Vilanova. Prysmian also sponsored its employees who represented the Group in the famous Vilanova Carnival, the Half Marathon held in the same city and the local soccer team, the Union Esportiva Castelldefels.

UK

Prysmian UK, as part of its local community support program, has promoted a range of initiatives for young college students in the Eastleigh area, where the Group is present - such as the award for the best engineering student of the year. These initiatives are aimed at identifying and promoting local talent and strengthening the brand awareness and positioning of Prysmian as a "best talent engager".

The Company also contributed cash donations to "Children in Need", an annual charity event organised by the BBC One television network aimed at disadvantaged children.

Finland

As in previous years, Prysmian Finland has promoted and organised various initiatives for the training of young people within the local community. Group employees supported the organisation of a skills competition for electronics students called "Tataja" via the supply and installation of cables. Prysmian continues to finance through cash donations the Mannerheim League for Child Welfare, which is the largest research foundation that takes care of children in Finland. Finally, a study grant was awarded to the best student in mathematics and related disciplines at a local middle school.

Norway

Prysmian Norway has chosen to donate to the humanitarian organisation "Rett Fram Opplevelser" the contributions intended for the Christmas presents of its customers, which now go to initiatives for children living in poor conditions.

North America

In North America, there have been numerous Corporate Citizenship initiatives to support local communities. Among the most important is the fund-raising campaign which involved all the Prysmian employees in the world to support the families affected by Hurricane Harvey and which has raised about EUR 12,000.

Prysmian has sponsored several non-profit organisations, such as the Lake Russell Tourism Coalition, the Burton Centre and the Local Food Pantry, which are committed to supporting the most needy. The Company has also supported United Way of America, which operates throughout the territory promoting solidarity activities and support to the community, through partnerships with schools, companies, financial institutions etc. Finally, the Group paid the salaries of those employees who decided to devote their working hours to voluntary activities.

SUPPORT TO LOCAL COMMUNITIES

"Xingu Conectado", the wiring project in the Amazon Region

Prysmian Group has signed a contract with PRODEPA, the state telecommunications company Telebràs and the development agency of Pará (Brazil) for the installation of optical cables as part of a broadband installation project in the Amazon region. The project, known as "Xingu Conectado", has linked 12 municipalities and connected 600,000 people to the 10 Gbps network. Prysmian has supplied 400 km of optical cables produced at the Sorocaba plant in São Paulo, which is rapidly becoming the leading optical fibre manufacturing facility in South America. In Sorocaba, where both optical fibre and optical cables are produced, Prysmian has invested approximately USD 16 million in the last three years for the revamping of the plant's production lines, making it the largest production complex in Latin America in these segments of market. Prysmian's intention is twofold: to expand the production capacity to meet the growing demand for optical fibre infrastructure and optical cables, particularly in regions far from the major urban centres of the country and to expand its presence in the market, with

particular attention to the growing importance of small and medium regional broadband connection providers.

Fibre cables to rural communities in New Zealand

Prysmian Group has accepted the challenge of modernising the communication system in the remote area of Te Urewera, New Zealand, by supplying its products and solutions.

The successful project involved the supply of optical fibre in three rural schools and in many communities of the TE Urewera area and is part of a broader school programme called the Rural Broadband Initiative (RBI) promoted by the Government of New Zealand. The cables were installed despite the adverse and inhospitable conditions of the territory and, during the installation phases, the work team also had the opportunity to offer on-site advice to solve customers' problems and unforeseen circumstances.

The farthest community to be served by the new fibre cable is Ruatahuna, in the heart of the Tuhoel Iwi tribe where the telephone service, before this optical fibre installation, consisted of an old unreliable radio system. The teamwork of all the parties involved has finally secured broadband access for several communities in the Te Urewera area.

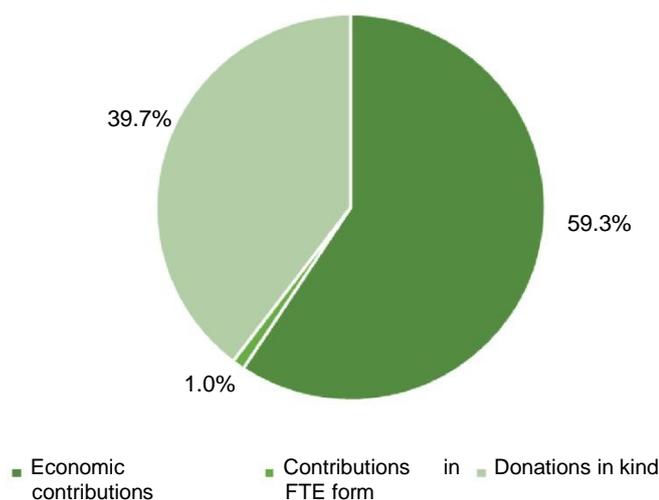
EIS Project - Sorriso nel Mondo

In 2017 the Group supported the international association Sorriso Nel Mondo, which, since 1997, has been treating infantile cranio-facial malformations in developing countries.

Prysmian has provided its own cables to wire the Hôpital Général de Référence d'Uvira in the Democratic Republic of Congo, one of the region's most strategic and popular assistance centres. Thanks to the Group's support, a photovoltaic system for the production of solar energy - renewable and sustainable - was made possible so as to guarantee the hospital the constant supply of energy especially to the two most sensitive hospital departments (operating block and neonatology) ensuring the supply of energy even during the frequent blackouts that characterise the area.

THE YEAR'S MAIN FIGURES³⁹

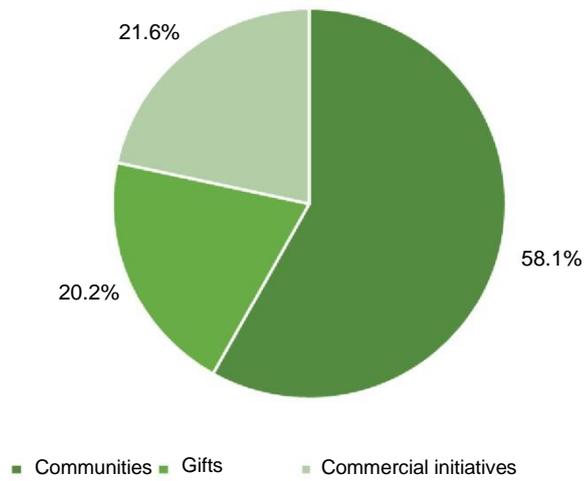
TYPES OF CONTRIBUTIONS IN 2017⁴⁰



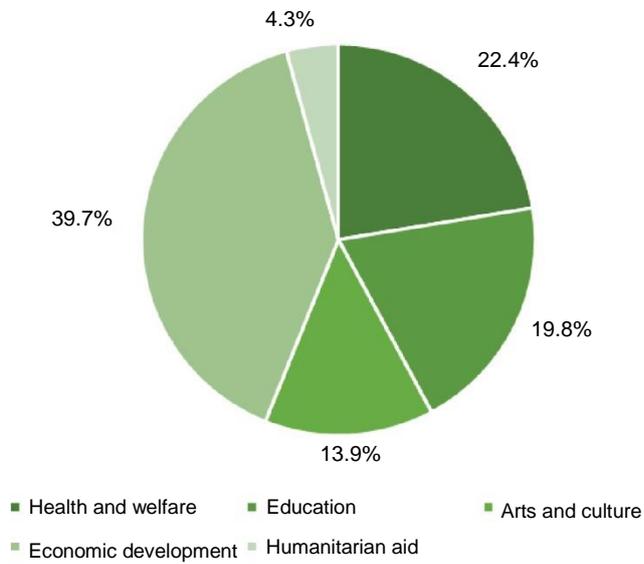
TYPES OF INITIATIVES IN 2017

³⁹ This data considers the following countries: North America, France, Italy, Finland, Spain, Germany, Norway, Russia and the UK.

⁴⁰ The percentage of contributions is calculated in Euro, also for contributions in FTE.



OBJECTIVES OF INITIATIVES IN 2017



ENVIRONMENTAL RESPONSIBILITY



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 purchase of energy).

This system of monitoring and reporting enabled the Group to participate in 2017, 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.

The issue of energy consumption has always been a monitoring and leverage area for the development of activities aimed at reducing them, also as linked to emissions.

In 2017, new energy diagnoses were carried out in some European and non-European operating units, in accordance with local legislative requirements and the criteria defined at Group level, aimed at having an ever more complete, reliable and updated data base on energy consumption and its distribution, with the aim of extending energy efficiency initiatives to an ever larger number of units.

To this end, the HSE corporate function has prepared a Plan for the conduct of the Energy Audits in the Group's operating units for the period 2017 - 2020. In 2017, 4 new energy diagnoses were conducted, which complement those already implemented in the period 2015-2016, for a total of 26 in about ten countries. In addition, in Germany, where the Energy Management System has been in place for the time being in accordance with the ISO 50001 standard, periodic energy audits have been conducted in the 5 production units.

Significant events during 2017 included the investment of about EUR 10 million 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.

In this context, the new Milan headquarters will also be certified as a specific operational unit, where the standardisation and coordination activities carried out by the central functions in the HSE area will be further strengthened and documented in a "multi-site" organisational concept.

Among the common initiatives, the HSE function identified already in 2016 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 implemented and pursued ensuring a homogeneous approach within the Group.

The "Relamping with LED" project was launched in 2016 by the HSE function, which selected some of the production units already undergoing Energy Audit as a priority, and distributed to all the local organisations guidelines regarding the replacement of traditional lighting fixtures with LED lamps and supported organisations in the design of the project. In 2017, the HSE corporate function, in collaboration with an external expert in the energy sector, completed the preliminary work and started the coordination of the operational phase of the "Relamping with LED" and "Metering" projects.

In particular, for the "Relamping with LED" project, the HSE function has:

- evaluated the energy and economic savings obtainable in the individual production units and at the Country level, thanks to the reduction in electricity consumption and management costs of lighting systems. According to estimates, the expected savings range between 10% and 70% of current consumption for lighting only, depending on the sites;
- carried out targeted inspections in the Italian production units, to which the intervention priority was assigned, and prepared the technical specifications for the new lighting systems to be designed and installed;
- collaborated with the Purchasing function in the selection of a "general contractor" who was entrusted with the task of designing and installing LED lighting systems in the Italian operating units;
- defined the schedule of works for the period 2017-2019;
- coordinated the execution of the works in the first two Italian production units.

In 2017, following the setup work launched in 2016 for the "Metering" project and with a view to optimising the time and resources dedicated to the project, HSE has planned the installation of consumption monitoring systems in the Italian operating units, to be done by the same "general contractor" in charge of the design and installation of LEDs.

The installation of these systems was launched at the end of 2017 in 6 of the 7 Italian units and will allow, as of 2018, a more precise and complete reporting of energy consumption, and savings obtained thanks to the energy efficiency projects launched. The "Metering" project will be completed at the beginning of 2018 on the last Italian site and will be gradually extended to other units of the Group.

In addition, during 2017 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.

MANAGEMENT SYSTEMS

During the year, the Prysmian Group maintained its efforts to coordinate the Group's HSE Management Systems, among other things by promoting the new certification of factories and organisations that had none yet. With this in mind, the 2017 result consisted of the extension to 4 additional sites of the OHSAS 18001 certification related to the Safety Management System and to 2 additional sites of the ISO 14001 certification on the Environmental Management System.

Following these new certifications, at the end of 2017, 94% and 78% of the sites were certified respectively according to the ISO 14001 and OHSAS 18001 standards.

Furthermore, it is planned to complete the certification of the Milan office to both the ISO 14001 and OHSAS 18001 standards, which concluded the first phase of auditing in December 2017.

LIFE CYCLE ASSESSMENT

In 2017 the development of the instrument dedicated to the calculation of some important environmental parameters of cables produced in the Group factories continued: the Carbon Footprint and the recyclability at the end of its life. The system in question represents a new feature of the Common Analysis (CA) application, already developed and in use for several years for the design and assessment of the costs of cables for all the Group's factories, and makes use of the fact that it can be used the same databases.

For more information on the project, refer to the paragraph on the Carbon Footprint (CFP) in the chapter "Planning the future responsibly".

MAIN INITIATIVES TO LOWER ENVIRONMENTAL IMPACT

Power Cables

In 2017, initiatives continued to mitigate and reduce the environmental impact in the Group's production units. The following are the main ones:

- In Rayong, improvements were made to the cooling water recirculation system, by controlling its level, in order to reduce water leaks in the circuits returning to the main tank during machine downtime. With this system, the amount of water remaining in the internal tanks and, therefore, the water consumption are minimised;
- Slatina has obtained a reduction in process waste in the production of power cables;
- Velke Mezirici installed a heat recovery system from the compressors, which contributed to reducing energy consumption;
- In Amfreville, the temperature control system has been improved in order to optimise energy consumption and the system for reusing wood packaging has been upgraded to replace aluminium;
- In Gron, various actions have been carried out to improve water recirculation;
- In Nuremberg, larger pipes were installed for the return lines of the extrusion lines, in order to reduce losses and, therefore, water consumption;
- In North Dighton, the reduction of sheath strips and a better management of the shelf life of the compounds contributed to the reduction of relative waste. In addition, the new collection points for polyethylene and PVC waste showed an increase in the residual of recycled waste compared to 2016. Moreover, a reduction in the oil waste from the machines was obtained, thanks to the improved management of the equipment and the prompt intervention of maintenance in the identification and repair

of any oil leaks. Finally, lead-containing waste water, disposed of as hazardous waste, has been reduced thanks to the introduction of a more efficient pre-filter, placed near the evaporator on the PLCV line.

- At Schuykillhaven, the amount of waste compounds was reduced, thanks to the reduction in the mix of used materials; moreover, the waste compounds classified as hazardous has decreased thanks to the introduction of materials free of dangerous substances and more compatible with the environment; finally, a larger quantity of packaging was sent for recycling.
- In Santa Perpetua, as part of an improvement project initiated by R&D to stabilise production, the reduction of the waste of mixtures sent for disposal was obtained thanks to their reuse in limited percentages, as a basis for other lower quality compounds.
- A project for the recovery of SF6 gas was started in Delft to limit its release into the environment. The employees were trained (through external courses) to acquire the necessary practice for the recovery of SF6. Subsequently, an action plan will be launched to achieve the zero emissions target.
- In Pikkala, lower consumption of cooling water was achieved thanks to the change in the control of the cooling process. The use of water inside a closed system with valves is regulated by this system, which makes it possible to optimise the quantities necessary for cooling.

Telecom Cables

At the Claremont plant, the projects launched in 2017 led to the reduction of waste and energy consumption in the two production units:

- the Compound Scrap Less project, to reduce the production of scraps at the start of the cable production process;
- The "Munster" unit re-phasing project has allowed the reduction of natural gas consumption in the Optical Fibre unit.

In Calais, the reduction of municipal waste was made possible by better separation of waste such as paper, plastic, wood. Furthermore, the re-use of wooden drums has improved.

COMMITMENTS FOR THE FUTURE

With reference to the HSE policy and use of the HSE management system, Prysmian will continue its involvement in 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, optimising the use of energy resources, and awareness campaigns concerning the consumption of energy).

These initiatives have generated, over the years, 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, making it possible, in 2017, to:

- continue to report increasingly precise and reliable data and information, at Group level, about consumption and greenhouse gas emissions;
- monitor 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;
- continue to implement 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.

OUR ENVIRONMENTAL PERFORMANCE

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;
- recycled waste - hazardous and non-hazardous (part of those referred to in the previous point);
- ozone-depleting substances which, although small in amount, are present in almost every production unit, and it is essential 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;

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.

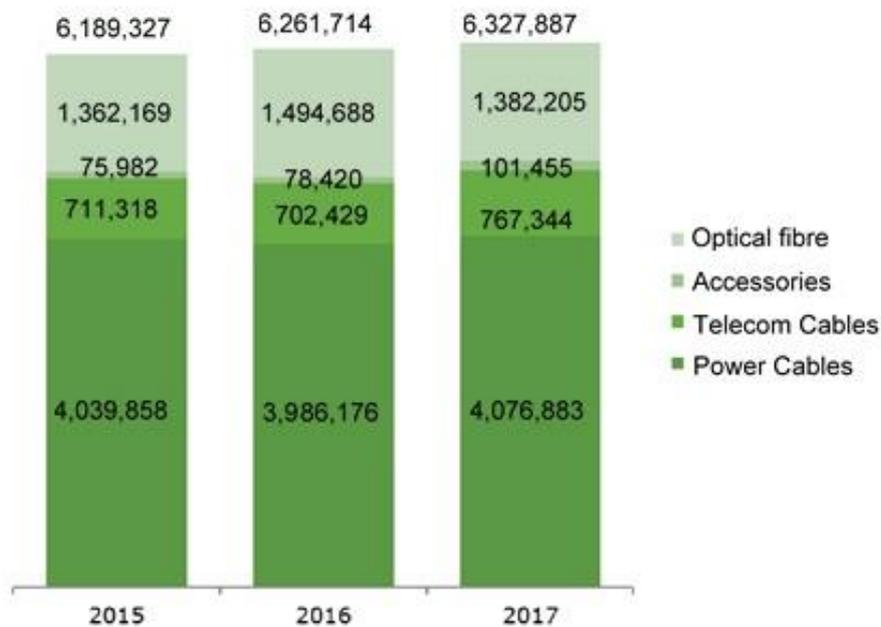
Further details on the performance indicators, the scope and the reporting methods are available in the "Note concerning the scope and methods for reporting environmental data".

ENERGY CONSUMPTION

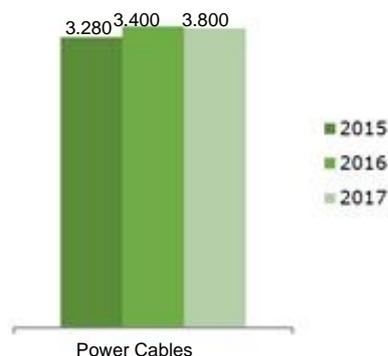
In 2017, the total energy consumption of the Group recorded a small increase (+1.1%), mostly attributable to the Accessories category (whose production activity in a plant was started recently and therefore had its start-up period during 2017). In fact, looking at the values of the other production categories,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

ENERGY CONSUMPTION BY PRODUCT LINE (GJ)

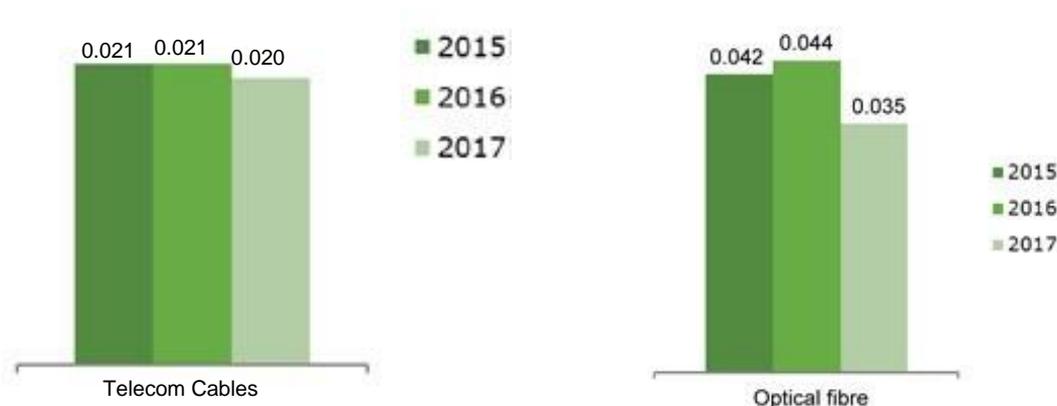
ENERGY CONSUMED (GJ)							
Source	Power Cables	Telecom Cables	Accessories	Optical fibre	Group 2017	Group 2016	Group 2015
Electricity (purchased from the grid)	1,904,996	468,678	32,407	397,038	2,803,119	2,890,939	4,211,764
Electricity supplied 100% under a certified-green contract	986,605	81,619	24,238	309,667	1,402,128	1,253,393	-
Fuel oil	13,887	7,044	-	-	20,931	20,663	39,870
Petrol	1,696	350	109	27	2,183	4,433	3,922
Diesel	95,837	4,636	299	614	101,386	88,816	88,327
LPG	52,441	6,838	7,910	27	67,216	83,133	100,246
Natural gas	921,767	198,178	36,492	667,833	1,824,271	1,797,890	1,612,984
Steam (purchased, not produced internally)	23,642	-	-	-	23,642	32,255	33,945
Chilled water	6,982	-	-	-	6,982	-	-
Heat purchased from distribution networks	69,028	-	-	6,999	76,027	90,192	88,269
Total	4,076,883	767,344	101,455	1,382,205	6,327,887	6,261,714	6,189,327



ENERGY CONSUMPTION PER TONNE OF PRODUCT (GJ/t)



ENERGY CONSUMPTION PER Km OF PRODUCT (GJ/Km)



EMISSIONS

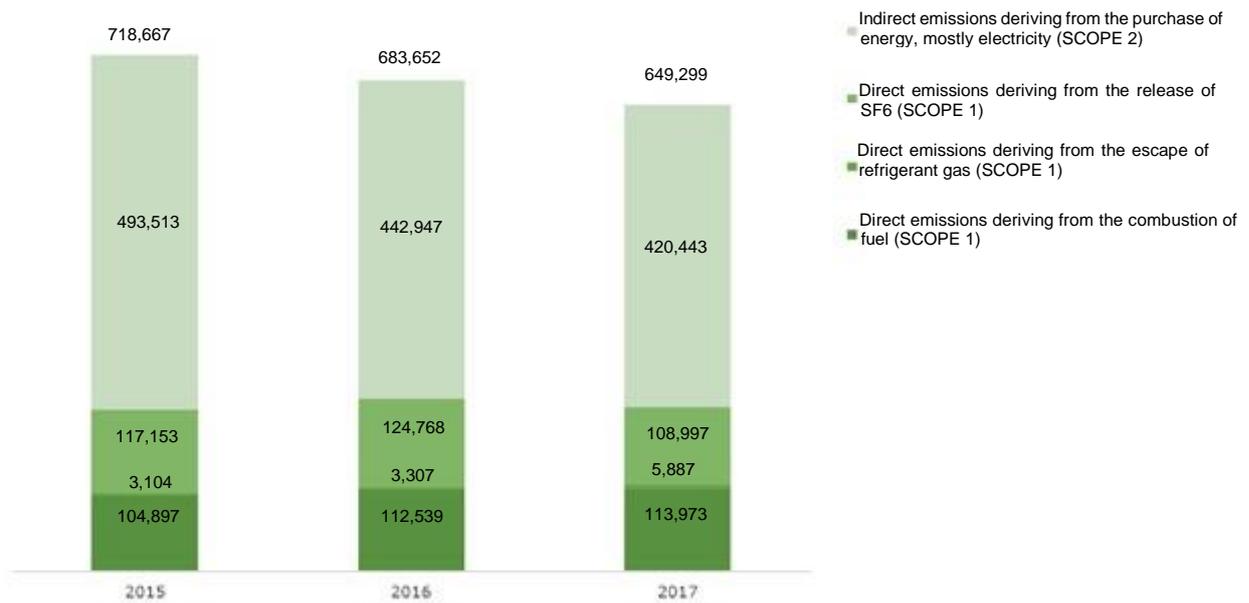
Greenhouse gas emissions, measured in tonnes of CO₂ equivalent, have been calculated using the methodologies indicated in "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition, 2004)" considering, for the Scope 1 emissions (direct greenhouse gas emissions)⁴¹, the consumption of fuels, the release of overflow refrigerant gases and the release of SF₆ and, for the Scope 2 emissions (indirect emissions of greenhouse gases), the consumption of purchased energy (mainly electricity⁴²).

Emissions totalled 649,299 tCO₂eq in 2017, down by 5% with respect to 2016. The figure is down thanks to the improvement actions carried out with the aim of recovering SF₆, which otherwise would be dispersed in the environment (see Chapter "Main initiatives to lower environmental impact"), and following the adoption of emission factors updated with regard to electricity.

⁴¹ Source of Scope 1 emission factors: GHG protocol

⁴² Main sources of Scope 2 emissions factors: for 2015 and 2016 Defra 2012, for 2017 Terna 2014 and GHG protocol

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



GREENHOUSE GAS EMISSIONS AFTER THE PURCHASE OF ORIGIN GUARANTEE CERTIFICATES

The Prysmian Group represents a multinational and diversified reality; for this reason, two main methods for accounting for emissions in Scope 2 are used: the Location-based method and the Market-based method. Both methods, described below, are recognised and required by the GHG Protocol and are necessary for the reporting of Scope 2 emissions in the "CDP's Climate Change program" starting in 2016.

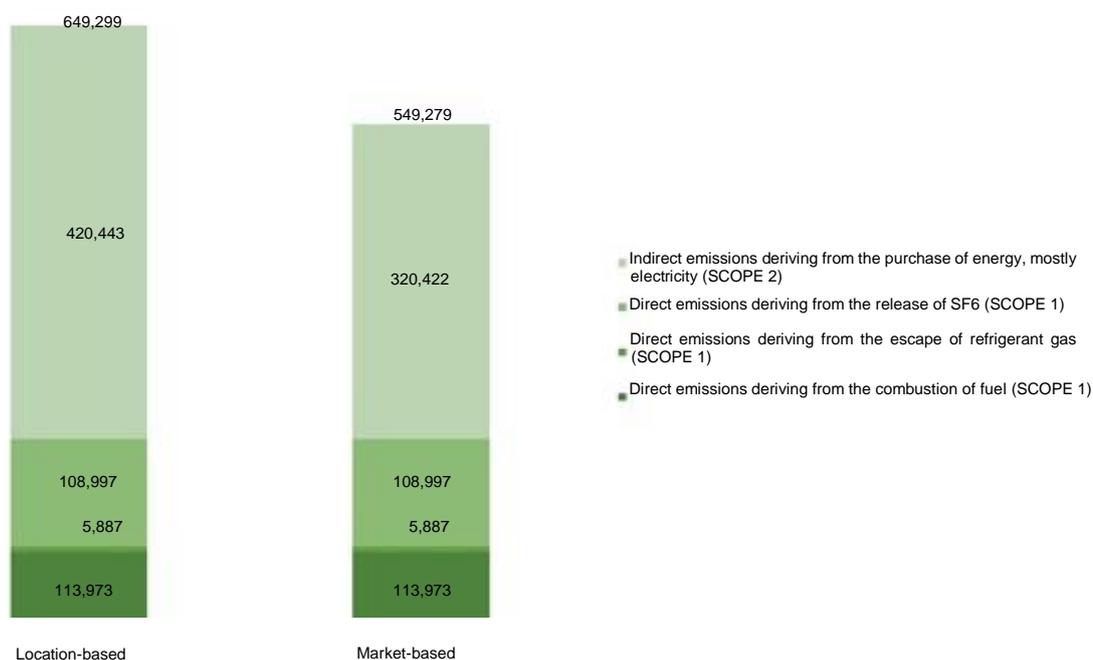
Location-based method

This is a method for quantifying Scope 2 CO₂ emissions based on average emission factors for energy generation by well-defined geographical boundaries, including local, sub-national or national boundaries.

Market-based method

This is a method to quantify the CO₂ emissions of Scope 2 based on the CO₂ emissions by the energy suppliers from which the reporter (company that compiles the report) purchases, through a contract, an electricity package. Markets differ on the contracts available for the purchase of energy or on the claim of specific attributes, but may include: guarantee certificates of energy origin and direct contracts with suppliers (RECs, GOs, I-REC, etc.); supplier-specific emission factors; default emission factors that represent uncontrolled or unclaimed energy and emissions (defined as "residual mix"); regional or sub-national medium or national emission factors.

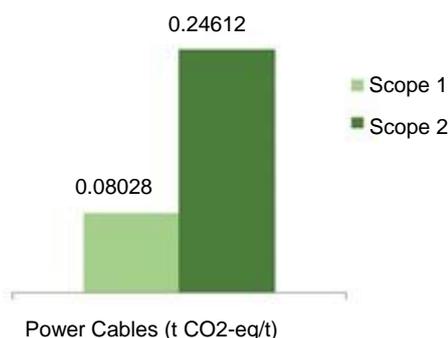
Also in 2017, the Prysmian Group purchased of Origin Guarantee certificates from some European suppliers, increasing the share of the electricity consumed by the Group from renewable sources and reducing the corresponding CO₂ emissions according to the Market-based calculation method. This initiative contributed to the decrease in CO₂ emissions generated by the Group by 7.2% compared to 2016.



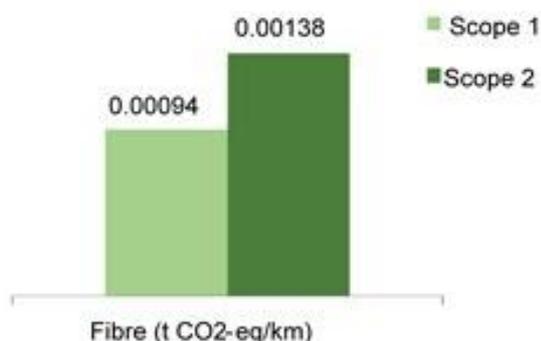
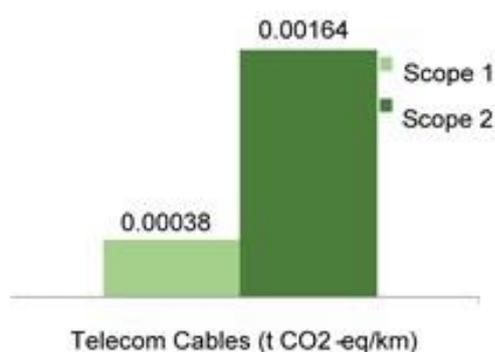
SCOPE 2 CO2 EMISSIONS Location-based and Market-based in 2017 (tCO2eq)

EMISSIONS (tCO2eq)	2017				2016	2015
	Power Cables	Telecom Cables	Accessories	Optical fibre	Group	Group
Emissions Scope 1	97,117	14,473	80,342	36,925	228,857	240,615
Direct emissions deriving from the combustion of fuel	62,417	12,228	2,569	36,759	113,973	112,539
Direct emissions deriving from the escape of refrigerant gas	3,359	2,245	117	166	5,887	3,308
Direct emissions deriving from the release of SF6	31,340	-	77,657	-	108,997	124,768
Emissions Scope 2 Location-based	304,534	55,984	5,917	54,008	420,443	442,947
Emissions Scope 2 Market-based	226,739	51,896	4,488	37,300	320,422	-
Indirect emissions deriving from the purchase of energy, mostly electricity	304,534	55,984	5,917	54,008	420,443	442,947
Total Location-based	401,651	70,456	86,259	90,933	649,299	683,562
Total Market-based	323,856	66,368	84,830	74,225	549,279	-

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



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



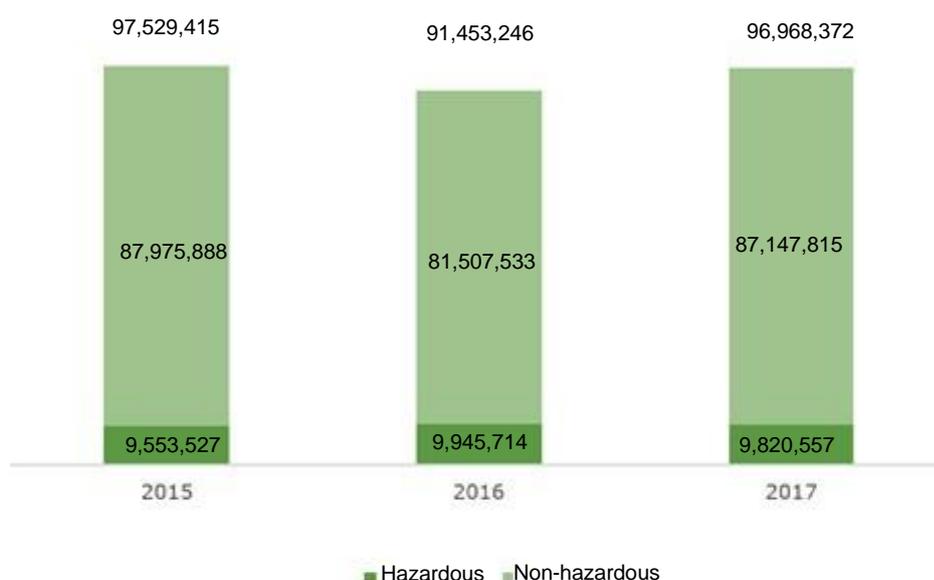
Product lines	Direct emissions deriving from the combustion of fuel	Direct emissions deriving from the escape of refrigerant gas	Direct emissions deriving from the release of SF6	Emissions Scope 1	Scope 2 - Indirect emissions deriving from the purchase of energy, mostly electricity	Emissions Scope 2	Total
Power Cables (t CO₂-eq/t)	0.05160	0.00278	0.02591	0.08029	0.24612	0.24612	0.32640
Telecom Cables (t CO₂-eq/km)	0.00032	0.00006	-	0.00038	0.00146	0.00146	0.00202
Fibre (t CO₂-eq/km)	0.00094	0.000004	-	0.00094	0.00138	0.00138	0.00232

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 quantities of waste disposed of increase by about 6%, to which the categories optical fibre and accessories contribute, while - if compared to the product - the plants of the major product categories - "Power Cables" and "Telecom Cables" - are largely stable. It should be noted that the part of waste classified as hazardous sees an opposite trend, marking a reduction of around 1.2%.

WASTE DISPOSED OF BY TYPE (Kg)

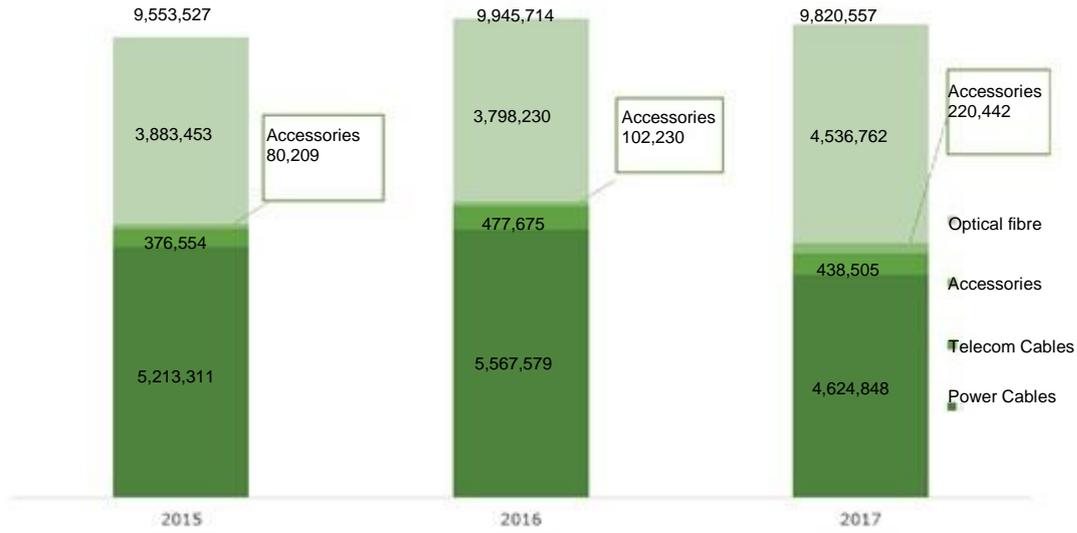


WASTE DISPOSED BY TYPE (%)			
Type of waste	2015	2016	2017
Hazardous	9.8%	10.9%	10.1%
Non-hazardous	90.2%	89.1%	89.9%
Total	100%	100%	100%

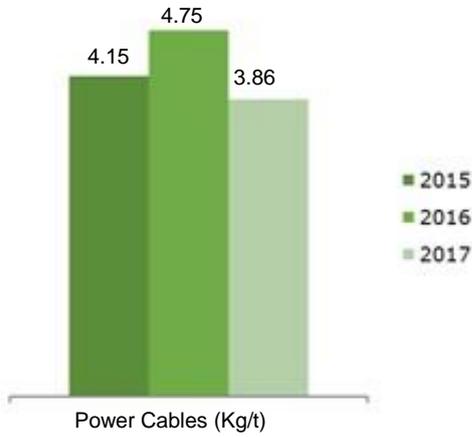
HAZARDOUS WASTE (Kg)

As previously mentioned, hazardous waste is decreasing, with the exception of the categories "Optical Fibre" and "Accessories". This is in both absolute and in relation to production. The reduction is due to several reasons, mostly linked to the disposal of certain types of waste that, not being generated constantly over time, fluctuates from one annual report to another. The principal categories of waste concerned are spent oils, emulsions from drawing tanks and machinery, processing residue and other waste generated by preventive maintenance work. Other factors to consider are the massive clean-ups that occurred in some plants the previous year, the greater use of compounds without ingredients classified as hazardous (which therefore involves waste classified as non-hazardous), the repair of oil leaks and emulsions from the circuits and the tanks that occurred the previous year - See in particular the action put in place by North Dighton and mentioned above in the paragraph "Main initiatives to lower environmental impact".

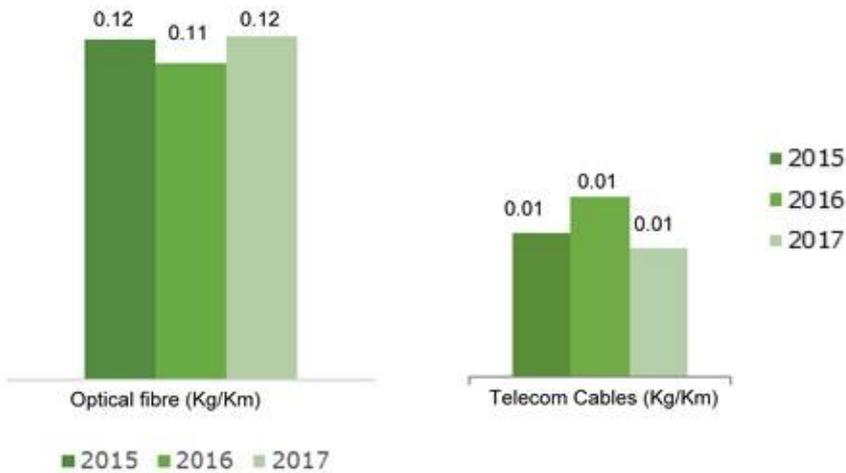
HAZARDOUS WASTE PER PRODUCT RANGE (Kg)



HAZARDOUS WASTE PER TONNE OF PRODUCT (Kg/t)



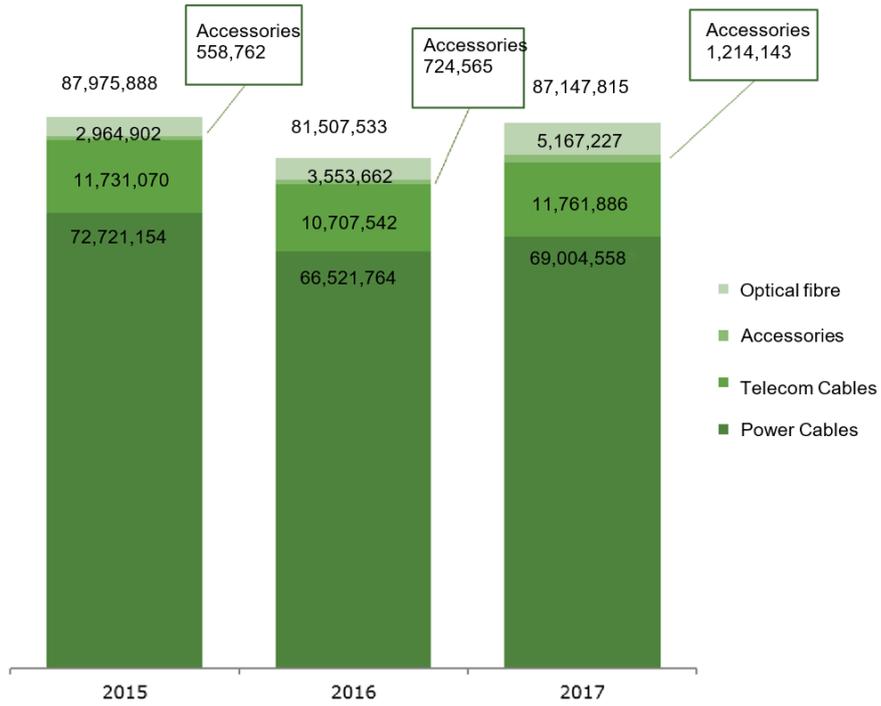
HAZARDOUS WASTE PER Km OF PRODUCT (Kg/Km)



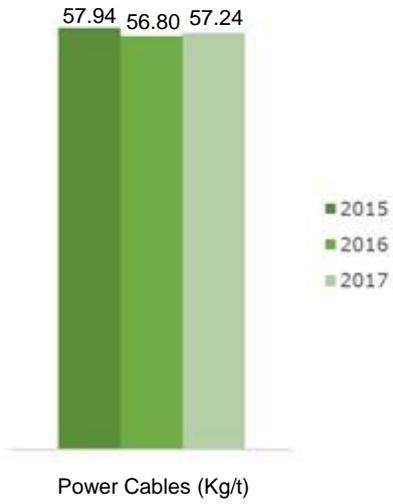
HAZARDOUS WASTE (Kg)

TYPES OF HAZARDOUS WASTE	QUANTITY DISPOSED OF IN 2017 [KG]					2016	2015
	Power Cables	Telecom Cables	Accessories	Optical Fibre	Group	Group	Group
Ingredients of hazardous compounds	118,657	-	-	-	118,657	137,713	157,013
Asbestos	193,356	-	6,670	-	200,026	34,746	49,625
Copper and aluminium sludge	242,069	14,979	-	-	257,048	363,699	274,729
Equipment containing PCBs	9,582	-	-	-	9,582	2,336	61
Solvents	53,650	14,308	3,700	55,606	127,264	128,985	138,998
Waste waxes and fats	70,892	37,996	-	-	108,888	105,679	60,419
Waste oil	384,286	12,175	48,999	7,112	452,572	428,990	433,022
Waste emulsions	2,069,265	261,993	-	-	2,331,258	2,874,910	2,292,426
Waste ink	22,991	4,917	-	-	27,908	31,251	27,153
Contaminated sawdust	31,114	19,214	-	-	50,328	39,484	66,755
Sludge or solid waste with solvents	-	-	-	10,158	10,158	10,070	10,523
Other hazardous waste	1,428,985	72,922	161,073	4,463,886	6,126,866	5,787,851	6,042,803
Total	4,624,848	438,505	220,442	4,536,762	9,820,557	9,945,714	9,553,527

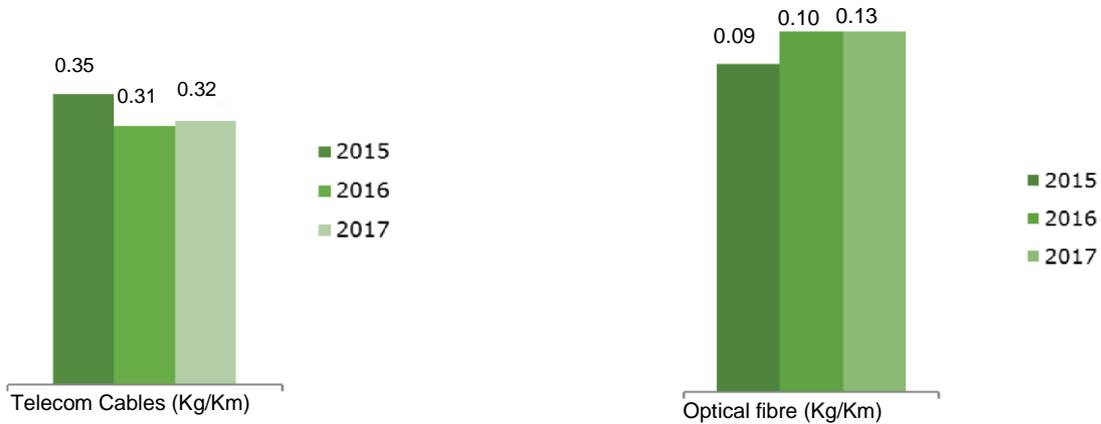
NON-HAZARDOUS WASTE PER PRODUCT RANGE (Kg)



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



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



QUANTITY DISPOSED OF IN 2017 [KG]						2016	2015
TYPES OF NON-HAZARDOUS WASTE	Power Cables	Telecom Cables	Accessories	Optical fibre	Group	Group	Group
Waste compounds	14,187,133	1,755,276	-		15,942,409	15,726,901	14,690,407
Non-hazardous packaging	9,449,319	2,823,314	415,331	251,787	12,939,751	13,794,264	15,512,046
Non-hazardous ingredients for compounds	1,313,796	-	-		1,313,796	626,251	1,054,337
Sludge from treatment of emissions	-	-	-	388,690	388,690	345,420	323,770
Sludge from cleansing of civil water	603,680	3,000	-	4,500	611,180	366,085	640,775
Sludge from cleansing of industrial water	434,718	8,402	-	1,872,565	2,315,685	1,122,376	870,006
Urban waste	10,537,876	3,561,472	391,286	811,720	15,302,353	14,712,151	15,097,228
Wood	62,718	-	-		62,718	769,360	-
Sawdust	-	-	-	275,350	275,350	64,890	-
Other non-hazardous materials	32,415,318	3,610,423	407,526	1,562,615	37,995,882	33,979,835	39,787,317
Total	69,004,558	11,761,886	1,214,143	5,167,227	87,147,815	81,507,533	87,975,886

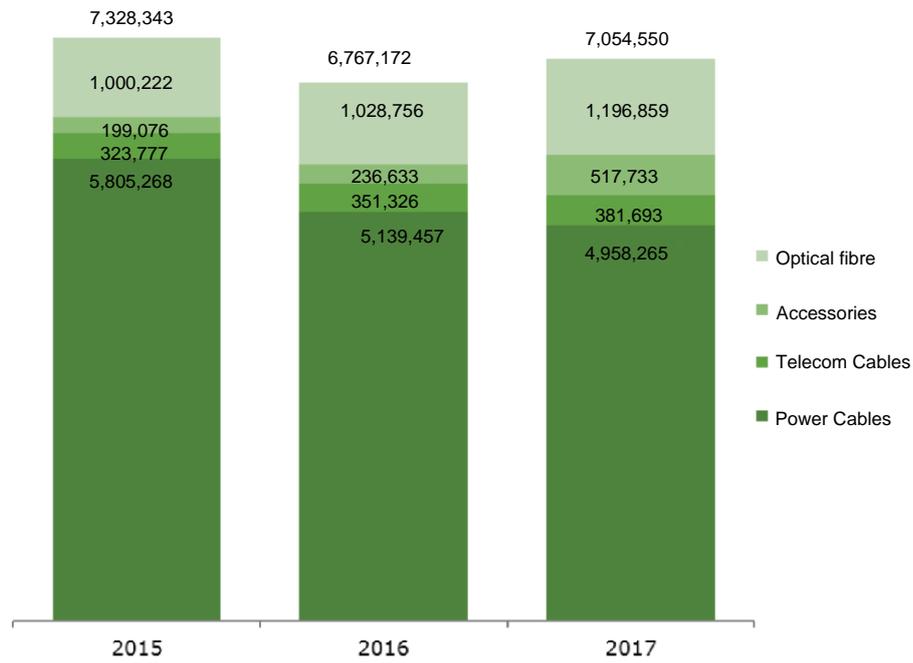
RECYCLED WASTE

With this edition of the Report, the amount of recycled waste is reported in percentages compared to the total amount of waste disposed of above: it is estimated that in 2017, the percentage of recycled waste amounted to around 50 % of the total. As this percentage refers to hazardous waste and non-hazardous waste, in the near future a more in-depth analysis will be undertaken to improve the accuracy of the estimate by keeping these two categories of waste separate.

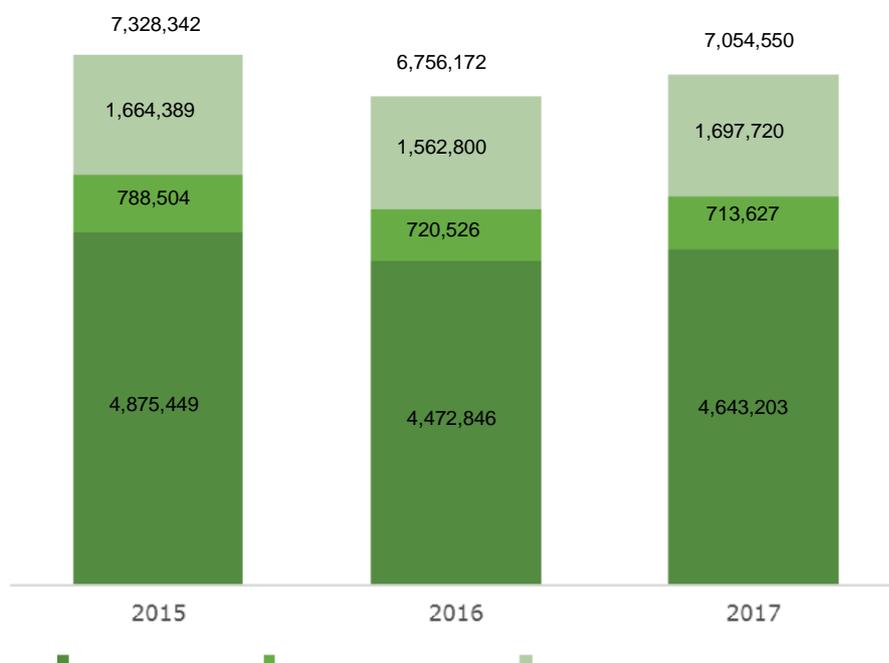
CONSUMPTION OF WATER RESOURCES

Total water consumption increased by about 4% in 2017 compared with 2016. It should be noted that the consumption of one factory - Drammen - was assumed by proportioning the one of last year on the basis of production as declared and no longer measured by the site (therefore not available and not communicated).

CONSUMPTION OF WATER RESOURCES OF THE GROUP (m³)



Product lines	2015	2016	2017
Power Cables	79.2%	76.1%	70.3%
Telecom Cables	4.4%	5.2%	5.4%
Accessories	2.7%	3.5%	7.3%
Optical fibre	13.6%	15.2%	17.0%
Total	100%	100%	100%

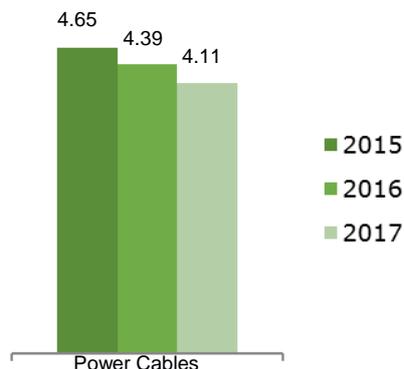
WATER CONSUMPTION, ANALYSED BY SOURCE (m³)

WATER CONSUMPTION IN 2017 BY SOURCE [m3]					2016	2015
Source	Power Cables	Telecom Cables	Accessories	Optical fibre	Group	Group
Water from wells	3,011,269	190,147	474,372	967,415	4,643,203	4,875,449
Water from other sources	682,526	9,782	11,196	10,123	713,627	788,504
Water from public water main	1,264,470	181,764	32,165	219,321	1,697,720	1,664,389
Total	4,958,265	381,693	517,733	1,196,859	7,054,550	7,328,342

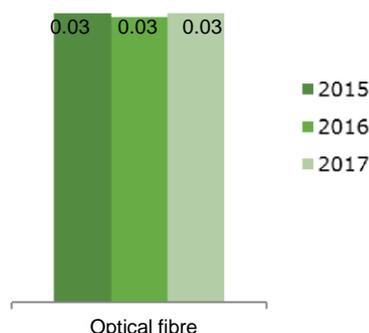
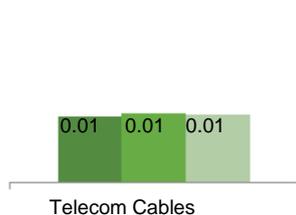
Compared to 2016, the aggregated "Power Cables" plants recorded a reduction in water consumption both in absolute terms and in relation to production, while the water consumption of the "Telecom Cables" plants increased in absolute terms and decreased if compared to production.

At a local level, in many cases the differences are due to leaks in the hydraulic pipes (if they occurred in 2016 and were then repaired they led to reductions in consumption in 2017, and conversely, if they occurred in 2017 caused the increase) or to various interventions carried out on the same hydraulic circuits. It should be noted that the sharp increase in water consumption of an "Accessories" plant is due to the start-up of this production at the end of 2016, and the start-up operations continued the following year. Actions to improve the recycling and optimisation of the use of water described in the paragraph "Main initiatives to lower environmental impact" are worth noting.

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 2017, about 80% 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 40% of these, recirculated water accounts for 99% or more of the total water used, while (about) 40% of factories recirculate between 95% and 99% of their water, just 3 % between 90% and 95% and 10% less than 90% (since their recirculation systems do not cover all their hydraulic circuits, yet). The remainder do not use hydraulic circuits or perform activities for which recirculation is not applicable.

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 SUBSTANCES

The reduction in the amount of ozone-depleting gases was found to be limited to about 1% compared to the values of last year, due to the different laws in force in the various countries where the Prysmian production facilities are located, which establish differentiated "ban" deadlines.

QUANTITY OF OZONE-DEPLETING SUBSTANCES CONTAINED IN MACHINES (Kg)	2015	2016	2017
Energy Sector	5,718	5,333	5,195
Telecom Sector	9,321	8,770	8,789
Total	15,039	14,103	13,984

A SUSTAINABLE SUPPLY CHAIN



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 2017. 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.

In line with the Group's continued commitment in relation to sustainability issues, starting from the end of 2016, Prysmian has launched structured activities for the integration of ESG factors (Environmental, Social and Governance) within its supply chain. For this purpose, an internal document called "Supply Chain Strategy" has been drawn up containing the strategic approach and the objectives of the Group.

The strategic management of the Prysmian Group supply chain is based on the following principles:

- Risk assessment
- Identification of critical suppliers
- Supplier management and performance evaluation
- Search and selection of the supplier according to standardised processes.

In relation to these, Prysmian identified and developed 3 main macro-activities for the enhancement of sustainability aspects:

- Subscription of ethical standards in the introduction of new suppliers: Code of Ethics and Code of Business Conduct, definition of Conflict Minerals Policy and Human Rights Policy;
- Sustainability assessment of the current supply chain: Sustainability Desk Analysis, Risk Analysis and self-assessment questionnaires on sustainability issues;
- Management and improvement of sustainability aspects: implementation of actions with a view to achieving the objectives included in the Sustainability Scorecard.

OUR SUPPLIERS

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 sector⁴³. Given the substantial fragmentation of the copper market, Prysmian is one of the leading economic players in the sector.

Accordingly, considering various factors, such as 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. On the one hand, Prysmian resorts to producers that are integrated as much as possible and are able to guarantee the supply in the long term, having direct access to the raw material (mines or concentrates); on the other hand, Prysmian targets all the main producers in the world, with the aim of always ensuring an efficient coverage of its needs by optimising the metal supply chain.

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 and who can guarantee greater flexibility.

Even with regard to the purchasing of aluminium, the Group has decided to focus 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.

Finally, 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.

TOTAL SUPPLIERS BY GEOGRAPHICAL AREA

In 2017, out of a total of 4,935 suppliers of "base metals" and "raw materials", approximately 66% are in the EMEA area; the remaining part is instead divided almost equally between the remaining geographical areas in line with the 2016 data.

⁴³ Source: Global data Source from Natixis, Reuters and Morgan Stanley

PERCENTAGE OF SUPPLIERS BY 2017 GEOGRAPHIC AREA

SUPPLIERS BY GEOGRAPHICAL AREA (%)	2016	2017
EMEA	65.6	66.1
North and Central America	12.2	12.8
South America	9.3	8.8
APAC	12.9	12.3
Total	100	100

GOODS AND SERVICES PURCHASED LOCALLY

In 2017, 50.5% of total Group purchases related to base metals, with the remainder split between raw materials and non-raw materials.

As confirmation of Prysmian's commitment to promoting the local purchasing culture, with reference to "non-raw materials" the percentage of goods and services purchased from local suppliers is around an average of 64.6%.

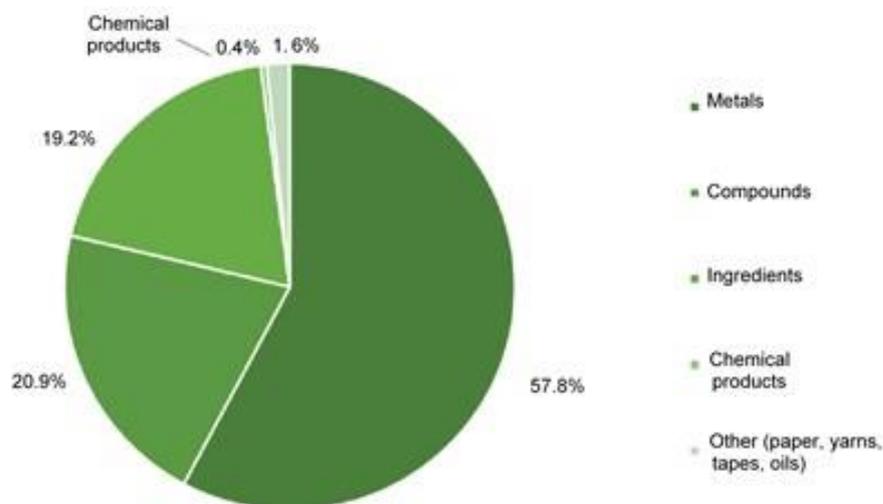
Below are the percentages of goods purchased locally, by relevant geographical area of the Group in 2017.

PERCENTAGE OF GOODS AND SERVICES PURCHASED LOCALLY IN 2017⁴⁴

GOODS AND SERVICES PURCHASED LOCALLY(%)	2017
EMEA	63.2
North and Central America	66.3
South America	73.2
APAC	71.9

⁴⁴ The calculation of the percentage excludes data relating to Italian and Corporate suppliers

RAW MATERIALS PURCHASED BY THE GROUP IN 2017 (% based on purchases in tonnes)



Raw material purchases in 2017 totalled 1,154 Ktonnes, of which 57.8% were metals in line with the quantity purchased in 2016. Once again, 11.4% of the raw materials used were sourced from recycled materials.

TOTAL RAW MATERIALS PURCHASED (KT)	2016	2017
Metals	656	667
Compounds	220	241
Ingredients	214	222
Chemical products	6	5
Other (paper, yarns, tapes, oil)	26	19
Total	1,122	1,154

A CHAIN OF RESPONSIBLE VALUE

In terms of supplier management, Prysmian qualifies 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 and reduce possible negative impact, the Group analyses all associated risks and opportunities on a centralised and integrated basis, focusing most on the critical risks.

In this regard Prysmian has renewed, in 2017, an internal analysis (Desk Analysis), developed for the first time in 2014, in which the main suppliers of the Group were assessed on the basis of sustainability criteria. Specifically, the analysis involved the Group's strategic base metals and raw material suppliers, which include strategic suppliers both from the point of view of the materials supplied and those that are relevant based on the purchase turnover. The Desk Analysis aims to analyse, through public documentation, the sustainability practices of suppliers with reference to three areas: management systems of ethical sustainability and integrity, environment, and human and labour rights. The analysis was carried out on a number of suppliers covering 55% of turnover (compared to the analysis of 2014 which covered 51%), increasing the percentage of expenditure covered by a 4% assessment with

a view to achieving the target 60% by 2020 (as indicated in the Sustainability Scorecard B.5). In relation to the Desk Analysis and referring to the macro-activities mentioned above ("Sustainability assessment of the current supply chain"), Prysmian has consequently developed a Risk Analysis on raw material suppliers.

The analysis takes into consideration both the ESG criteria identified and analysed during the Desk Analysis, and the elements linked to the business. The Risk Analysis enabled the identification of the most critical suppliers with respect to sustainability criteria to which the self-assessment questionnaire should be administered and define the 5 suppliers on which to carry out the first Sustainability Audits in order to reach the target of 20 Audits by 2020 (as indicated in the Sustainability Scorecard B.7).

The results of the Desk Analysis and the Risk Analysis are presented below, on the basis of which 9 suppliers have been identified as potentially critical for the issues assessed. Of these, 3 were subjected to on-site assessment, with the consequent definition of improvement actions. The results did not lead to a suspension of the supply relationship in any of the cases.

SUPPLIERS WITH CURRENT OR POTENTIAL IMPACT IN RELATION TO ENVIRONMENTAL CRITERIA, HUMAN RIGHTS, WORKING CONDITIONS AND SOCIETY		
Suppliers	Number of suppliers	% of spending
Evaluated suppliers	86	55%
Suppliers identified to have a current or potential negative impact	9	1.14%
Suppliers identified to have a current or potential negative impact, for which an improvement plan has been implemented	3	0.52%
Suppliers identified to have a current or potential negative impact, whose supply relationship has been suspended as a result of the assessment	0	0%

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 undertaken in prior years was continued during 2017 and new initiatives were launched. In particular, 12 quality 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 2017 were assessed using a qualification questionnaire that covers environmental, social and governance matters.

In 2017, Prysmian implemented subsequent initiatives, with a view to strengthening its commitment on sustainability matters. One example is the implementation of a new Vendor Management system that aims to track and analyse responses to supplier qualification questionnaires, Conflict Minerals risk assessment and child labour in products containing Mica. With regard to the work commenced in 2015 on the management of metals suppliers, work on their mapping, classification and involvement continued in 2017 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 of BM. Once again in 2017, 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 undertaken initiatives focusing on:

- Stability and continuity of production processes: new system for the collection of data and the monitoring of supplier service levels;
- 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 was launched in 2017 and mainly implemented throughout Europe and is now being extended to other regions, provides monthly performance indicators analysed by country/factory/supplier.

CODE OF BUSINESS CONDUCT AND OTHER POLICIES

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, business partners, sales agents, sub-contractors and distributors.

The document covers the following topics:

- business integrity (fair trade, conflicts of interest, gifts and offers of entertainment, corruption, accountability);
- human rights and workers' rights (under-age working and slavery, health and safety at work, non-discrimination, freedom of association and collective bargaining);
- environment (principle of precaution, use of raw materials and compliance, energy consumption, greenhouse gases and other emissions, use of water, production of waste and recycling).

The Prysmian Code of Business Conduct was published on the Group's website in 2015. Suppliers are also informed of its existence and Prysmian's application of the related guidelines 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. The Group's Human Rights Policy was also extended by adding a specific chapter on 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 who do not promptly satisfy the required standards.

In 2017, the Prysmian Group prepared and published the Conflict Minerals Policy document with the aim of guaranteeing its customers a "Conflict Minerals free" supply chain through the following activities:

- Identification of purchased materials / semi-finished products containing 3TG (tin, tungsten, tantalum and gold from the Democratic Republic of Congo or neighbouring countries);
- Request to all regular suppliers to disclose the origin of the minerals used in their production processes (using international formats and standards);
- Analysis of information received and implementation of corrective actions.

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 glass-based tape that contain small quantities of mica, but we do not use this mineral directly in our products and production processes. The extraction process for this mineral is considered to be at risk of under-age working, especially in geographical areas like India where large quantities are mined. The Group tackled this issue 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 2017, the Group continued analysing the results collected through the questionnaires sent to suppliers with the aim of developing increased monitoring aimed at avoiding the use of suppliers at potential risk of child labour in their supply chain.

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.

PRYSMIAN POWERLINK: AN INNOVATIVE APPROACH TO THE SUSTAINABILITY OF SUPPLIERS

Prysmian PowerLink, a Group company dedicated to the design, construction and installation of high and extra-high voltage cables and systems for the transmission of underground and submarine energy, has implemented for the past 2 years a cloud platform for managing the Vendor Management process with the goal of improving the supplier qualification process by facilitating customer-supplier communication.

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 428 registered suppliers, more than 80% have been qualified. 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 five 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 within the Prysmian Group, as it relates to the supply chain and, therefore, purchasing, highlighting the activities and topics of concern to the function and also covering aspects of the Group's Code of Business Conduct and of monitoring activities for the supply chain undertaken in recent years (self-assessment, Desk and Risk Analysis and audit). Additionally, the lesson guides 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 2017, more than 40% 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 2018 at the same level of intensity as in prior years. Furthermore, following the publication of the Sustainability Scorecard, the Prysmian Group has committed itself to achieving all the objectives declared by 2020.

SALES & OPERATIONS PLAN

"Enhanced supply chain" means providing excellent service to our customers while maintaining the connotations of flexibility, agility and adaptation to market changes, guiding the supply and production network through an increasingly optimised production allocation able to leverage the industrial Footprint of the Group.

In this context, the Supply Chain function further shaped in 2017 its organisation to support the Group's various businesses, fuelling more specific production allocations at the level of individual business applications, with intercompany flows supporting growth and production cost optimisation.

In the Telecom Optical business, the Intercompany flows reached a 35% share worldwide, and 53% at the European level, thanks to a supply chain orchestration that maximised the availability of optical fibre for the Group, in a global context that presents a lack of availability of optical fibre, despite the strong expansion of installed capacity by Prysmian.

Also in the Energy Business in 2017, Intercompany flows represented a differentiator, with a level never reached in the past of 20% of total world sales, particularly supporting growth in the Asia Pacific region.

The Supply Chain function 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 planning activity cannot be separated from the maintenance of high customer satisfaction and from another rotation of the Inventories to support cash generation.

The Prysmian Group continued the strategic focus on Customer Centricity during 2017, 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.

Very high throughout 2017, the focus on inventories and in particular on the turnover of stocks that has maintained also this year the excellent results of 2016.

OUTBOUND LOGISTICS

METHODS OF TRANSPORTATION

As regards transport, Prysmian not only gives preference to local suppliers but is also committed to optimising the transport of goods by air and by sea, as well as to selecting road hauliers that seek to implement sustainable policies and actions.

The cost of road transport - the most frequently used - is considered as a proxy and since it is the one with the greatest environmental impact, the Group has implemented a series of actions aimed at monitoring CO₂ emissions deriving from the transport of products

In 2017, the outsourcing projects of the logistics activities (3PL) were completed in North America (US and Canada) and in Australia, and the new contracts were characterised by the introduction of monitoring of their environmental impact.

The Supply Chain department defined in 2017 a series of initiatives for the monitoring and subsequent reduction of Green House Emissions in logistics (scope 3).

In particular, in the United States, Prysmian North America became in 2017 official partner of Smartway, the US environmental protection agency (EPA) that helps companies to measure and compare the sustainability levels of its Supply Chain, as well as improve the efficiency of the transport system.

The optimisation of the distribution chain has continued in 2017 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.

In 2017 the Distribution Logistics market partially stabilised with respect to last year's downturns in demand and supply. The consolidation process with the main global carriers succeeded, especially in the second half of 2017, in balancing the demand with the offer, although on the one hand there is still an excess of transport capacity for all air carriers and on the other the transport via sea has continued to show unused capacity due to the large size of fleets and containers. Prysmian has focused its activities on improving physical distribution in Europe, North America, and Oceania.

To manage all transport activities, the Group's North American subsidiary has partnered with **Transplace**, a company with a very high level of commitment to environmental sustainability. Transplace uses its own software (*Transmatch*) to optimise shipments and manage the daily execution of deliveries, including the conversion from road transport to inter-modal shipments with consolidation activities on the North American territory.

Transplace enables Prysmian to collect and monitor emissions for the entire inbound and outbound logistics process, with subsequent reporting of data to the SmartWay government agency.

In Europe, Prysmian UK has signed an agreement with **Ceva Logistics** for a 4PL contract, where logistics activities are expected to be outsourced, with advanced transport integration capabilities and the possibility to CO₂ emissions.

As in prior years, ground transportation was the main type of transport used by the Group in 2017.

This year, the Group used road transport together with rail transport; in particular, for the route to and from China / Europe: this is the so-called "New Transsiberian", which allows a significant reduction in crossing times, in addition to the considerable benefit in terms of environmental impact.

TYPES OF TRANSPORT IN PERCENTAGE⁴⁵



DRUMS MADE OF WOOD AND OTHER MATERIALS

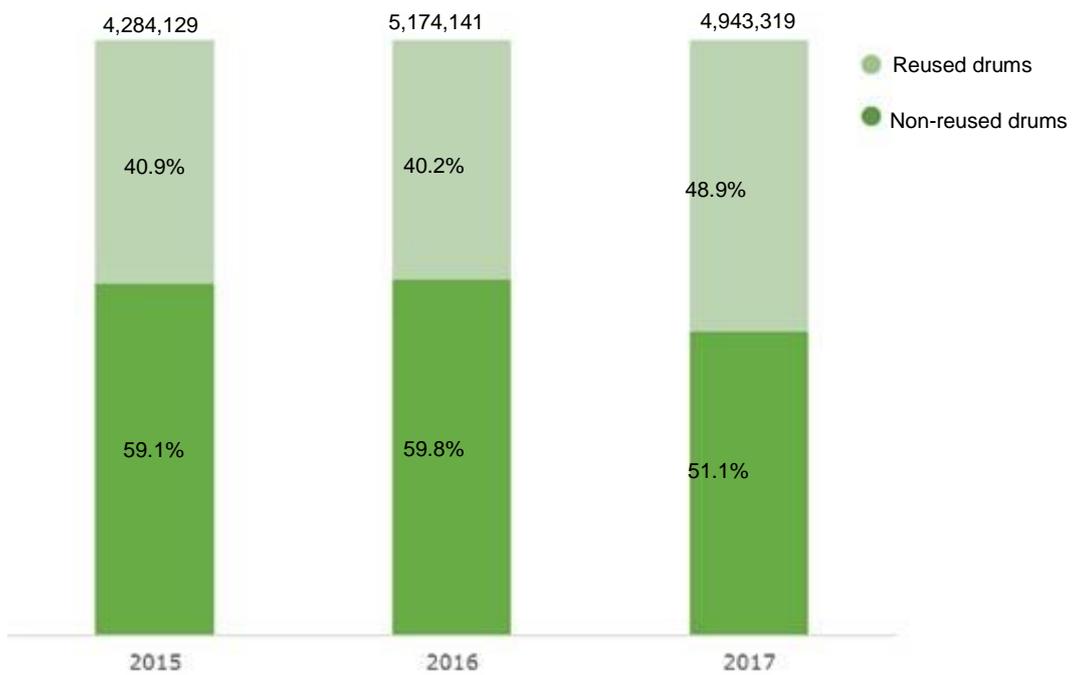
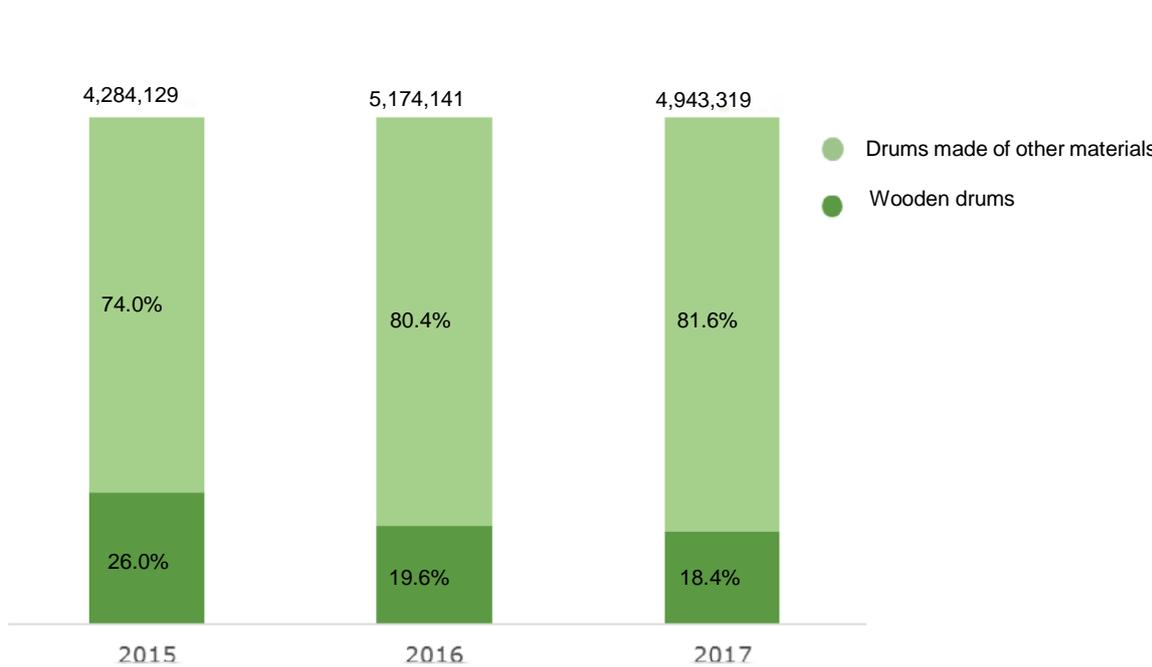
For the transport of cables, Prysmian uses plastic drums for the smallest diameters, in wood up to 3 meters and in steel for larger diameters.

In general, the choice of drum material is made based on the size and length of the cable, on criteria of optimisation of logistics flows with a view to reducing the Carbon Footprint, and also on the basis of specific requests formulated by the customer and linked to regulatory aspects specific to 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.

⁴⁵ The calculation of the percentage of transport routes is carried out on the basis of expenditure

DRUMS BY TYPE OF MATERIAL IN PERCENTAGES⁴⁶



⁴⁶ In 2017, the method for calculating the drums was based on the number of drums, and not on the expenditure as reported in the 2016 Sustainability Report

PERCENTAGE OF REUSED DRUMS

DRUMS (%)	2015	2016	2017
- wood	26.0	19.6	18.4
- different material	74.0	80.4	81.6
Total	100	100	100
- not reused	59.1	59.8	51.1
- used	40.9	40.2	48.9
Total	100	100	100

REUSED DRUMS

In 2017, the percentage of drums that were reused was 48.9%, showing an increase of 8% in the last two years. Of this percentage, 9.8% involves the reuse of wooden drums while 90.2% are drums of other material (plastic, Plastic for Fibre, etc.).

Prysmian has launched "**Drum Tracking**", an initiative for the geo-localisation of drums that is able to significantly increase the quantities of reused drums; the solution was developed with leading suppliers in the field of geo-tracking and "IoT ready" solutions.

Furthermore, the Group has entered into agreements in various countries to guarantee a flow of "Reverse Logistics" in which the return of the drums is guaranteed. For example, in the Czech Republic and Hungary Prysmian has introduced in its plants the possibility of using the German KTG system (KabelTrommel GmbH) and thus minimising the handling (and abandonment) of drums from Germany.

SUPPLY CHAIN ACADEMY

During the year, in the context of the Prysmian Academy, the Supply Chain function continued the process of training the logistics-manufacturing personnel who work for the Group's affiliates around the world. Implemented over a period of several days and using internal lecturers, the objective of the course was 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. In particular, a section dedicated to the importance of sustainability throughout the supply chain was provided in the annual session of the Professional Supply Chain course. The support in this area was provided by GreenRouter, a leading company in the field of measuring the climate impact of logistics chains.

COMMITMENTS FOR THE FUTURE

During 2018, 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.

METHODOLOGY

This document represents the Consolidated Disclosure of non financial information (hereinafter referred to as "DNF" or "Sustainability Report") prepared pursuant to Articles 3 and 4 of Legislative Decree no. 254/16 (hereinafter also the "Decree") by Prysmian S.p.A. and companies consolidated line-by-line (hereinafter also "Prysmian" or the "Prysmian Group" or the "Group") and its objective is to ensure the understanding of the organisational model, the activities, the main risks and performance indicators of the Group with regard to environmental, social, employee matters, respect for human rights and anti-corruption and bribery matters, that are relevant taking into account the activities and characteristics of the company during the 2017 financial year (from 1 January to 31 December).

The DNF covers - to the extent necessary to ensure the understanding of the business activity, its progress, its results and the impact produced by it - environmental, social, employee matters, respect for human rights and anti-corruption and bribery matters, that are relevant taking into account the Group's activities and characteristics, as illustrated in the materiality matrix contained in this document on p. 49.

This DNF was prepared in accordance with the "G4 Sustainability Reporting Guidelines" published in 2013 by the Global Reporting Initiative (GRI), "in accordance Core-option", taking into consideration the information deemed significant for the Stakeholders emerged in the materiality matrix. The "GRI Content Index" is included in annex on p. 153 with the detail of the contents reported in compliance with the GRI. Furthermore, for the preparation of the document, reference was also made to the "Guidelines on the communication of non-financial information" issued by the European Commission.

The data and information of the DNF refer to all companies belonging to the Prysmian Group as at 31 December 2017, consolidated on a line-by-line basis. Any significant limitations of the scope are expressly indicated in the document, in the information and data reported in the paragraph "Notes on the scope and methods of reporting of environmental data" on page 145 and in the table "Analysis of the scope of G4 aspects material for the Prysmian Group" on page 149. There were no significant changes in the ownership structure or size of the Group in 2017.

The process of collecting the data and information necessary for the drafting of the DNF involved various functions of the Group companies and was set up to ensure reporting in line with the principles of balance, comparability, accuracy, timeliness, clarity and reliability expressed by the GRI guidelines.

In order to allow the comparability of data and information and the assessment of the performance of the Group's business over a period of time, where possible, comparison with the 2015 and 2016 reporting periods is proposed. In addition, information relating to projects launched in the previous reporting periods that were still applicable as of 31 December 2017 is also included in the document.

Please also note that, in each chapter, any quantitative data for which estimates have been used are duly identified. The estimates are based on the best information available or on sample surveys.

The Board of Directors of Prysmian S.p.A. approved the DNF on 27 February 2018.

This document has been subjected to a limited examination, according to the principle of the International Standard on Assurance Engagement (ISAE 3000 Revised), undertaken by EY S.p.A. The audit was performed according to the procedures indicated in the "Independent Auditors' Report", included in this document.

The periodicity of the publication of the Consolidated Disclosure of non-financial information is set according to an annual frequency. The last Sustainability Report of the Group was made available on 31 March 2017.

The DNF is also available on the Prysmian website (<https://www.prysmiangroup.com/it>) in the "Media Library" section.

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
+39 0264491
sustainability@prysmiangroup.com

NOTES ON THE SCOPE AND METHODS OF REPORTING ENVIRONMENTAL DATA

The environmental indicators presented in this Report derive from a system of reporting that, compared with the scope of reporting stated, do not include data relating to the R&D laboratories, the offices and the self-owned naval fleet, as their environmental impact is low. Furthermore, the following data were not included: two production sites in Oman (Muscat and Sohar); Presov (Slovakia) for waste; Merlino (Italy), whose data could only be obtained for energy consumption; some production sites that are not completely aligned with the Group's data collection methods - namely Chiplun (India) and Grombalia (Tunisia). Finally, data from Shanghai (China) were not included, as production is still suspended. From this year the Yixing plant enters the reporting area for the first time and the Cornimont plant is in full operation (already reported the year before, limited to a few months of initial activity). The operational unit dedicated solely to the production of wire rod was also 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 (including the proportion intended for recovery and recycling), 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 not significant changes.

In this regard, it is confirmed that the above data has been subjected to a reliability analysis. In addition, it is noted that production at the Douvrin factory - required in order to quantify the environmental indices per unit of product - had been quantified in 2016 with reference to estimates, while this year it is based on measured data.

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

		Unit of measurement			
		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 product ⁽⁷⁾	GJ/Km fibre ⁽⁶⁾
Hazardous waste ⁽¹⁻²⁻³⁾	Total quantity disposed of	Kg	Kg	Kg	Kg
	Quantity disposed of/units produced	Kg/t produced ⁽⁵⁾	-	Kg/Km product ⁽⁷⁾	Kg/Km fibre ⁽⁶⁾
Non-hazardous waste ⁽¹⁻²⁾	Total quantity disposed of	Kg	Kg	Kg	Kg
	Quantity disposed of/units produced	Kg/t produced ⁽⁵⁾	-	Kg/Km product ⁽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 product ⁽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 cables and Power cables 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 Power cables 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 Power cables and Telecom cables.

(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.).

RECONCILIATION TABLE MATERIALS, ASPECTS OF THE GRI G4 AND SCOPE OF THE DECREE

Material topics	G4 aspects	Legislative Decree 254/16
Business ethics and integrity	Anti-corruption Anti-competitive Behavior	The fight against active and passive corruption Impact in the social sphere
Technological development and eco-design innovation	Products and services	Environmental issues
Solutions for sustainable applications	Products and services	Environmental issues
Governance	Governance	Business management and organisation model
Public company status and employee share plan	Employment	Social and work practices
Commitment in public and sector policies		Impact in the social sphere
Customer centricity and product quality	Product labelling	Impact in the social sphere
Risk management	DMA - General information about methods of management	Description of risks
Environmental management systems	Compliance with laws and regulations on environmental matters Expenditure and investment to protect the environment	Environmental issues
Energy consumption and emissions	Energy Emissions	Environmental issues
Waste production and recycling	Effluents and Waste	Environmental issues
Use of the water resource	Water	Environmental issues
Use of raw materials	Materials	Environmental issues
Sustainability within the supply chain	Procurement practices Supplier Environmental Assessment Supplier Human Rights Assessment Supplier Assessment for Impacts on Society Supplier Assessment for Labor Practices Transport	Environmental issues Impact in the social sphere
Environmental impact of logistics and transport	Transport	Environmental issues
Human rights and workers' rights	Supplier Human Rights Assessment Supplier Assessment for Impacts on Society Supplier Assessment for Labor Practices Occupational Health and Safety	Respect for human rights
Ability to attract talent and skills development	Employment Training and education	Social impact Aspects of personnel management
Multiculturalism, diversity and equal opportunity	Diversity and equal opportunity Equal remuneration for men and women	Impact in the social sphere
Industrial relations	Labor/Management relations	Impact in the social sphere

Health and safety at work	Occupational Health and Safety	Social impact Aspects of personnel management
Corporate citizenship	Economic performance	Impact in the social sphere
Economic impacts	Economic performance Market presence	Impact in the social sphere

ANALYSIS OF THE SCOPE OF G4 ASPECTS MATERIAL FOR THE PRYSMIAN GROUP

Concerning the reporting of the internal perimeter, the limitations are indicated on a regular basis in the "Notes on the scope and method of reporting environmental data" and in correspondence with each table, where necessary.

Reporting is not extended to the external scope.

GRI G4 material aspects	Scope of aspect materiality	
	Internal	External
Economic category		
Economic performance	Group	-
Market presence	Group	-
Procurement practices	Group	-
Environmental category		
Materials	Group	-
Energy	Group factories	Suppliers
Water	Group factories	-
Emissions	Group factories	Suppliers
Effluents and Waste	Group factories	-
Products and services	Group	-
Transport	Group	Suppliers
Compliance with laws and regulations on environmental matters	Group	-
Expenditure and investment to protect the environment	Group	-
Supplier Environmental Assessment	Group	Suppliers
Social category		
Employment	Group	-
Labor/Management relations	Group	-
Occupational Health and safety	Group	Suppliers
Training and education	Group countries	-
Diversity and equal opportunity	Group countries	-
Equal remuneration for men and women	Group countries	-
Supplier Assessment for Labor Practices	Group	Suppliers

GRI G4 material aspects	Scope of aspect materiality	
	Internal	External
Supplier Human Rights Assessment	Group	Suppliers
Anti-corruption	Group	-
Anti-competitive Behavior	Group	-
Supplier Assessment for impacts on Society	Group	Suppliers
Product labelling	Group	-

GRI CONTENT INDEX

The following table presents the performance indicators in conformity with the «G4 Sustainability Reporting Guidelines», according to 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 / Notes	Omissions
General standard disclosure			
Strategy and analysis			
G4 - 1	Statement by the Chief Executive Officer	4-5	
Organizational Profile			
G4 - 3	Name of the organisation	7	
G4 - 4	Primary brands, products and services	7-10	
G4 - 5	Organization's headquarter	7	
G4 - 6	Countries of operation	7; 11-12	
G4 - 7	Ownership structure and legal form	7	
G4 - 8	Markets served	7-12	
G4 - 9	Scale of the Organisation	7-12; 82-83	
G4 - 10	Employment by type of contract, gender, geographical area, level	83-86	
G4 - 11	Percentage of employees covered by collective bargaining agreements	104	
G4 - 12	Description of the organisation's supply chain	131-132	
G4 - 13	Significant changes in the size, structure, ownership or supply chain of the organisation	143-144	
G4 - 14	Application of a prudent approach to risk management	33-34	
G4 - 15	Adoption of external codes and standards on economic, social and environmental matters	31-32	
G4 - 16	Membership of trade associations or organisations	21	
Identified material aspects and boundaries			
G4 - 17	List of entities included in the consolidated financial statements and those not included in the sustainability report	143-145;	
G4 - 18	Description of the process for determining the content of the report	143-144; 46-50; 149-150	
G4 - 19	Material aspects identified	49-50; 148-149	
G4 - 20	Material aspects within the organisation	49-50; 149-150	
G4 - 21	Material aspects outside the organisation	49-50; 149-150	
G4 - 22	Changes to information compared with the last report	143-144	
G4 - 23	Significant changes in terms of objectives and scope compared with the last report	143-144	
Stakeholder engagement			
G4 - 24	Categories and groups of stakeholders involved by the organisation	46-47	
G4 - 25	Process of identifying stakeholders	46-47	
G4 - 26	Approaches to stakeholder engagement, including frequency and types of activity	16; 48-49	
G4 - 27	Key aspects identified by the engagement of stakeholders	47-49	
Report profile			
G4 - 28	Reporting period covered	143-144	
G4 - 29	Date of publication of the previous report	143-144	
G4 - 30	Reporting cycle	143-144	
G4 - 31	Contacts for information about the report	143-144	
G4 - 32	GRI Content Index	151-155	
G4 - 33	Policies and practices regarding external assurance	143-144	
Governance			

Indicator		Page / Notes	Omissions
General standard disclosure			
G4 - 34	Governance structure	24-27	
G4 - 35	Delegation of responsibility for economic, social and environmental matters	26-27	
G4 - 38	Composition of the highest governing body and its committees	24-26	
G4 - 39	Executive duties of the Chairman of the highest governing body	24-26	
G4 - 41	Prevention and management of conflicts of interest within the highest governing body	24-26	
G4 - 42	Role of the highest governing body and senior managers in the development, approval and updating of the organisation's purpose, value or mission, strategies, policies and objectives related to its economic, environmental and social impact.	26-27	
G4 - 46	Role of the highest governance body in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social issues	24-25	
G4 - 48	The highest committee or position that formally reviews and approves the sustainability relationship of the organisation and ensures that all the Material aspects are covered	143-144	
G4 - 51	Remuneration policies for the highest governance body and senior executives	96-99	
Ethics and integrity			
G4 - 56	Values, principles, standards and rules of behaviour of the organisation	19; 31-32; 51-54	
G4 - 58	Internal and external mechanisms for reporting conduct that violates ethical standards or principles	54	

Indicator		Page / Notes	Omissions
Specific standard disclosure			
Economic category			
Economic performance			
G4-DMA	General information about methods of management	7	
G4 - EC1	Direct economic value generated and distributed	55-56	
G4 - EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	112-114	
Market presence			
G4-DMA	General information about methods of management	96-97	
G4 - EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	97-98	
Procurement practices			
G4 - DMA	General information about methods of management	131	
G4 - EC9	Proportion of spending on local suppliers at significant locations of operation	132-133	
Environmental category			
Materials			
G4 - DMA	General information about methods of management	132-134	
G4 - EN1	Materials used by weight or volume	133-134	
Energy			
G4 - DMA	General information about methods of management	112-116	

Indicator		Page / Notes	Omissions
Specific standard disclosure			
G4 - EN3	Energy consumption within the organization	117	
G4 - EN5	Energy intensity	118	
Water			
G4-DMA	General information about methods of management	112-116; 126-127	
G4 - EN8	Total water withdrawal by source	128	
G4 - EN10	Percentage and total volume of water recycled and reused	129	
Emissions			
G4 - DMA	General information about methods of management	112-116; 118-119	
G4 - EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	119-120	
G4 - EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	119-120	
G4 - EN18	Greenhouse gas (GHG) emissions intensity	121	
Effluents and waste			
G4 - DMA	General information about methods of management	112-116; 121-126	
G4 - EN23	Total weight of waste by type and disposal method	121-122	The amount of waste is not available by type of disposal
Products and services			
G4 - DMA	General information about methods of management	57-69	
G4 - EN27	Extent of impact mitigation of environmental impacts of products and services	64-65 (qualitative indicator)	
G4 - EN28	Percentage of products sold and their packaging materials that are reclaimed by category	140-142	
Compliance (with laws and regulations on environmental matters)			
G4-DMA	General information about methods of management	112-116; 33-41	
G4 - EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No significant fines or penalties for environmental matters were received during the year	
Transport			
G4 - DMA	General information about methods of management	139-142	
G4 - EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	139-140	
Overall (Expenditure and investment to protect the environment)			
G4 - DMA	General information about methods of management	112-116	
G4 - EN31	Total environmental protection expenditures and investments by type	112-115	
Supplier Environmental Assessment			
G4 - DMA	General information about methods of management	131-139	
G4 - EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	134-136	

Indicator		Page / Notes	Omissions
Specific standard disclosure			
Category - Social			
Sub-category: working practices and suitable working conditions			
Employment			
G4 - DMA	General information about methods of management	80-81	
G4 - LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	86-87	
G4 - LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	100-101	
Labor/Management relations			
G4 - DMA	General information about methods of management	104-105	
G4 - LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	In compliance with local legislation and the contractual forms agreed with local trade union representatives	
Occupational Health and Safety			
G4 - DMA	General information about methods of management	80-81; 105-107	
G4 - LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region and by gender	105-107	
Training and education			
G4 - DMA	General information about methods of management	80-81; 88-91	
G4 - LA9	Average hours of training per year per employee by gender, and by employee category	89-89	
G4 - LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	93-96	
G4 - LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	91	
Diversity and equal opportunity			
G4 - DMA	General information about methods of management	80-86; 101-102	
G4 - LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	24; 82-86	
Equal remuneration for women and men			
G4 - DMA	General information about methods of management	96-97; 101-102	
G4 - LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	102-103	
Supplier Assessment for Labour Practices			
G4 - DMA	General information about methods of management	131-138	
G4 - LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	134-136	
Sub-category: Human Rights			
Supplier Human Rights Assessment			
G4 - DMA	General information about methods of management	131-138	

Indicator		Page / Notes	Omissions
Specific standard disclosure			
G4 - HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	134-137	
Sub-category: Society			
Anti-corruption			
G4 - DMA	General information about methods of management	51-54	
G4 - SO4	Communication and training on anti-corruption policies and procedures	52-53	
Anti-competitive Behavior			
G4 - DMA	General information about methods of management	51-54	
G4 - SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	39-41; 53	
Supplier Assessment for Impacts on Society			
G4 - SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	134-136	
Sub-category: Product responsibility			
Product labelling			
G4 - DMA	General information about methods of management	74-78	
G4 - PR5	Results of surveys measuring customer satisfaction	74-77	
Non material: Customer privacy			
G4 - DMA	General information about methods of management	53-54; 74-78; 80	
G4 - PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	53-54	

AUDITORS' REPORT



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Independent auditors' report on the consolidated disclosure of non-financial information in accordance with article 3, par. 10, of Legislative Decree 254/2016 and with article 5 of Consob Regulation adopted with Resolution 20267
(Translation from the original Italian text)

To the Board of Directors of
Prysmian S.p.A.

We have performed a limited assurance engagement pursuant to article 3, paragraph 10, of Legislative Decree 30th December 2016, n. 254 (hereinafter "Decree") and article 5 of Consob Regulation adopted with Resolution 20267, on the consolidated disclosure of non-financial information of Prysmian S.p.A. and its subsidiaries (hereinafter the "Group") for the year ended on 31st December 2017 in accordance with article 4 of the Decree approved by the Board of Directors on 27th February 2018 (hereinafter "DNF").

Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "G4 Sustainability Reporting Guidelines", issued in 2013 by GRI - Global Reporting Initiative (hereinafter "GRI G4 Guidelines"), identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or non-intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the International Standard on Quality

EY S.p.A.
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Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the GRI G4 Guidelines. Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This standard requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant topics in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the DNF with those included in the Prysmian Group's consolidated financial statements;
4. understanding of the following aspects:
 - o group's management and organization business model, with reference to the management of the topics indicated in article 3 of the Decree;
 - o policies adopted by the Group related to the matters indicated in article 3 of the Decree, results achieved and related key performance indicators;
 - o main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

With regards to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below.

5. Understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.

In particular, we have conducted interviews and discussions with the management of Prysmian S.p.A., Prysmian Powerlink S.r.l., Fibre Ottiche Sud F.O.S. S.r.l. and Prysmian Cables &



Systems Ltd and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

Furthermore, for significant information, considering the Group activities and characteristics:

- at Group level
 - a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
 - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- For the following companies, divisions and sites, Prysmian Powerlink S.r.l. (operative site of Arco Felice), Fibre Ottiche Sud F.O.S. S.r.l. (operative site of Battipaglia), Prysmian Cables & Systems Ltd (operative site of Bishopstoke), that we have selected based on their activity, relevance to the consolidated performance indicators and location, we have carried out site visits during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Prysmian Group for the year ended on 31st December 2017 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI G4 Guidelines.

Other Information

The Group has prepared a Sustainability Report for the year ended on 31st December 2016; such data are presented for comparative purposes in the DNF. This Sustainability Report has been subject to voluntary limited assurance procedures in accordance with ISAE 3000 Revised by another auditor, that has expressed an unqualified conclusion.

Milan, 12th March 2018

EY S.p.A.
Signed by: Pietro Carena, Partner

This report has been translated into the English language solely for the convenience of international readers.

